

**REPORT OF THE NEED ASSESSMENT SURVEY ON
PUBLIC FINANCE AND BUDGET TRANSPARENCY IN
SIERRA LEONE – JULY 2006**

RESEARCHERS:

1. SONNIA-MAGBA BU-BUAKEI JABBI
LOCAL CONSULTANT

2. SALIA KPAKA
RESEARCH ASSISTANT
NATIONAL ACCOUNTABILITY GROUP (NAG)

TABLE OF CONTENTS:

LIST OF ACRONYMS

LIST OF BOXES

SECTION ONE

1.0 Introduction

1.1 Context

SECTION TWO

SURVEY METHODOLOGY

2.0 Objectives

2.1 Sample

2.2 Methodology

2.3 Processing of Data

2.4 Constraints

SECTION THREE

RESULTS OF THE NEED ASSESSMENT SURVEY

3.0 Overview

3.1 Results

SECTION FOUR

A FOCUS ON THE GOVERNMENT BUDGET

4.0 Overview of the Economy

4.1 Sectors of the Economy

4.2 Sources of Information for Performance Assessment

4.3 The General Government

4.3.1 Levels of Government

4.3.2 Responsibilities of the levels of Government

4.4 The Government Budget

4.4.1 What is the Government Budget?

4.4.2 The Budget as a Map

4.4.3 The Budget as a Policy Instrument

4.4.4 The Budget as a Management Tool

4.4.5 The Importance of the Budget

- 4.4.6 What should the Public know about the Budget?
- 4.4.7 Components of the Budget
- 4.5 Government Revenues
 - 4.5.1 Tax Revenues
 - 4.5.2 Reasons for Levying Tax
 - 4.5.3 Type of Taxes
 - 4.5.6 Direct Taxes
 - 4.5.7 Examples of Direct Taxes in Sierra Leone
 - 4.5.8 Indirect Taxes
 - 4.5.9 Examples of indirect taxes in Sierra Leone
 - 4.5.10 Non-tax Revenues
 - 4.5.11 Who Collects Taxes and Non-Taxes on behalf of Government
 - 4.5.12 Grants
 - 4.5.13 Loans
- 4.6 Government Expenditures

SECTION FIVE

THE POLICY AND LEGAL FRAMEWORK

- 5.0 Economic Policy and Budgeting
 - 5.1 What is the Government Budget based on?
 - 5.2 The Legal Framework
 - 5.2.1 What is the Legal Basis of the Budget?
 - 5.2.2 The Central Government
 - 5.2.3 The Revenue Aspect
 - 5.2.4 Which monies go into the Consolidated Fund?
 - 5.2.5 Which Monies are not parts of the Consolidated Fund? S111-(2)
 - 5.2.6 The Expenditure Side
 - 5.2.6.1 What can monies in the Consolidated Fund be used for? [S111-(3)]
 - 5.2.6.2 Exception S113
 - 5.2.7 District Budget Oversight Committees
 - 5.2.8 What are their Functions or Roles?
 - 5.2.9 What is the Composition of this Committee?
 - 5.2.10 What provisions are made for the participation of civil society?
 - 5.2.11 At the Local Level
 - 5.2.11.1 What is the Legal Basis for the Budget at the Local Level?
 - 5.2 Conclusion
 - 5.3.1 What are some of the limitations in the Current Legal Framework?

SECTION SIX

THE BUDGET PROCESS

6.0 What is the Budget Process?

6.1 How many Stages have the Budget Cycle?

6.2 Stage 1: Budget Formulation

6.2.1 What is done at the Budget Formulation Stage?

6.2.2 What steps are involved in the Budget Formulation Stage?

6.2.3 Step 1: Budget Planning and Preparation

6.2.4 Step 2: The Budget Call Circular

6.2.5 What is the Budget Call Circular?

6.2.6 Step 3: Formulation of Strategic Plans and the PRSP

6.2.7 Rationale for the Preparation of Strategic Plans

6.2.8 What is the Poverty Reduction Strategy Paper (PRSP)?

6.2.9 Step 4: The Medium Term Expenditure Framework (MTEF) Process

6.2.10 Rationale for/Objective of the MTEF Process

6.2.11 Medium Term Expenditure Framework-Technical Committee (MTEF/TC)

6.2.12 Role of the MTEF/TC

6.2.13 Step 5: Budget Discussions and Policy Hearings

6.2.14 Who attends Budget Discussions?

6.2.15 What Happens after Budget Discussions?

6.3 Stage 2: Budget Enactment

6.3.1 What is done at the Budget Enactment Stage?

6.3.2 What is the Process involved at the Budget Enactment Stage?

6.3.2.1 Reading and Adoption of the budget - Legal Provisions supporting this stage of the process

6.3.3 The Appropriations Bill to be placed in the Gazette

6.3.4 When should the Budget be presented to Parliament?

6.3.5 What does Parliament do when presented with the Proposed Budget?

6.3.6 How is the Budget Adopted at the Local Government Level?

6.4 Stage 3: Budget Execution

6.4.1 What is done at the Budget Execution Stages?

6.4.2 Principles of Budget Execution

6.4.3 Budget Execution Systems

6.5 Stage 4: Budget Auditing and Assessment

6.5.1 What happens at the Budget Auditing and Assessment Stage?

6.5.2 What Institutions are set up to monitor the Budget?

SECTION SEVEN

THE ROLES OF THE DIFFERENT STAKEHOLDERS IN THE BUDGET PROCESS

7.0 Role of Ministries/Departments and Agencies (MDA) in the Budget Process.

7.1 Role of Civil Society in the Budget Process

7.2 The Role of Budget Oversight Committees/Citizens in the Budget Process

7.3 Benefits of Civil Society/Citizens Participation in the Budget Process

SECTION EIGHT

BUDGET TRACKING, MONITORING AND EVALUATION

8.0 Objectives

8.1 Importance of Monitoring Budget Execution/Performance

8.2 What to Monitor

8.3 What to bear in Mind in Budget Monitoring

8.4 Budget Analysis and Monitoring

8.4.1 Tools of Budget Analysis and Monitoring

8.4.2 Share of the total

8.4.3 Growth in budgets

8.4.4 Per capita amounts

8.4.5 Proportion of the Budget spent

8.4.6 All the Tools /Calculations

8.4.7 Problems of Budget Monitoring/oversight and Evaluation in Sierra Leone

SECTION NINE

A FOCUS ON THE MDGs AND THE PRSP PROCESS

9.0 Introduction

9.1 The Millennium Development Goals (MDGs)

9.1.1 Monitoring Progress towards the MDGs

9.1.2 Development context

9.1.3 Status and trend towards Goals and Supportive Environment

9.1.4 Addressing poverty

9.1.5 Food security

9.1.6 Education

9.1.7 Gender Equity

9.1.8 Health Issues

9.2 The PRSP Process

9.2.1 Introduction

9.2.2 Preparing the PRSP

9.2.3 Poverty in Sierra Leone

9.2.4 Macro Economic Development and Structuring Reforms

9.2.5 Macro Economic Policy

9.2.6 Fiscal Policy

- 9.2.7 Growth and Poverty
- 9.2.8 Poverty Reduction Strategy
- 9.2.9 Cost and Financing of the PRSP
- 9.2.10 Implementing the PRSP and Building Capacity
- 9.2.11 Monitoring and Evaluation
- 9.2.12 Effects of the PRSP

SECTION TEN

WEST AFRICAN BUDGET TRANSPARENCY INITIATIVE (WABTI) – INSTITUTIONAL AND OPERATIONAL PROFILE AND EVOLUTION

- 10.0 Background
- 10.1 WABTI's Agenda for Action
- 10.2 WABTI's Mission
- 10.3 WABTI's Goals

SECTION ELEVEN

SUGGESTED TRAINING MODULES FOR LOCAL COUNCILS/PARLIAMENT AND CSOs/NGOs IN SIERRA LEONE

- 11.0 Introduction
- 11.1 The Budget Process
- 11.2 Budget Oversight and Auditing
- 11.3 Public Finance
- 11.4 Anti-Corruption Initiatives
- 11.5 Suggested Trainee Organizations

SECTION TWELVE

ANALYSIS

- 12.0 Introduction
- 12.1 Corruption
- 12.2 Political Favouritism
- 12.3 Weak and Ineffective Judiciary
- 12.4 Lack of Transparency and Accountability
- 12.5 Poor Procurement Process and Lack of Privation
- 12.6 General Comments

SECTION THIRTEEN

FINDINGS, OBSERVATIONS AND RECOMENDATIONS

- 13.0 Findings and Observations and Recommendations
- 13.1 General Observations
 - 13.1.2 Civil Society Organizations and Non Governmental Organizations
 - 13.1.3 Local Councils and Parliament
- 13.2 Recommendations
 - 13.2.1 General Recommendations
 - 13.2.2 Recommendations Regarding the Poverty Reduction Strategy and Millennium Development Goals

SECTION FOURTEEN

CONCLUSION

- 14.0 Conclusion

LIST OF ACRONYMS

NO	ACRONYM	MEANING
1	CSOs	Civil Society Organizations
2	GDP	Gross Domestic Product

3	GFS	Government Finance Statistics
4	IMF	International Monetary Fund
5	LGA	Local Government Act
6	MDAs	Ministries Departments and Agencies
7	MDGs	Millennium Development Goals
8	MOF	Ministry Of Finance
9	MTEF	Medium Term Expenditure Framework
10	NAG	National accountability Group
11	NGOs	Non-Governmental Organizations
12	NRA	National Revenue Authority
13	PAYE	Pay As You Earn
14	PEM	Public Expenditure Management
15	PETS	Public Expenditure Tracking Survey
16	PRSP	Poverty Reduction Strategy Paper
17	RSLAF	Republic of Sierra Leone Armed Forces
18	SSL	Statistics Sierra Leone
19	VAT	Value Added Tax

LIST OF TABLES

NO	TABLE	DETAILS
1	Table 1	Duration for which organizations have been working on the budget
2	Table 2	Percentage of organizations monitoring the National/Local budget
3	Table 3	Millennium Development Goals (MDGs)

LIST OF BOXES

NO	BOX	DETAILS
1	Box 1	Percentage of share of spending
2	Box 2	Growth of budget
3	Box 3	Per capita spending

SECTION ONE

1.0 Introduction

In this project, a need assessment Survey on public finance and budget transparency reform process in Sierra Leone was implemented. This was achieved through the soliciting of information from budget oversight committees in local councils, parliament and Civil Society Organizations / Non Governmental Organizations (CSOs/NGOs), as to their views about public finance and budget transparency reform processes in the country and their training needs in these areas. Meanwhile, official documents like recommendations from national workshops, written materials on fiscal policy, the Poverty Reduction Strategy Paper (PRSP) and the Millennium Development Goals (MDG) were also solicited from the central government through the ministries of finance and development.

1.1 Context

Formulation of fiscal policy in Sierra Leone remains a mystery to nearly the entire country except those involved in its negotiation process at the highest levels. Throughout Sierra Leone's history and up to date, fiscal policy has not been developed in a participatory or representative manner. It has been largely formulated by powerful elites comprised of cabinet ministers, commercial and international business interests. Therefore the fiscal policy, especially the policy concerning national expenditure, has only reflected the needs of the most powerful, wealthy and influential. The poorest and most marginalized in society, specifically women and youth, have remained excluded from, neglected by, and unaware of fiscal public finance and budgetary allocation and the direct role it plays in their day to day lives. A number of informed Sierra Leoneans have come to recognize that the current budget policy and public finance reform process must be re-examined and made more transparent and participatory for all citizens, but do not know where to start. The budget advocacy and monitoring skills of the leading civil society organizations and local council budget oversight committees are still in their infancy and there is yet to be a proper understanding of the mystified fiscal policy formulation including revenue generation, budget allocation and effective public finance management.

Meanwhile, a number of problems continue to impede any substantial progress to be made by civil society involvement. The regulatory and customary frameworks of public financing in Sierra Leone do not require citizens' engagement in the process, and a lack of civil society capacity to effectively analyze and evaluate budget policies and the execution of public finance management serves to hinder effective advocacy.

According to the Constitution, budget estimates are made by the Executive and passed on to the Legislature for approval, and then signed as an Appropriation Law. In the process, however, the views of the people are not sought and therefore only a handful of politicians and bureaucrats set the national financial agenda and its priorities. Empirical

evidence demonstrates that budgets in Sierra Leone are implemented more by default than through compliance.

Furthermore, no accounting or reporting mechanisms are in place to make available how and where the appropriated sums in a year have been spent before new proposals are made for approval for the following year. Much of the valuable information about budgeting and control of public resources is shrouded in technical language, in incomparable formats, and is simply unavailable to the general public.

The result is that budgets described in laudatory terms at the beginning of the year bring only increased misery and pauperization for the majority. As a result, Sierra Leoneans get little value for budgeted sums in the implementation process as vast quantities of money, mostly borrowed from international institutions, are squandered. Unbelievable mazes of figures are reeled out each year, while citizens are left wondering where the resources were spent at the end of the year.

Amelioration of this situation is not easy due to the following structural constraints:

- Lack of legal structure for accessing public information: It is extremely time-consuming to obtain any official documents from government agencies and ministries in Sierra Leone. Inadequate legal protection for access to public information allows civil servants to maintain the status quo.
- Unreliable official statistics and data: The statistics that emanate from government offices are often unreliable. They tend to give the dishonest impression that all is well, the standard of living is rising and the economy is improving when the opposite is in fact true.

Recent events, however, offer a glimmer of hope for a more transparent and participatory budgeting process. On June 22, 2005 the Minister of Finance expressed during a meeting on the Medium Term Expenditure Framework (MTEF) for Fiscal Years 2006-2008 that the Ministry is willing to open up the budgeting process to include more voices from civil society and allot additional time for a more thorough discussion of the budget before it is approved.

SECTION TWO

SURVEY METHODOLOGY

2.0 Objectives

Objectives of this survey were defined by the perceived problems of civil society organizations to effectively monitor public finance and budget transparency reform process and budget oversight committees in parliament and local council to efficiently carry out their oversight responsibilities. The need to develop the capacity of CSOs to monitor this process was defined as the principal objective, as the ongoing decentralization process will soon fully put budgetary responsibility on local councils, a process that NAG intends to monitor closely.

2.1 Sample

Questionnaires were carried out in each of the twelve districts and Freetown and respondents were drawn from among members of budget oversight committees in parliament and the 19 local councils and key civil society organizations working on public finance and budget related issues in the country.

2.2 Methodology

The survey was carried out by NAG's Research Assistant, who was supervised by a local consultant, selected by the organization to carry out the study. The survey was done, covering all the twelve districts in the country and Freetown. It was based on soliciting information regarding the training needs of civil society organizations and budget oversight committees in parliament and the 19 local councils, on public finance and budget transparency reform process in the country.

While the local consultant solicited relevant information based on existing documents (reports and recommendations of national workshop) on public finance and budget transparency reforms, the NAG's Research Assistant conducted the need assessment survey across the country, targeting the following:

- CSOs/NGOs working on national/local council budget and public finance
- Budget oversight committees in parliament
- Budget oversight committees in the 19 local councils in the country

2.3 Processing of Data

The completed questionnaires were coded and entered into a database using Microsoft Access and then exported into Microsoft Excel and the statistical software package Minitab for further analysis.

2.4 Constraints

As is the case with most surveys the team was faced with a number of difficulties in conducting the need assessment survey. Due to the limited time frame and limited resources given to carry out this study, NAGs Research Assistant was unable to summon the targeted groups to attend a one day workshop in Freetown. Instead the Research Assistant had to travel to all the twelve districts in Sierra Leone to conduct the survey, as this was deemed the most appropriate means of soliciting the required information in the given time frame. Furthermore, there was great reluctance from the Ministries of Finance and Development and Economic Planning to divulge recommendations from National Workshops and Seminars, even though one would expect such information to be readily available to the public.

SECTION THREE

RESULTS OF THE NEED ASSESSMENT SURVEY

3.0 Overview

The survey sought to investigate the needs of budget oversight committees in parliament, the 19 local councils and CSOs/NGOs, with regards to budget transparency in Sierra Leone.

3.1 Results

All organizations queried affirmed that they were currently working on issues related to the Budget.

When queried about how long they had been working on budget related issues, the organizations queried gave responses reflected in Table 1 below.

All figures in percentages

Duration	6 months	1 year	2 years	3 years	4 years	45 years
CSOs	8.33%	33.33%	25%	8.33%	25%	-
Local Councils / Parliament	-	-	93.33%	-	-	6.67%

Table 1: Duration for which organizations have been working on the budget.

With regards to the Local Councils, they came into existence in 2004 and have only had two years to work on budget issues and are still in their infancy, whereas parliament has been in existence for 45 years and has had a wealth of experience with regards to budget issues.

The organizations were further queried about whether they had received any form of training on budget related issues. All organizations affirmed that they had received some form of training, with the exception of the CSOs working in the Kenema District in eastern Sierra Leone. Their operational coverage would include the Kenema Town Council and the Kenema District Council.

With regards to the aspects covered in the previous training, responses from the various organizations are highlighted below:

CSOs/NGOs

- Financial Management
- Budget Monitoring
- Budget Reporting

- Expenditure Tracking
- Budget Literacy
- Budget Analysis
- Advocacy

Local Councils / Parliament

- Budget Analysis
- Expenditure Tracking
- Budget Monitoring
- Budget Literacy
- Budget Process
- Budget Implementation
- Public Procurement
- Budget Planning
- Budget Formulation

Apart from the fact that the organizations queried had received some form of training on budget related issues previously, they expressed a keen desire to receive further training as several issues were sorely lacking. The areas that they believe further training would be most needed are highlighted below:

CSOs / NGOs

- Budget Literacy
- Budget Monitoring
- General Budget Process
- Project Financing
- Public Expenditure Tracking
- Budget Analysis
- Financial Management
- Budget Formulation
- Budget Planning
- Project Management
- Budget Evaluation
- Budget Implementation
- Budget Reporting
- Public Procurement
- Budget Management
- Link between Local Council budgets and the Medium Term Expenditure Framework (MTEF)
- Project Budgeting

Local Councils / Parliament

- Capacity building for Local Councils to prepare budgets
- General Budget Process
- Budget Oversight Mechanisms
- Budget Literacy
- Budget Planning
- Budget Implementation
- Budget Formulation

Organizations were further queried about why they would require further training on budget related issues. This was to assess their perceived needs relative to their requested areas of training. Their responses are summarized below:

CSOs / NGOs

- To improve the monitoring capacity with regards local council budgets
- To develop the capacity of CSOs / NGOs with regards to general financial management
- To develop the capacity to conduct social audit surveys of local council budgets
- To become effective in engaging local councils regarding budget transparency
- To improve organizational performance
- To become more effective in conducting surveys
- To enhance budget transparency
- To enhance accountability in governance at the national level
- To develop further advocacy skills

Local Councils / Parliament

- For parliament to become more efficient in fiscal policy formulation
- For capacity building in budget related issues in local councils
- To enhance effectiveness in local council performance
- To enhance proper implementation of local council budgets
- To be provided with the required expertise to conduct budget related work

Apart from their needs and requirements, organizations were asked whether they had the required expertise and institutional capacity to effectively undertake budget work. All CSOs / NGOs and local councils (including parliament) queried claimed that they did not have the requisite expertise and institutional capacity. As a result, all respondents claimed that they would require the necessary expertise and institutional capacity to effectively undertake budget work, and would appreciate any assistance to the effect.

Poverty Reduction Strategy Papers (PRSPs) and Millennium Development Goals (MDGs) have been as much a part of issues discussed in the corridors of power as well as the development community alike, and have been much a part of our recent every day life. As a result, organizations were queried about their awareness of the existence of PRSPs and MDGs. All CSOs / NGOs and local councils (including parliament) claimed to be aware of the existence of PRSPs and MDGs.

Further to their awareness of PRSPs and MDGs, organizations were queried about which aspects of the PRSP and MDG process they were involved in. Their responses are summarized below:

CSOs / NGOs

- Sensitizing the public about the PRSP and the MDGs
- Holding radio/TV discussion programmes about the PRSP and The MDGs

Local Councils / Parliament

- Understanding the PRSP and MDGs and information dissemination
- Training parliament on the PRSP and MDGs
- Holding radio / TV discussion programs about the PRSP and MDGs
- Holding panel discussions with interest groups about the PRSP and MDGs
- Development plans of local councils reflect the issues covered in the PRSP and MDGs
- Sensitizing the public about the PRSP and the MDGs
- Implementation of the PRSP at the local level

Organizations were further asked whether they monitored the National / Local budget process. Their responses varied and are summarized in Table 2 below, where yes means that they monitor National / Local Budget process, and no meaning that they do not.

All figures in percentages		
	Yes	No
CSOs / NGOs	91.67%	8.33%
Local Councils / Parliament	46.67%	53.33%

Table 2: Percentages of organizations monitoring the National / Local budget process

When the organizations were queried about how they monitored the National / local budget process, they issued the following responses:

CSOs / NGOs

- Follow up activities of the councils based on the Local Government Act

- Check on councils income and expenditure
- Conduct social audit surveys
- Conduct public expenditure surveys
- Conduct service delivery surveys
- Prepare report cards on councils' performance

Local Councils / Parliament

- Debate budget allocations (Parliament)
- Ratify budget allocations (Parliament)
- Conduct quarterly evaluations to check on compliance to budgets (Parliament)
- Through internal audits and reports on councils' income and expenditure
- Checking on councils' compliance to the budget based on the Local Government Act
- All monitoring is done through budget oversight committees

Organizations were asked whether they had sufficient capacity to monitor the National / Local budget process. All organizations claimed that they did not have sufficient capacity and therefore requested training to improve their organizations monitoring capacities.

CSOs / NGOs

- Budget Literacy
- Budget Monitoring
- General Budget Process
- Project Financing
- Public Expenditure Tracking
- Budget Analysis
- Financial Management
- Budget Formulation
- Budget Planning
- Project Management
- Budget Evaluation
- Budget Implementation
- Budget Reporting
- Public Procurement
- Budget Management
- Link between Local Council budgets and the Medium Term Expenditure Framework (MTEF)
- Project Budgeting

Local Councils / Parliament

- Capacity building for Local Councils to prepare budgets

- General Budget Process
- Budget Oversight Mechanisms
- Budget Literacy
- Budget Planning
- Budget Implementation
- Budget Formulation

The organizations were further questioned about their awareness of any efforts made by the Ministry of Finance, Local Councils, CSOs, or NGOs to simplify the National / Local budget process. All organizations queried claimed that they were unaware of any efforts made by the aforementioned organizations, with the single exception of parliament which claimed that the Ministry of Finance made some attempt to explain the budget before debate.

All organizations queried claimed that the budget process was not transparent, and cited the following reasons as to what could be done to enhance budget transparency:

CSOs / NGOs

- To build CSOs capacities to effectively engage stakeholders in the budget process
- To educate councils on the need to make the budget process transparent
- Public education on the budget
- Conduct stakeholder training on budget transparency
- Civil society's involvement in the budget process
- Establishing accountability
- Government should exercise the political will to combat corruption
- Ensuring that local councils should adhere to provisions in the Local Government Act

Local Councils / Parliament

- CSO participation in the budget process
- Parliament should not be rubber-stamped
- Public sensitization on the budget process
- Accountability and openness mechanisms
- Proper auditing mechanisms
- Information disclosure on the budget
- Effective oversight mechanisms
- Compliance to the Local Government Act
- Conduct workshops on the need to make the budget process transparent
- To institute sanction mechanisms to enhance compliance
- To conduct trainings on anti-corruption initiatives
- Councils should post all financial information on council notice boards as stipulated in the Local Government Act

Organizations were further queried as to whether they monitored the impact of donor funding on the national / local budget. All organizations claimed that they did not monitor the impact of donor funding on the national / local budget, with the exception of parliament which claimed that they had tried but it had been very difficult to monitor the impact of donor funds as information was scanty.

Finally, with regards to general public financial management and the budget process, organizations were queried about the training needs that they would require to improve their institutions' capacities to help enhance public finance and budget transparency. Their responses are reported below.

CSOs / NGOs

- Budget Literacy
- Budget Planning
- Budget Formulation
- Budget Implementation
- Budget Management
- Budget / Expenditure Tracking
- Budget Monitoring
- Financial Management
- Project Management
- Report Writing
- Public Procurement

Local Councils / Parliament

- Budget Analysis
- Budget Tracking
- Budget Monitoring
- Budget Planning
- Budget Formulation
- Budget Implementation
- Budget Literacy
- Budget Reporting
- Transparency and Accountability
- Project Designing
- Project Management
- Public Financial Management
- Public Procurement
- Anti-Corruption Training
- Auditing
- Expenditure Tracking
- Decentralization and Participation

SECTION FOUR

A FOCUS ON THE GOVERNMENT BUDGET

4.0 Overview of the Economy

4.1 Sectors of the Economy

The Sierra Leone economy like all other economies is made up of four sectors, namely:

- Real Sector,
- External Sector,
- Government Sector, and
- Monetary Sector.

The **real sector**

- refers to everything that has to do with the production of goods and services, consumption and investment across the economy as a whole.
- the main stakeholders in the real sector are private businesses.

The **external sector**

- includes transactions in goods and services and financial assets, between residents and non-residents of the economy.

The **government sector** (on which we shall focus on for the purpose of this handout)

- includes all units of the central government and local governments.
- normally, the term Public Sector is used, to refer to the government sector when the transactions of public enterprises are included.

The **monetary sector**

- Comprises of the central bank and the commercial banks.

4.2 Sources of Information for Performance Assessment

To assess the performance of the economy as a whole, one needs to obtain information on each sector. Such information can be obtained from the following sources:

National Accounts- it provides information on production, consumption, investment, and the level of prices in the country. Thus it provides information on how well the real sector is doing. It is compiled by the Statistics Sierra Leone (SSL).

Balance of Payments Accounts- it is also compiled by SSL. It gives information on the external sector as it record information on trade with other countries and about foreign borrowing and capital flows.

Government Finance Statistics- provide information on government revenue (tax and non-tax) and expenditure, and also shows the government deficit, if any, and how it is financed. Thus this statistics is the government budget and is compiled by the Ministry of Finance. It is this account that would be dealt with in this handout, as it relates to the government sector, which is the focus.

Monetary Accounts- give information about the stock of money and about the amount of bank credit extended to the government and the private sector. This information is compiled by the Bank of Sierra Leone.

An understanding of the above accounts and how they are inter-related would enhance any assessment of the economy.

Remember

When we say the government sector we are referring to both the central and local governments.

We would therefore now focus entirely on the government budget starting with a description of the general government in Sierra Leone.

4.3 The General Government

4.3.1 Levels of Government

The general government in Sierra Leone is made up of two levels of government:

- The central government, and
- The local governments.

4.3.2 Responsibilities of the levels of Government

a) The central government is mainly responsible for:

- The collection of revenues that have implications for the entire country;
- The provision of national public goods and services like
 - National Security,
 - Maintenance of law and order,
 - Secondary health services,
 - Social welfare programs,
 - Food security,
 - Tertiary education,
 - Energy and power, etc.
- The formulation of national policy; and
- Monitoring of those functions that have been devolved to the local governments.

b) The local governments (the highest political authority in the localities) are principally responsible for

- Mobilizing local resources for the overall development and welfare of people in their localities
- Improving the provision of basic infrastructure and services in localities

- Cooperating with relevant agencies to ensure the security of their localities
- Developing, improving and managing human settlements and the environment in the locality
- Performing all of the functions devolved to them by central government under the LGA 2004 and Statutory Instrument No. 13 of 2004, etc

However, as far as public finance is concerned, there can be three groups of operations at each level of government:

- 1) **Budgetary Operations** raise resources through compulsory levies and provide non-market goods and services, all of which are covered in the budget.
- 2) **Extra Budgetary Operations** are similar to budgetary operations, except that they are outside the budget. For example, an extra budgetary fund is often established to raise revenue through special taxes levied on fuel for use in maintaining roads.
- 3) **Social Security** schemes are a special category of operations that are often extra budgetary. These schemes may comprise a pension fund, an unemployment fund, and a social insurance fund that covers disability and welfare programs.

4.4 The Government Budget

4.4.1 What is the Government Budget?

- Technically speaking, a government budget is a document that sets out how a government proposes to collect and spend money.
- The proposals contained in a government's budget reflect its policy priorities and fiscal targets (Expenditure versus Revenue).
- In this way, the budget expresses the objectives and aspirations of a government in power.
- In a democratic society, these objectives and aspirations should, in theory at least, reflect those of the majority of the electorate. Governments really have no money of their own.
- In the budget, in outlining its plans for spending money, a government is explaining how it intends spending money that belongs to the public. In a democratic society, citizens give the government a mandate via their votes. Politicians are obliged to translate that mandate into policies and plans that are, in part, reflected in the budget
- "Public budgets are the instruments by which governments raise and allocate the financial resources of the state. They are also the means by which governments provide for basic necessities that relate to human rights. Public budgets are more than a collection of numbers, they are a declaration of a community's or nations priorities".

4.4.2 The Budget as a Map

The budget as a "map" implies that budgeting must be more than simply compiling an annual report to be approved by Parliament. Technical staff from all MDAs should

constantly monitor receipts and expenditures and compare those to actual figures. Continuity in this process would promote constant re-evaluation of the government priorities and assists technical staff in identifying future trends and needs for the government.

4.4.3 The Budget as a Policy Instrument

The budget is not only a document but also an effective policy instrument.

Two things can be deduced from this:

- The budget is a means of establishing policy (this is accomplished through the budget's allocation of government resources); and
- The budget is the financial method by which policy decisions are implemented (this uses the budget to ensure that government programs actually address its goals).

0

There are two technical requirements for the budget to be a useful policy tool.

- First, the budget needs to give an overall picture of public finances; if parts (e.g. humanitarian or defense spending) are excluded, the Government cannot assess the impact of the budget on the macro-economy or make meaningful sector allocations.
- Second, the budget must follow a classification system that allows meaningful analysis.

4.4.4 The Budget as a Management Tool

Because all government activities are funded through the budget, and because the budget is a continuous process, it provides an effective management device for central and local government officials at every stage of the government activities.

4.4.5 The Importance of the Budget

The budget is important at both levels of government because of the following reasons:

- it reflects a government socio-economic policy by translating policies and political commitments into expenditure and taxation;
- the allocation of resources among different functions reflects both the particular goals that a government hopes to attain and the relative priorities assigned to each goal;
- it establishes expectations and avoids the mistaken impressions of what a government can or should do;
- it provides opportunities for the community to have input into their government's activities;
- it provides information on a government's efforts to raise revenue and its priorities in providing services;
- it is a framework for the number of government employees and a government's staffing organization;
- it serves as the legal basis for the activities of a government throughout the year;
- it is a basis for transparency and financial accountability within a government; and
- it is a basis against which the achievement of a government objectives can be measured and evaluated.

4.4.6 What should the Public know about the Budget?

- Information about services that a government provides in the community. For instance:
 - What department of government or the council is responsible for providing the service?
 - How the government and the council are organized to provide the service.
 - How services are financed and how much they cost.
 - Budget information - have costs gone up since last year?
- If the service involves issuing permits, what the process is, how long it takes, exactly what information must be provided, and why.
- Information about how the budget is developed.
- Information about when and how citizens can express ideas about budget expenditures.
- Year-to-year comparisons of budget revenues and expenditures.
- Information on planning for capital expenditures.
- Information regarding use of credit.

4.4.7 Components of the Budget

The components of the budget are the same irrespective of the level of government.

In Sierra Leone, the budget has the following components

- Revenue estimates, including either loans or grants;
- Expenditure outlays;
- Outstanding debts of the government; and
- Estimates of the expected size of the deficit or surplus.

Below is an abbreviated list of government budgetary operations (Figure 1).

Figure 1. Abbreviated list of Government Operations

Total revenue and grants

- Tax Revenue
 - Direct tax revenues
 - Indirect tax revenues
- Nontax Revenue
- Grants

Total expenditure and net lending

- Current expenditure
- Capital expenditure
- Net lending

Overall balance

Financing

- Foreign borrowing

Domestic bank borrowing
Domestic non-bank borrowing

Source: The IMF's *Manual on Government Finance Statistics (GFS)*.

4.5 Government Revenues

Sources of government revenues are:

- **Tax Revenue, and**
- **Non-tax Revenue**
- **Grants**
- **Loans**

4.5.1 Tax Revenues

- Revenue derived from compulsory payments collected by the government to finance its operations.
- A tax refers to compulsory, unrequited payments to general government.
- Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments.
- Tax revenue includes social security contributions.

4.5.2 Reasons for Levying Tax

- Raise revenue to provide resources for the provision of various public services, in turn presumably motivated by the wish to promote outcomes such as reduced poverty, maintenance of law and order and higher standards of living.
- Redistribute income and wealth
- Regulate the economy
- Stabilize the macro economy
- Promote special goals (e.g. protect domestic industries, retaliation, etc.)

4.5.3 Type of Taxes

Taxes are broken down according to the type of activity on which they are imposed.

Taxes can therefore be of two types:

- Direct Taxes; and
- Indirect Taxes

4.5.6 Direct Taxes

- are levied on income and property
- the burden of taxation falls on the taxpayer and cannot be avoided.
-

4.5.7 Examples of Direct Taxes in Sierra Leone

- Income tax or Pay As You Earn (PAYE)
- Company/Corporation tax

- Rental Income tax
- Property Tax
- Local Tax

4.5.8 Indirect Taxes

- are levied on goods and services (e.g. sales tax, import and export duties, and value added tax (VAT))
- the burden of taxation does not fall on the taxpayer as such, it could be transferred or can be avoided.
- Can be Specific or Ad valorem
 - **Specific:** Tax levied on per unit item
 - **Ad valorem:** Tax levied on the value of the unit, expressed as a percentage of the price of the good or service.

4.5.9 Examples of indirect taxes in Sierra Leone

- Import duty
- Sales tax (domestic and import) e.g. sales tax on telephone calls,
- Excise tax
- Restaurant tax
- Entertainment tax
- Export tax (on diamonds)
-

4.5.10 Non-tax Revenues

- Generally comprise of revenue derived from sources other than taxes.
- Where the recipient of a service pays a fee clearly related to the cost of providing the service. Thus, the levy may be regarded as required
- Generally, non tax revenue includes rent from buildings, fees, fines, and the operating surpluses of public enterprises, etc.

4.5.11 Who Collects Taxes and Non-Taxes on behalf of Government?

- The National Revenue Authority (on behalf of central government)
- The revenue departments of local councils (on behalf of Local Councils)

4.5.12 Grants

Grants are voluntary payments made by foreign governments; inter national organizations, and individuals.

Note:

- Grants differ fundamentally from revenue.
- Because grants are neither predictable nor sustainable, planning expenditure on the assumption that grants will be available runs the risk of serious budgetary miscalculations.

4.5.13 Loans

Loans are debt incurred by the government from either domestic or external sources. These are normally paid back with interest.

4.6 Government Expenditures

Government expenditure principally comprises two components

- Recurrent Expenditures, and
- Development Expenditures.

Recurrent expenditures are undertaken to meet government's recurring short-term objectives.

Development expenditure on the other hand relates to costs incurred by the government in order to provide long-term public goods such as roads, hospitals, schools, etc.

Government recurrent and development expenditure and other payments consist of:

- Current expenditures, including
- Capital expenditures, including the acquisition of capital assets and capital transfers;
- Lending and equity participation; and
- Payment of principal on domestic and external borrowing.

The government recurrent expenditure can be classified based on the purpose or function to which the expenditure is directed (The Functional Classification).

The government's non-salary, non-interest recurrent expenditure can be given as:

Government Recurrent Expenditure

General Public Services

Security Services

Social Services

Education

Health, etc.

Economic Services

Agriculture

Trade

Works

Energy and Power, etc.

Miscellaneous Services

Source: The IMF's Manual on Government Finance Statistics (GFS)

SECTION FIVE

THE POLICY AND LEGAL FRAMEWORK

5.0 Economic Policy and Budgeting

5.1 What is the Government Budget based on?

- Each year, the budget is based on a set of economic and social policies, which are derived mainly from government policy documents such as the PRSRP, Strategic Plans of MDA's, Vision 2025, etc, and international bench marks such as the MDG's.

5.2 The Legal Framework

5.2.1 What is the Legal Basis of the Budget?

- Every year the budget is enacted into law by the legislative arm of government and thus it is a legal instrument that gives power to the government to collect revenue and incur expenditure.
- At the central government level the legal documents that guide the formulation of the budget are Part VI of the 1991 Constitution and Parts IV and V of the Government Budgeting and Accountability Act, 2005.

5.2.2 The Central Government

The constitution makes provision for both aspects of a budget (i.e. revenue and expenditure).

5.2.3 The Revenue Aspect

The Consolidated Fund- this is a special account of government at the Bank of Sierra Leone into which all revenues accruing to the central government are paid, except where a special arrangement is made.

5.2.4 Which monies go into the Consolidated Fund?

S111-(1) states that there shall be a Consolidated Fund into which, subject to the provisions of this section, shall be paid—

- all revenues or other moneys raised or received for the purpose of, or on behalf of, the Government;
- any other moneys raised or received in trust for or on behalf of the Government; and
- all revenues and moneys payable by or under any bilateral or multilateral agreement.

5.2.5 Which Monies are not parts of the Consolidated Fund? S111-(2)

Revenues or other moneys—

- that are payable by or under an Act of Parliament into some other fund established for a specific purpose; or
- that may by or under an Act of Parliament, be retained by the department of Government that received them for the purpose of defraying the expenses of that department.

5.2.6 The Expenditure Side

5.2.6.1 What can monies in the Consolidated Fund be used for? [S111-(3)]

- Monies from the Consolidated Fund can only be spent on expenditures specified in the Appropriation Act or Supplementary Estimate passed by Parliament.
- For this purpose, the constitution in Section 112 requires that the Minister responsible for Finance should present to Parliament in the form of a bill, the country's revenue and expenditure estimate for the next financial year. The bill is to be known as the Appropriation Bill.
- The section also makes provision for a Supplementary Bill that can be introduced during the course of the financial year for unforeseen events that may come up. It states as follows:

5.2.6.2 Exception S113

“Where it appears to the Minister responsible for finance that the Appropriation Act in respect of any financial year will not come into operation by the beginning of that financial year, he may, with the prior approval of Parliament signified in that behalf by a resolution thereof, authorize the withdrawal of moneys from the Consolidated Fund for the purposes of meeting expenditure necessary to carry on the services of the Government in respect of the period expiring four months from the beginning of the financial year or on the coming into operation of the Act, whichever is earlier”.

5.2.7 District Budget Oversight Committees

A creation of the Government Budgeting and Accountability Act 2005

5.2.8 What are their Functions or Roles?

- to assist in the formulation and monitoring of all poverty-related activities within the district;
- to serve as focal point at the community level for all discussions and consideration of the medium term expenditure framework budget and the public expenditure tracking surveys;

- to monitor the expenditure of all central government allocations to all local councils in the district and coordinate them for maximum effectiveness;
- to report to the Budget Bureau every three months on the progress of the execution of budget programmes in the district, and
- Generally, to serve as an intermediary between the Government and the people concerning all budgetary allocations for their district.

5.2.9 What is the Composition of this Committee?

A district budget oversight committee shall consist of

- between ten and sixteen members,
- people of note in the district
- people who are not members of the public service, or local council , and who are
- selected by the Budget Bureau after consultation with the people in the communities concerned to represent each ward or chiefdom in the district.

5.2.10 What provisions are made for the participation of civil society?

- Although the role of civil societies in the budget process are not exclusively stated in legal instruments, they are normally invited by the Ministry of Finance to participate in budget discussions and policy hearings where they normally give their inputs
- They can also work through district oversight committees by providing training on budget issues, and
- Can also influence the composition of budget committees through civic education.

5.2.11 At the Local Level

5.2.11.1 What is the Legal Basis for the Budget at the Local Level?

Section 67 of the LGA2004 states-

(1) Every local council shall cause to be prepared for its approval a budget for each financial year three months before the beginning of that year.

(2) The budget shall-

- (a) subject to subsection (3) of section 85 reflect the priorities and needs of the locality as contained in the local councils development plan;
- (b) balance income and expenditure by way of annual financial estimates of revenue and expenditure;
- (c) be prepared in accordance with procedures prescribed by law; and
- (d) be a public document and shall be posted on the notice board of the local council when approved by the council and during the whole of the financial year to which it applies.

5.3 Conclusion

5.3.1 What are some of the limitations in the Current Legal Framework?

- There is no legal mention of the role of civil societies in budget formulation at the central level neither is attention given to special interest groups like women, the disabled, etc. in the composition of district budget oversight committees.
- The legal framework does not impose any deadlines on the legislature for concluding the passage of the budget. This gap has produced avoidable delays in the passage of the budget and disruptions of governmental activities.

SECTION SIX

THE BUDGET PROCESS

6.0 What is the Budget Process?

- The budget process is a cycle which is made up of the major events or stages in making decisions about the budget, and implementing and assessing those decisions.

6.1 How many Stages have the Budget Cycle?

The budget cycle is likely to have four key stages:

- **Stage 1 Budget Formulation** - The budget plan is put together by the executive branch of government.
- **Stage 2 Budget Enactment** - The budget plan may be debated, altered, and approved by the legislative branch of government
- **Stage 3 Budget Execution** - The policies of the budget are carried out by the government through the implementing ministries.
- **Stage 4 Budget Auditing and Assessment** - The actual expenditures of the budget are accounted for and assessed for effectiveness.

6.2 Stage 1: Budget Formulation

6.2.1 What is done at the Budget Formulation Stage?

At this stage, the budget is put together by the executive branch of government in consultation with stakeholders.

6.2.2 What steps are involved in the Budget Formulation Stage?

The Budget Formulation Stage involves several steps as outlined below:

6.2.3 Step 1: Budget Planning and Preparation

- The main starting point in budget formulation should be the preparation of macroeconomic framework and the determination of fiscal targets.
- Thereafter, budget preparative process is an iterative process between the Ministry of Finance and the spending ministries.
- A top-down approach is used by the Ministry of Finance to establish initial sectoral budget ceilings that fit Government priorities whereas the bottom-up approach is used

by MDAs in formulating and costing sectoral budgetary programmes and preparing sectoral budgets within the sectoral budget ceilings.

6.2.4 Step 2: The Budget Call Circular

- Usually, the entire budget process starts with the circulation of a Budget Call Circular to all Vote Controllers of line Ministries/Departments/Agencies, under the hand of the Financial Secretary.
- The Budget Call Circular is usually being circulated to MDAs by June with the requirement that Budget Proposals be submitted to the Budget Bureau no later than end August.

6.2.5 What is the Budget Call Circular?

- The Budget Call Circular is a working document that is geared towards guiding Vote Controllers in preparing detailed Budget Estimates and Activity Plans within the Medium Term Expenditure Framework.
- In brief, the Budget Call Circular gives an indicative picture of the Macroeconomic framework and policy guidelines for the budget formulation, indicative budget ceilings, what is expected of Vote Controllers, standard working documents and deadline for submission of Budget Proposals.

6.2.6 Step 3: Formulation of Strategic Plans and the PRSP

For the first time in 2002, Ministry of Finance included Strategic Plans of MDAs into the Budget Document, specifying their Mission Statements, Objectives, Activities and Expected Outputs.

6.2.7 Rationale for the Preparation of Strategic Plans

- This new focus was absolutely necessary as the country moved closer to an ideal Programme Budgeting System, wherein focus should be on the sectoral outputs rather than on the inputs required.
- These outputs are to be properly monitored to ensure efficient and effective utilisation of resources and thereby improvement in service delivery to targeted groups and hence considerable economic growth now and in the future.

NOTE

- The focus of the Government currently is on ‘rural poverty reduction’.
- The importance of this focus can, more aptly, be explained within the context of the Poverty Reduction Strategy Paper (PRSP) recently prepared by Government.

6.2.8 What is the Poverty Reduction Strategy Paper (PRSP)?

- The Poverty Reduction Strategy Paper (PRSP) sets out policies, activities, programmes and guidelines aiming at reducing poverty in the medium term.

- The PRSP Document outlines the Government's objectives, strategies and programmes for poverty reduction in the medium term (2005-2007).
- MDAs are therefore required to fully reflect the objectives of the PRSP when preparing their strategic plans.

6.2.9 Step 4: The Medium Term Expenditure Framework (MTEF) Process

What is the Medium Term Expenditure Framework (MTEF)?

The Medium Term Expenditure Framework (MTEF) approach can be described as an **Integrated, Broad Based, Performance Rolling Budget** that sets out any Government's expenditure plans for a medium term (In S/L Three years) within an available resource ceiling. It integrates both recurrent and capital expenditures, both Government of Sierra Leone as well as donor resources, and is based on achieving an agreed level of performance within each sector. It also places emphasis on three aspects of public expenditure management – Participation, Transparency and Accountability..

6.2.10 Rationale for/Objective of the MTEF Process

- The adoption of the MTEF approach aims at applying the existing tools to develop a clearly defined framework and calendar of budget-related activities that takes a multi-year planning perspective and focuses attention on the monitorable outputs and outcomes of the budget rather than the budget expenditure alone.
- The overall objective is to improve the quality and sustainability of Government service delivery in the light of declared national and Sectoral priorities and policies, and within the context of a favorable macroeconomic framework.
- The thrust of this will be an increasing focus on transparency, accountability and value for money.

6.2.11 Medium Term Expenditure Framework-Technical Committee (MTEF/TC)

In the area of expenditure management and improved service delivery in the public sector, Government approved the establishment of the MTEF/TC with a broad-based composition including officials from the Ministry of Finance, Ministry of Development and Economic Planning, Bank of Sierra Leone, and the University of Sierra Leone.

6.2.12 Role of the MTEF/TC

- Among others, the Committee has since been providing technical assistance to various MDAs to develop their programmes and activities within the context of the MTEF.
- The Committee also organizes workshops and training programs on the MTEF process, in which Vote Controllers, Professional Heads and Accountants participated.

6.2.13 Step 5: Budget Discussions and Policy Hearings

- After receiving the Budget Proposals from MDAs, budget discussions are organized with the Vote Controllers, Professional Heads and Accountants of the MDAs to get a better understanding of their operations and therefore their needs.
- The Budgets are then agreed with them subject to the availability of resources.
- Also, policy issues as to objectives and activities for which the anticipated resources are to be used are discussed in the Budget Meetings.
- A schedule or timetable for the Budget Discussion meetings (usually termed as meetings to defend budgets) is prepared and forwarded to the MDAs.
- These meetings usually span over a three-week period.

6.2.14 Who attends Budget Discussions?

- Officials of the Ministry of Finance
- Vote Controllers, Professional Heads, Programme Managers and Accountants of the MDAs
- Fifteen Paramount Chiefs/Community Leaders from each District and the Western Area
- Civil Society

NOTE:

Civil society groups should aim to make effective use of these discussions to represent/pursue the interests of their organizations and the populace at large

6.2.15 What Happens after Budget Discussions?

- Based upon the outcome of the budget discussions with MDAs, the policies agreed upon, especially new policies or change in policies, are then summarized in a Budget Speech to be read in Parliament by the Minister of Finance.
- Before delivering his Speech in Parliament, highlights of the speech, the budgetary allocations and policy changes are forwarded to Cabinet and approval is sought for the budgetary allocations and the policy changes.

6.3 Stage 2: Budget Enactment

6.3.1 What is done at the Budget Enactment Stage?

At this stage, the budget is sent to the legislative arm of government to be debated. The budget plan may be altered or amended before it is approved by the legislative branch of government. The process involved is described below.

6.3.2 What is the Process involved at the Budget Enactment Stage?

6.3.2.1 Reading and Adoption of the budget - Legal Provisions supporting this stage of the process

Section 111 (3) of the 1991 Constitution and Section 20 (1) (b) of the Public Budgeting and Accounting Act, 2005 both specify unequivocally that one of the ways in which moneys can be withdrawn from the Consolidated Fund is where the issue of the moneys has been authorized by an Appropriation Act. The Appropriation Bill therefore will have to be forwarded to Parliament every financial year for enactment.

6.3.3 The Appropriations Bill to be placed in the Gazette

- In accordance with section 108 (2) (a) of the 1991 Constitution, a Bill for an Act of Parliament shall not be passed by Parliament unless the Bill itself is published in at least two issues of the Gazette with not less than nine days elapsing between the first and second publications.
- The Appropriation Bill for any financial year will therefore have to be gazette by the Government Printer in time for the Minister of Finance to be able to read his Budget Speech in Parliament.
- The essence of placing the Appropriation Bill in the Gazette is for the public to have a glance and contribute where necessary within the constitutional timeframe in the budgetary debate through a Member of Parliament.

6.3.4 When should the Budget be presented to Parliament?

- The requirement for submission to Parliament of a budget by the Minister of Finance at least two months before the beginning of the fiscal year to which it refers is specified in Section 6 of the Public Budgeting and Accounting Act, 2005. It is for this reason that Budget Day is usually set for the last Friday in October, since our financial year runs from January to December (Calendar year). A different day could be set if Parliament itself so desires.

6.3.5 What does Parliament do when presented with the Proposed Budget?

- Once the budget reaches Parliament it becomes Parliament's property. Therefore, after the first reading of the Appropriation Bill and the reading of the Budget Speech in Parliament by the Minister of Finance, Parliament usually debate on the Budget Speech and the policies inherent in it for five allotted days.
- After the debate, the Minister of Finance will respond to comments and Parliament will then have to vote for acceptance of the speech and passing the new policies of Government into law.
- After the debate on the Budget Speech and the passing into law of the new policies, Parliament will have to examine the detailed Annual Estimates of Revenues and Expenditures. For this reason, the Finance Committee of Parliament usually divides Members of Parliament into five Appropriation Sub Committees. These Appropriation Sub Committees are then tasked with the responsibility of discussing the Budget Estimates with their respective group of MDAs.

6.3.6 How is the Budget Adopted at the Local Government Level?

At the local level, the budget is first presented to the Budget and Finance Committee where it is first debated on, before a general council meeting is called for budget discussions. Such meetings are open to the general public and members of the community can give their input.

6.4 Stage 3: Budget Execution

6.4.1 What is done at the Budget Execution Stages?

Budget execution is the phase where resources are used to implement policies incorporated in the budget. The Budget Bureau before the commencement of any calendar quarter prepares the Quarterly Budgetary Allocations. These are then forwarded to the Accountant General under the hand of the Financial Secretary as directive to allow the processing of payment vouchers up to the amounts provided so as to facilitate Budget Execution.

6.4.2 Principles of Budget Execution

The Financial Secretary through the Budget Bureau ensures that MDAs adhere to the principles of budget execution, which are:

- Ensuring that the budget will be implemented in conformity with the authorisations granted, both in the financial and policy aspects, in the law;
- Adapting the execution of the budget to significant changes in the macroeconomic environment;
- Resolving problems arising during implementation; and
- Managing the purchase and use of resources efficiently and effectively.

6.4.3 Budget Execution Systems

In the past, the Quarterly Budgetary Allocations have been prepared at departmental level but from FY2001 these have been done at the detailed Accounts Code level. This level of detailed budgetary allocations helps to guide MDAs to expend their funds available in accordance with the agreed Budget and thereby minimizing the extent to which funds are vired automatically, as it pleases the Vote Controllers.

The Accountant General has established a Commitment Control System for the processing of Payment Vouchers (against available budget allocations) within the department.

The system is designed to meet the three major objectives of Public Expenditure Management (PEM) systems:

- (i) Aggregate expenditure control-to ensures that fiscal targets are effectively enforced and programme managers comply;
- (ii) Strategic resource allocation and
- (iii) Operational efficiency.- These two objectives combined are to ensure that there is adequate Flexibility to ensure efficient and cost-effective execution.

6.5 Stage 4: Budget Auditing and Assessment

6.5.1 What happens at the Budget Auditing and Assessment Stage?

The actual expenditures of the budget are accounted for and assessed for effectiveness.

6.5.2 What Institutions are set up to monitor the Budget?

- **The Public Expenditure Tracking Secretariat**

The Ministry of Finance through the annual Public Expenditure Tracking Survey (PETS) monitors and evaluates budget implementation with a focus on the tracking of the flow of public funds as well as to assess the services delivered at community levels.

- **The District Budget Oversight Committees**

According to Section 21 of the Government Budgeting and Accountability Act, 2005 which stipulates that:

(1) the Budget Bureau shall establish in every district, a district budget oversight committee with the following functions:-

- (a) to assist in the formulation and monitoring of all poverty-related activities within the district;
- (b) to monitor the expenditure of all central government allocations to all local councils in the district and coordinate them for maximum effectiveness;

- **Other Institutions**

Line ministries, Parliamentarians, and civil societies all have roles to play in monitoring the implementation of the budget. These are dealt with extensively in the next chapter.

SECTION SEVEN

THE ROLES OF THE DIFFERENT STAKEHOLDERS IN THE BUDGET PROCESS

7.0 Role of Ministries/Departments and Agencies (MDA) in the Budget Process.

- All MDAs have Budget Committees that comprise of Programme Managers, Professional Heads, Vote Controllers, Budget Officers and other selected members of the MDA.
- These committees formulate and develop Budget Estimates for programs and projects of their respective MDAs.
- MDAs are the budgetary agencies that spend Government money on behalf of the Citizenry. This is done through the vote controllers who are authorised by law to sign and spend Government money.
- They are also responsible to monitor their projects and spending through the Internal Auditor attached to the MDA.

7.1 Role of Civil Society in the Budget Process

- Civil Society organisations are most times invited to attend Policy Hearings and Budget Discussions.
- The Policy Hearings is the forum where MDAs present their policies and priorities to the Ministry of Finance.
- The Budget Discussion on the other hand is where MDAs present their Strategic Plans and budget for the fiscal year for discussion.
- Civil Society Organisations are expected to make contributions to these discussions to guide Ministry of Finance on the allocation of resources.

How can Civil Society Groups influence the Budget?

Civil society can make a significant contribution to the development and maintenance of a good budget system by:

- simplifying budgets and deepening the debate around budget policies and decisions;
- collating and disseminating budget information in user-friendly formats;
- providing independent critical analysis;
- bringing new information to the debate;
- providing training in budget analysis and advocacy;
- helping to build a culture of accountability;
- advocating for more access to budget decision-making;
- mobilising stakeholders, interest groups and citizens; and
- providing input into budget decisions through existing channels of access (for instance submissions to parliamentary committees)

7.2 The Role of Budget Oversight Committees/Citizens in the Budget Process

In the meantime, Government, through the MTEF/TC and the Public Expenditure Tracking Survey (PETS) Task Team, has appointed District Budget Oversight Committees comprising of Community Leaders and Representatives of the Civil Society and other religious leaders. The mandate and names of members of the Budget Oversight committees are published in the Government Gazette.

The District Budget Oversight Committee Members are always invited at the Budget Discussions held with MDAs to determine their budgetary allocations. This is to ensure that Oversight committee members are aware of the decisions made in relation to budget allocation to MDAs based on their functions.

In effect, the Government is continuing to empower local communities to not only participate in defining development priorities and strategies, but also to review public expenditures and monitor budget execution. In collaboration with the oversight committees, the PETS Task Team will continue to track public expenditures and assess perceptions of improvements in service delivery. The result of the tracking survey is usually presented to Cabinet and its results published thereafter. Consistent with Government's desire to enhance transparency and accountability, the Ministry of Finance has periodically published information on budgetary provisions and expenditures in the Gazette and this will be extended to Notice Boards in all Local Councils/ Chiefdoms.

The Members of the Budget Oversight committee in each district is responsible to monitor all Government projects and report to the MTEF/TC Secretariat at the Ministry of Finance.

7.3 Benefits of Civil Society/Citizens Participation in the Budget Process

- It restores and builds trust between the Government and citizens.
- It helps the Government become and remain transparent in its governing process.
- Public participation allows responsible officials to know whether they are doing well and most will want to feel they are doing a good job.
- It allows every citizen to have access to information regarding the problems that need to be solved.
- It helps the Government identify the needs of the people sooner and with greater satisfaction for the citizens.
- It encourages face-to-face debates, so that the citizens can hear different views directly.
- Another compelling reason for government to seek the trust and confidence of the population is the fact that it depends on it for its revenue. If rate and fee payers do not think the process of arriving at these revenues is fair and honest or they think their money is being wasted, they will be reluctant to pay.

SECTION EIGHT

BUDGET TRACKING, MONITORING AND EVALUATION

8.0 Objectives

Budget tracking and monitoring is an exercise designed to achieve the following objectives:

- To ensure that the performance of a budget are as optimal as possible (since governments are most times very ambitious in their stated priorities and intentions, aiming at addressing too many objectives)
- To ensure financial discipline in the public sector
- To ensure that observed gaps between allocations and actual releases/disbursements are minimized
- To ensures that the implementation of the budget is streamlined and or modified to take account of shocks in the economy resulting in a mismatch between allocations/funds release and revenue projections so that deficits are minimized.

8.1 Importance of Monitoring Budget Execution/Performance

- In a democracy, citizens have a right to know what money is being spent on, and what decisions their elected representatives make on their behalf.
- It is only with this knowledge that elected officials can be held accountable for their budget planning, allocations and implementation.
- Monitoring government budgets is also conducive to better decision-making within government. It provides a forum for purposeful and concrete engagement between the executive, the legislatures and civil society around critical choices and outcomes.
- Legislatures play an important role in monitoring government budgets. Most democratic constitutions demand that parliament deliberate on and approve the annual budget.
- Transparency and accountability are only achieved through independent checks on the integrity of a budget. Is government doing what it says it will be doing? Parliament is an ideal space to promote openness and debate around budgets.

8.2 What to Monitor

How is the Budget Monitored?

- Budget performance is tracked and monitored through periodic reviews such as quarterly, midterm, or annual reviews of budgets.
- Budget evaluation is undertaken by several groups and at two levels (Financial and Qualitative Levels).

It should involve the parliamentarians, councilors, the executive, the council staff, civil societies, and the community.

At the financial level, the evaluation process provides quantifiable information on how well the development plan and the budget are being implemented.

At the qualitative level, the politicians, civil societies, and the community should be looking both at the levels of revenue raising and expenditure to determine whether or not those levels are achieving the set objectives. They should also be assessing how much value for money is being achieved.

Thus the evaluation will depend on non-financial information as well as the financial data. It will mean that the agency doing the monitoring might need to collect data on service performance indicators.

What are Service Performance Indicators?

- Service performance indicators generate the information about service results that decision-makers need to assess budget decisions based on tests of efficiency and effectiveness.
- These indicators differ from conventional control information in that they contain non financial information that describes a service in terms of its quantity and quality.
- Service performance measures provide the information that expands budgeting from a narrow control function to a process of financial management and service provision.
- It does not only link the budget and its implementation with the government's long-term vision and strategic plan, but makes all actions during the year relevant to the annual achievement of short term goals and objectives.

- The most important service performance indicators are:
 - **Budget inputs** are the resources allocated to produce certain results. Budget inputs may include, for example, money, labour and time.
 - **Budget outputs are the results produced by budget inputs. For example**, the output of an education budget may be reflected in the number of pupils receiving schooling.
 - **Budget outcomes** are the changes in the quality of life brought about by budget outputs. It is how lives are changed for the better as a result of the outputs. For example, the outcome of pupils receiving schooling may be reflected in reduced unemployment levels over time.

8.3 What to bear in Mind in Budget Monitoring

It is important to measure government's budget performance by looking at its budget inputs, outputs and outcomes. The following criteria are useful to consider when looking at the relationship between inputs, outputs and outcomes:

- **Economy** is about how government manages inputs in relation to costs. In other words, a budget is economical when the best possible inputs are being secured with the funds available.

- **Efficiency** is about how government works with inputs in relation to outputs. A budget is managed efficiently when inputs are used in such a way as to produce the most possible outputs. For example, a budget for the establishment of a high-turnover

clinic would be efficient if the clinic is built to accommodate the most possible doctors, nurses and patients.

- **Effectiveness** is about how government manages outputs in relation to outcomes. A budget is managed effectively when spending brings about the outcomes it set out to achieve. For example, even if the budget for the clinic is economical and efficient, it would only be effective if spending brings about the desired results. If it is built too far from transport routes, or does not provide the health services needed in the area, public resources have not been spent effectively.
- **Equity** is about the fairness of inputs and outputs in relation to outcomes. Even if government budgeting is effective, efficient and economical – it may not be equitable. The principle of equity derives from a government’s obligation to deliver to those people who need it most, and to manage resources in a way that is fair to all citizens. For example, in budgeting for the establishment of a new clinic, due regard should be given to who is most in need of primary health services. A budget is managed equitably when it helps to correct imbalances in access to services, and provides benefit to those most in need.
- **Adequacy** looks at the amount that is allocated compared to the cost of providing the service. Both the nominal and real terms of the allocation are considered to see if the allocation is keeping up with inflation. A budget is adequate if the allocations are made to keep up with rising prices (inflation) or else projects can be started but not completed due to inadequate resources as the value of money is eroded by inflation.
- **Priority** is about how stated policy priorities of government match priorities in the budget. Is government keeping its promises and policy commitments by adequately budgeting for them? For instance, is the food security policy of government, which is a priority, reflected in the budget as a priority?
- **Progress** looks at government’s response to particular issues or programs. Is government’s response on the issues improving? By this government commitment is monitored.

8.4 Budget Analysis and Monitoring

- Budget analysis is usually done to assess and evaluate the impact of government policies on the population.
- It can be an overall assessment of the budget or a sector focused analysis to evaluate the impact of specific policies.

8.4.1 Tools of Budget Analysis and Monitoring

- To effectively analyse a budget and to enable comparison across MDAs or sectors or programmes, the information must be converted into **Rates** and **Ratios**.

The rates and ratios normally used are:

- ❖ Share of the total
 - ❖ Growth in budgets
 - ❖ Per capita amounts
 - ❖ Proportion of the budget that has been spent
- The information analysed can also be presented graphically to see how key indicators are moving in the economy as government policies are implemented through the budget.
 - Furthermore, the amounts are normally converted into real terms to account for the effect of inflation on the value of money and thus would also enable comparison of amounts between different years.

8.4.2 Share of the total

- Percentage share of the total budget on the expenditure side shows the government policy priority areas. If done for different years, it will show if the government is making a policy priority shift from one sector to the other.
- It is just the amount allocated for a particular sector, if doing a sectoral analysis, divided by the total budgetary allocation.

Box 1 gives a practical example.

Box 1. Percentage Share of Spending

Table 1. Actual, Estimates & Indicative Expenditure by Ministry 2004-2008					
Policy Focus	2004 Actual	2005 Actual	2006 Estimates	2007 Indicative	2008 Indicative
	Le'm	Le'm	Le'm	Le'm	Le'm
Education	50,685.0	46,086.0	81,501.2	103,868.9	109,747.8
Health	21,953.3	20,720.8	70,325.8	78,769.7	68,302.3
Agriculture	11,864.4	11,949.9	43,214.9	41,296.2	37,276.6
Defence	35,244.4	32,764.9	42,858.5	45,000.0	47,200.0
Total Budget Expenditure^a	263,982.7	251,567.2	628,641.0	719,839.4	650,270.4
a- Includes Non Salary, Non Interest Recurrent and Development Expenditure					
It also include transfers to local councils Less LGDG					
Source: Recurent and Development Estimates, Financial Year 2006-2008					
Parliamentary Copy					
Table 2. Percentage Share of the Budget by Ministry Based on Table 1					
Policy Focus	2004 Actual	2005 Actual	2006 Estimates	2007 Indicative	2008 Indicative
	%	%	%	%	%
Education	19.2	18.3	13.0	14.4	16.9
Health	8.3	8.2	11.2	10.9	10.5
Agriculture	4.5	4.8	6.9	5.7	5.7
Defence	13.4	13.0	6.8	6.3	7.3

8.4.3 Growth in budgets

- This measures how progressively the government is rolling out its expenditure as a whole or services of a particular type.
- It is the percentage change of the previous year's budget and can be either the nominal change or real change.
- If looking at the real change, which is more realistic for comparison, the real amount has to be first determined by dividing the nominal amount by the GDP deflator, and then the same formula could be applied to get the real growth.

Box 2 shows an example using Table 1 data.

Box 2. Growth in Budgets

Policy Focus	2004 Actual	2005 Actual	2006 Estimates	2007 Indicative	2008 Indicative
	%	%	%	%	%
Education		(9.1)	76.8	27.4	5.7
Health		(5.6)	239.4	12.0	(13.3)
Agriculture		0.7	261.6	(4.4)	(9.7)
Defence		(7.0)	30.8	5.0	4.9
Total Budget Expenditure^a		(4.7)	149.9	14.5	(9.7)

8.4.4 Per capita amounts

- They show the average spending of government per person.
- If it is a sectoral analysis, for instance health, it will show the amount government is spending on the average to provide health services for one person.
- More detailed analysis can be done on special groups like women, children, youths, etc.
- Per capita is given by the budget divided by the population.

Using information in Table 1 and the 2004 census population data, Box 3 shows a per capita analysis of the budget for the given period.

Box 3. Per Capita Spending

Policy Focus	2004 Actual	2005 Actual	2006 Estimates	2007 Indicative	2008 Indicative
Education	50,685.0	46,086.0	81,501.2	103,868.9	109,747.8
Health	21,953.3	20,720.8	70,325.8	78,769.7	68,302.3
Total Budget Expenditure^a	263,982.7	251,567.2	628,641.0	719,839.4	650,270.4
Population	4,976,871				
Per Capita Spending in Le'm					
Education	0.01018	0.00926	0.01638	0.02087	0.02205
Health	0.00441	0.00416	0.01413	0.01583	0.01372
Total Budget Expenditure^a	0.05304	0.05055	0.12631	0.14464	0.13066

8.4.5 Proportion of the Budget spent

- Proportion of the budget that has been spent is a comparison of budget estimates as against actual spending.
- To a large extent it shows the capacity of the budgeting entity to deliver services. For instance, in 2004 the non -salary, non-interest recurrent budget allocation for the Ministry of Health was Le 36.64 billion but their actual spending was Le21.42 billion, which is about 58% of their allocation.

8.4.6 All the Tools /Calculations can be applied to:

- National budgets and expenditure
- Local Councils total budgets and expenditure
- Consolidated national and local council budgets and expenditure
- Any local council or national departments' budgets
- Programme and sub-programme budgets
- Input item budgets (personnel, equipment, etc.)
- Service Provider budgets

8.4.7 Problems of Budget Monitoring/oversight and Evaluation in Sierra Leone

The Ministry of Finance through the Budget Bureau has primary responsibility to actually coordinate the formulation and monitoring of the government budget in collaboration with all budgetary agencies of government.

The process of budget monitoring/oversight is however fraught with many problems in Sierra Leone, among which are the following:

- The current parliament lacks in both research and information gathering capacity and cannot therefore effectively challenge the government on its budget proposals;
- The audit function through the office of the Auditor General has not been as effective as it should be, resulting in audit reports that are presented to parliament over two years late, in utter contravention of the dictates of the GBAA 2004. As a consequence, the implementation of Public Accounts Committee recommendations (drawing from audit report) is often frustrated by lateness, death, dismissal or retirement of staff responsible for misdeeds. Worse still, a two-year amnesty is sufficient for most culprits involved in the financial misappropriation to destroy the incriminating evidence;
- The civil society in the country is also not informed enough to take up this responsibility of budget monitoring;
- The dearth in appropriate data in all sectors of the economy also make it difficult to monitor;

SECTION NINE

A FOCUS ON THE MDGs AND THE PRSP PROCESS

9.0 Introduction

The Millennium Development Goals (MDGs) were established in September 2000 when world leaders, including His Excellency Alhaji Dr. Ahmad Tejan Kabbah, met at the United Nations Millennium Summit in New York. The result was a set of time-bound, measurable goals and targets for the promotion of human development and the reduction of global inequalities. The response to the Millennium Development Goals has been set out in the Poverty Reduction Strategy Paper (PRSP).

9.1 The Millennium Development Goals (MDGs)

The goals and associated targets are set out as follows:

- The proportion of people suffering from extreme poverty and hunger must be halved.
- All primary school going children must be in school and girls must have the same educational opportunities as boys.
- The proportion of people without access to safe drinking water must be halved.
- The spread of HIV/AIDS and malaria must be stopped.
- A child's risk of dying before the age of five must be reduced by two-thirds.
- A mother's risk of dying while pregnant must be reduced by three-quarters.
- The world's ecosystems and biodiversity should be better protected from destruction.
- At least 100 million slum dwellers should get better housing, healthcare and new opportunities for education.
- People in developing countries must have greater access to essential drugs.
- The benefit of new technologies, especially information and communication technologies, must flow in more countries and reach more people.
- Wealthy countries must support the developing countries through debt relief, more untied financial aid, and greater accessibility to the international market.

9.1.1 Monitoring Progress towards the MDGs

In working towards the nation's targets of achieving the MDGs, Sierra Leone needs to constantly monitor how well it is doing the MDG status report – the first MDG report for Sierra Leone describes progress to date towards each of the goals. It shows the action that Sierra Leone is taking, briefly describes the present situation and challenges in each policy area, and discusses the further actions needed to achieve the Goals. It builds on the national Poverty Reduction Strategy Paper (PRSP) of March 2005, and other national policy documents. We hope that it will contribute to continuing discussions among all stakeholders about how to overcome poverty.

The first MDG status report was a collaborative undertaking by the Government of Sierra Leone, the United Nations country team and Civil Society Organizations. The report is an outcome of useful insights and fervours of the high ranking officials of the government, ministries, and institutions, and other stakeholders who took part. The preparation followed a sensitization workshop for senior ministry staff, agencies, institutions and civil society organizations, held in Freetown on 29th September 2004, whose objectives were to ensure a common understanding of the MDGs on the MDG report preparation process, and to begin its conceptualization. An inclusive and consultative mechanism was established to guide its preparation and production.

The report consists of three sections: (I) introduction, (II) a brief note on the development and macroeconomic context of the analysis, and (III) the status report, presented with a sub-section for each goal. Sierra Leone has an estimated population of 4.9 million, of whom 70% live below the poverty line; with a high skewed income distribution. There is high unemployment and the impact of the ten-year civil war. The destruction of social, economic and physical infrastructure and the exodus of skilled professionals had a devastating economic impact. Mining and agricultural activities had almost completely stopped; farms were destroyed and abandoned, while the livestock population was dramatically reduced.

Between 1990 and 2000, over 2 million people were displaced; there was an exodus of people moving both to the capital – Freetown and out of the country. As a result the aggregate economic impact of the war was declining GDP across the period. In the 1990s, the economy experienced an average annual fall in GDP of 4.5%. Sierra Leone has been perpetually ranked at the bottom of the United Nations Development Program (UNDP) Human Development Index.

The cessation of hostilities and eventual restoration of country wide security strengthened confidence, which facilitated economic recovery, and countryside reconstruction and rehabilitation during 2002-2004. Since 2000, the economy has been growing between 5.8 and 6.8 percent per annum, spurred by reconstruction work, with added impetus from the use of freed-up resources coming through HIPC debt relief.

The nation is aware of the need for internal mobilization of resources to achieve the MDGs. In spite of significant progress in efforts at stabilizing the economy, the implementation of macro-economic and structural reform programs has not fully delivered the expected benefits in terms of human development. During the past few years, emphasis has been put on stabilization and macro economic balance without adequate attention to the human conditions, especially of the poor, as well as the social and economic dimensions of the causes and conduct of the war.

As part of Government's strategy in seeking a fresh approach to the problem of development, a policy of devolution of powers through decentralization by the reestablishment and empowerment of local government has been instituted. These are expected to catalyze social and economic development in a post civil war era, when

Sierra Leone is faced with the daunting task of eradicating disease, poverty and hunger as targeted by the MDGs. For social sector services, especially education and health, enormous human, material, financial and other resources will be required. Unfortunately however, due to the weak economic structures, Government's capacity to deliver is still extremely limited.

In working towards the national MDG target Sierra Leone needs constantly to monitor progress. The first MDG report for Sierra Leone has just been produced. It briefly describes the MDG status: the actions that Sierra Leone is taking, the present situation and challenges in each policy area, and further action needed. It builds on the national Poverty Reduction Strategy paper of March 2005, and other national policy documents. The Report was a collaborative undertaking by the Government of Sierra Leone, the United Nations Country Team, and Civil Society Organizations.

The report concludes that while there is demonstrated political will and favourable support from development partners, achievement of the MDGs poses enormous challenges. Nonetheless, considerable progress is evident, in particular in access to education, despite the late start in implementing the MDGs due to the civil war.

9.1.2 Development Context

Of Sierra Leone's 4.9 million people, 70% live below the poverty line. There is high unemployment, particularly as a result of the ten-year civil war. The destruction of infrastructure and the exodus of skilled people had a devastating economic impact. Mining and agriculture stopped almost completely; farms were destroyed, the livestock population was reduced. Over 2 million people were displaced. In the 1990s, the economy experienced a fall of over 50% in GDP. Sierra Leone has been perpetually ranked at the bottom of the United Nations Development Programme (UNDP) Human Development Index.

The cessation of hostilities and restoration of security facilitated economic recovery and countryside reconstruction. Since 2000, the economy has been growing at about 6% per annum with impetus from resources freed-up through HIPC debt relief. The nation is aware of the need for internal resources mobilization to achieve the MDGs. The reform programmes of recent years have brought significant progress in stabilizing the economy, but without adequate attention to human conditions and the poor, have not delivered the expected human development benefits.

9.1.3 Status and Trend towards Goals, and Supportive Environment

The war caused increasing poverty, a trend that only changed recently. Some 70% of Sierra Leoneans are below the basic needs poverty line, 26% cannot meet basic food needs. The challenge of overcoming poverty is intensified by rapid population growth, and by the youth of the population. Consistently high economic growth is needed to generate employment and meet social needs. Basic infrastructure needs to be rebuilt, good governance developed, and private sector activities encouraged.

9.1.4 Addressing poverty

This is the central focus of all Government and donor activities, encompassing hunger, education and health factors. The principal policy instrument is the Poverty Reduction Strategy Paper. Much reform has taken place, including the Local Government Act, placing resource allocation at the local level; new legislation designed to improve accountability; and the Investment Act to enable the private sector to develop. ECOWAS and NEPAD initiatives will improve the economic environment. Unfortunately, due to the weak economic structures Government's capacity to deliver is extremely limited.

9.1.5 Food security

This remains worrying, with limited access to food, poor quality food intake, and low production. Although food production has been increasing, major constraints remain. Production technology is subsistence-level; poor rural infrastructure hinders access to markets. With regards to nutrition, energy intake is growing slowly, but many do not get the minimum requirement. Malnutrition in young children is high: more than 40% of children under age five are too short for their age.

The president's pledge shows that achievement of food security is an overriding national priority. A food security program (Operation Feed the Nation) and rural infrastructure programmes are under way with donor support, and the World Food Program supports feeding activities.

9.1.6 Education

Literacy rates are among the lowest in the world, with adult literacy of 30%. Poor quality of education is widespread, with poorly qualified teachers and shortage of infrastructure and materials. During the civil strife, many children did not go to school. However, peace brought a dramatic increase in primary enrolment. Gross Enrolment Rates rose sharply from 65% in 2000 to 90 % (63% for girls) in 2001, and reached 143% (166% for boys and 120% for girls) in 2003. Many, however, drop out of school after Grade 1.

Government is committed to achieve the Education for All 2015 targets, seeing basic education as critical for economic growth and reducing poverty. The education budget increased by 500% between 1999 and 2004. In 2003, girls in junior Secondary Schools in the Eastern and Northern Regions were given financial support.

9.1.7 Gender equity

This, in education, remains a serious problem: fewer girls enrol, girls drop out earlier, and literacy is worse for women. The gender gap has improved for primary education, but is still high: girls are only 42% of primary pupils. But the gap is progressively higher in later stages: only 19% of university students are female. Generally, women have little access to non-traditional employment: women are only 7.5% of those employed in the

non-agricultural sector. They are under-represented in public life, although progress is being made. Women hold 15% of seats in the national parliament, and similar proportions in local assemblies. Three of the 21 cabinet ministers are women.

Government is trying to create a supportive environment for gender equity. There is a Ministry for Gender Affairs; a 2004 act requires 50% female representative in local development committees; a committee is integrating provision of the Convention on Elimination of Discrimination against Women into national law; and a network is addressing violence against women.

9.1.8 Health Issues

The end of the war has seen gradual improvement in Under-Five Mortality to 265 per 1000 live births in 2004. Immunization has also increased. Maternal mortality however has been persistently high since 1990, at 1,800 for 100,000 lives births. Few births are attended by skilled personnel, while cultural beliefs inhibit maternal health efforts. HIV/AIDS infection is on the increase and may have passed 5%. Malaria is the leading cause of illness - about 47% prevalence in under-fives and a high mortality rate, with low use of insecticide-treated bed nets. Among other diseases, tuberculosis is serious; river blindness and Lassa fever pose a threat in some areas.

Major health challenges include the lack of medical professionals and a proliferation of untrained practitioners, lack of health care facilities, and of recurrent funding. There is a weak managerial and institutional capacity. A National Reproductive Health Policy is needed, with a coordinated effort to improve maternal and child health. HIV/AIDS priorities include awareness-raising, promotion of condom use, and affordable treatment with antiretroviral drugs. Other health priorities include expanded and updated malaria prevention and treatment, and improved environment sanitation.

The millennium development goals are highlighted in Table 3 below:

NO	MDG	TARGET
1	ERADICATE EXTREME POVERTY AND HUNGER	<ol style="list-style-type: none"> 1. Halve the proportion of people living in poverty between 1990 and 2015 2. Halve by 2015 the proportion of people who suffer from hunger
2	ACHIEVE UNIVERSAL PRIMARY EDUCATION	<ol style="list-style-type: none"> 3. Ensure that by 2015 all children (boys and girls) will be able to complete primary education
3	PROMOTE GENDER EQUALITY AND EMPOWER WOMEN	<ol style="list-style-type: none"> 4. Eliminate gender disparity in primary and secondary education by 2005 and at all levels of education by 2015

4	REDUCE CHILD MORTALITY	5. Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
5	IMPROVE MATERNAL HEALTH	6. Reduce by three-thirds, between 1990 and 2015, the maternal mortality ratio
6	COMBAT HIV/AIDS, MALARIA, AND OTHER DISEASES	7. Have halted by 2015 and begun to reverse the spread of HIV/AIDS 8. Have halted by 2015 and begun to reverse the incidence of malaria and other diseases
7	ENSURE ENVIRONMENT SUSTAINABILITY	9. Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources 10. Halve by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation 11. By 2020, to have achieved a significant improvement in the housing of all Sierra Leoneans
8	DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT	12. Formulate and apply strategies to provide the youth with decent employment 13. Make essential drugs available and affordable to all who need them 14. Ensure that the advantages of information and communication technologies are available to all

Table 3: The millennium development goals

9.2 THE PRSP PROCESS

9.2.1 Introduction

Since the mid-1980s Sierra Leone has suffered dramatic economic decline. It has gone through a ten- year brutal armed conflict, with ever worsening poverty. Civil conflict brought a breakdown of civil and political authority, and human tragedy: over 20,000

people were killed, 2 million displaced, and thousands injured or maimed, with human right abuses including abduction of women and children. GDP per capita halved, with 80 percent of the people in poverty. Social, economic and physical infrastructure was destroyed. Poverty is worsened by rising disease, including HIV/AIDS, malaria and tuberculosis. Sierra Leone ranked bottom in the UNDP Human Development Index.

The source of political instability has lain less in ethnic or religious rivalry, than in the history of extremely poor governance, widespread corruption, and the marginalization of rural communities through overpowering, inefficient central government. These were compounded by the early collapse of local government, and worsening terms of trade for limited exports

Successive peace processes finally ended hostilities in 2001; civil authority was gradually restored, with much support from the international community. Reconstruction programmes reintegrated ex-combatants, refugees and displaced persons into active community life. A Truth and Reconciliation Commission and a Special Court were established for war-related “wounds”. Peaceful national elections were held in May 2002.

An Interim PRSP (IPRSP) was finalized in 2001, and a National Recovery Strategy (NRS) in 2002, to support the transition from peace-keeping to peace-building, and to equitable growth and sustainable development. In 2003, Sierra Leone articulated “Vision 2025” an overall vision of its longer-term development agenda, within which the poverty strategy is set. Vision 2025, prepared over six years with wide stakeholder participation, provides a long-term strategic vision to leave conflict behind and provide a better life

Successfully implemented, the IPRSP and NRS resulted in economic recovery in 2001-2004. With much international support, progress was made in consolidating security, in rebuilding social sectors and economic capital, and supporting the vulnerable. Now a comprehensive poverty reduction strategy is needed to follow accountable, transparent and corruption-free policies for stability; and a carefully sequenced opening of investment and trade to deliver economic growth. The PRSP is that strategy.

9.2.2 Preparing the PRSP

The PRSP has been prepared through extensive national consultations, led by an Inter-Ministerial Committee, chaired by the Vice-President. Preparation involved an open dialogue among key stakeholders: ministers, parliamentarians, local authorities, NGOs, civil society, the private sector, development partners, beneficiary groups and citizens including women, youth and children, supported by radio and television. Focus groups gave stakeholders’ perceptions about poverty determinants and gender dimensions; identified a vision and priorities for poverty reduction. Thematic and sector working groups reviewed and designed programmes, identified gaps, and developed monitorable

indicators. The approach developed popular ownership; it generated poverty information to define policy priorities, including mainstreaming gender and child-rights issues.

9.2.3 Poverty in Sierra Leone

The PRSP analyzed poverty to underpin policy design. It shows that poverty is widespread and deep. About 26 percent of the population is food poor, and cannot afford a basic diet; 70 percent live in poverty. There is wide disparity in poverty's geographical distribution: although about 66 percent of the 4.9 million population live in rural areas, three-quarters of the poor are rural. In the poorest districts (where war destroyed tree crops, or which rely on poor subsistence agriculture or artisanal mining) more than 8 out of 10 people live in poverty. Sierra Leone's poverty profile shows that the main poverty indicators are insufficient food, poor housing, poor health, and high infant and maternal mortality, high illiteracy, limited access to clean water, and lack of money. Sierra Leone's poor social indicators reflect the low level of human development, with especial poverty among rural women. Maternal mortality, infant mortality and fertility rates are among the worst in the world. Contraceptive prevalence remains low, as does female school attendance. Household poverty is high among subsistence farmers, as well as among households whose heads have little formal education, and large households. The high poverty rate among youth indicates the lack of economic opportunities for this potentially productive group.

9.2.4 Macro-Economic Developments and Structural Reform

By 1990, the economy was near collapse, with rapid inflation and a severe external payments imbalance. The war destroyed most economic and social infrastructure; mining was halted, farms abandoned, tree crop plantations and lowland rice fields returned to bush or mangrove. Social services outside Freetown stopped with large-scale destruction of education and health infrastructure. and

The restoration of security facilitated economic recovery. Post-war macroeconomic management has been widely acclaimed for maintaining stability and achieving growth. However, poverty is pervasive, and there is a wide national determination that policy should now aim at poverty reduction. Real GDP rose by an annual average of 15% per annum during the 2000 to 2004 period, with broad recovery spurred by reconstruction work. Domestic revenue increased. Inflation fell sharply in 2001, and continued low. The official exchange rates remained stable from 2001 to 2003. However, inflationary pressures have re-emerged, initially from higher fuel costs, expansionary monetary policy (partly owing to delays in donor support), and exchange rate depreciation. Exports grew, but imports also remained high due to reconstruction and higher oil prices. The current account deficit was projected at 25 Percent of GDP in 2004.

Earlier progress had been made over the years establishing structural reforms, as successive governments sought to deal with economic decline through IMF, World Bank and AfDB programs. However, economic pressures and conflict limited their success: they did not adequately stress social dimensions, and did not bring the expected human development benefits. Sierra Leone and its partners realize that the post-conflict development agenda needs a fresh approach.

After the Peace Accord, Government adopted further economic recovery programs, supported by the IMF, the World Bank, the European Union and UK- Department for International Development (DFID), to reestablish macroeconomic stability, rehabilitate economic and social infrastructure and rebuild capacity. In 2001, the IMF approved the IPRSP and the first Poverty Reduction and Growth Facility (PRGF) program, up to June 2005, to address desperate poverty and to enhance growth. Sierra Leone met the HIPC conditions in 2002 and began receiving relief. Development partners supported programmes for governance, security, agriculture, health, education, and capacity building. The forthcoming IMF review will determine the elements of a successor PRGF arrangement.

Progress has been made in post-war structural, financial management and institutional reforms. Public procurement has been reformed; local government restored to decentralize service delivery; judicial and legal reforms are improving the justice system; the security system has been restructured; an Anti-money Laundering Act enacted; the investment climate deregulated; and privatization started.

9.2.5 Macroeconomic Policy

Macroeconomic policy, following policies of the so-far successful PRGF, is calculated to sustain high growth, maintain a stable macroeconomic and financial environment, and, above all, to reduce poverty. Real GDP is expected to grow between 6 and 9 percent per annum; inflation at single digit rates; and the current account deficit too narrow. Government will tackle the budget deficit and money supply growth through strict fiscal and monetary discipline, and maintain flexible exchange rates and liberal trade. Structural impediments will be removed, particularly in mining and fisheries, and civil service and public enterprise reform will continue.

9.2.6 Fiscal policy

This will seek to continue the domestic revenue recovery, and improve expenditure management, re-orienting public expenditures in favor of security, social services, infrastructure and economic activities. Government expenditure is projected at 26 to 28 percent of GDP, 2005-07; the budget deficit from 14.6 percent of GDP in 2005 to 5.7 percent in 2007. Bank financing of the deficit will be around one percent of GDP in 2005 and eliminated in 2006-07, reducing inflationary financing. In monetary policy, the

increasing money supply, the depreciating exchange rate, and higher inflation pose short and medium term challenges. The central bank targets broad money expanding by 14 percent per annum up to 2007, while ensuring that sufficient longer term credit is available to the private sector. The bank will adjust commercial banks' reserve requirements to control liquidity. Financial sector reforms will be geared towards ensuring a competitive, efficient financial sector to support private sector development, expanding rural financial institutions and building public confidence.

Sierra Leone's public external debt was US\$1.6 billion at the end of 2003 (multilateral 59%, bilateral 27%, and commercial 14%). There were eight rounds of Paris Club debt restructuring; much debt was cancelled as Sierra Leone met HIPC conditions in 2002. Government has restructured debts to other bilateral and some commercial creditors. But most commercial creditors have still to deliver comparable terms; some have threatened legal action. External debt appears to be sustainable, 2005-07, after unconditional HIPC delivery. However, the NPV of total debt to exports after HIPC relief is likely to remain high because of new borrowing to finance reconstruction.

Domestic debt has gained prominence and must be handled carefully. Domestic interest payments account for one-third of domestic revenue, more than double external payments. Government was confronted with huge arrears to domestic suppliers, contractors and utilities. It adopted a scheme to buy debts at a discount: all eligible debts have been settled except for one large creditor. For utility arrears, it adopted setoff settlement arrangements which are reducing the problem. Government will continue to implement its Commitment Control System to avoid further build-up of arrears.

9.2.7 Growth and Poverty

Government calculations of the relation between poverty and economic growth show that a 1 percent increase in income reduces poverty incidence by 0.8 percent. Taking account of population growth, the economy needs to grow by more than 6 percent p.a. to meet the MDG 2015 goal of halving poverty to 35 percent. Since the largest sectors in the economy are agriculture (about 30% of GDP), mining (20% of GDP) and informal economic activities, their performance is particularly important to achieve growth. Since the war, agriculture has been growing at 4.4% p.a., and mining at 5.8% p.a.; the fastest growing sectors have been electricity/water and construction, followed by manufacturing.

9.2.8 Poverty Reduction Strategy

To reverse poverty and its underlying causes Sierra Leone is following a new strategic direction, to build towards the MDG targets and Vision 2025. The 2005-2007 PRSP provides bold sectoral policies and institutional reforms to achieve economic growth,

providing food security, job opportunities, basic social services and effective social safety nets. It proposes actions to address (a) short-term living conditions, and (b) long-term causes of conflict and poverty. Consolidation of peace and security, and continued deepening of reform, will ensure that growth translates into reduced poverty and improved human development. By linking the PRSP to attaining the MDGs, government expects maximum cooperation and support from the international community.

The PRSP is Sierra Leone's first — if late — step towards the MDG 2015 targets. It complies with the World Bank comprehensive development framework, with stakeholder and community ownership. It is results-oriented towards long-term poverty reduction, monitorable, multidimensional, prioritised and feasible; there is coordinated development partner participation. Risks include possible shortfalls in aid, investment, and domestic revenue; regional insecurity; delays in providing social services and re-launching economic activities; collapse of fiscal and monetary discipline; weak commitment to devolution; a failing anti-corruption agenda; and weak implementation capacity. There are risks associated with the world economy, such as high oil prices; continued protectionism by developed countries; and deteriorating terms of trade.

The three-year PRSP framework will be updated continually, with full stakeholder participation, to provide follow-up strategies as objectives are met and priorities change. It will roll over every three years. Close links will be built with the medium-term expenditure framework (MTEF) process: the MTEF is the PRSP budget allocation process, while the PRSP is the Government's poverty-reduction plan guiding the MTEF. The PRSP, MTEF and Public Investment Program processes will be synchronized.

The PRSP has three pillars, each with objectives closely tied to the MDGs. They are Pillar One: Promoting good governance, security and peace; Pillar Two: Pro-poor sustainable growth for food security and job creation; and Pillar Three: Human development.

Pillar one groups the programs to ensure an enabling environment of good governance and secure, stable living conditions, so the basic poverty reduction objectives can be attained. Around it are anchored programs for:

- **Good governance** including: speedy public sector reform based on a review of public sector functions, institutions, processes and staffing needs, and civil service pay structure; decentralization of governance to democratically elected, accountable local councils with expenditure and revenue generation responsibilities; capacity building in public management: and measures to fight corruption.
- **Consolidating peace**, including: the Truth and Reconciliation Commission and the Special Court; judicial reform to improve the administration of justice and

access to justice for the poor, reforming laws relating to women and children, countering violations of human rights, and improving the legal environment for private sector development. Actions will strengthen democratic institutions (including Parliament and the Ombudsman), and ensure independent broadcasting, press and media; public information and awareness raising will promote good governance practices.

- Strengthening **national security**. The armed forces (which protect the country's borders) will be restructured to be smaller in numbers but more robust and flexible: the police force will continue to hire, train and equip personnel to enable it to deliver internal public safety, law and order and help to resolve community-level conflicts.

Pillar Two relates to income and production: strategies, and programs for food security and job creation through pro-poor sustainable growth. Food shortage is seen as the most important determinant of poverty. Food security is at the heart of poverty reduction: it contributes to reduced child malnutrition and mortality, and improved maternal health. Pillar Two programs include:

- **Food security strategy**, empowering poor rural and urban households to improve the food they consume, and encouraging farm families to produce more. Government will support small-scale subsistence farmers, who dominate agriculture, to diversify and increase production, improving crop storage, feeder roads and market access; and encourage private agriculture investment. Strengthened inter-sectoral linkages will support agriculture, fisheries and allied sectors.
- Development of supportive infrastructure. The PRSP gives priority to improving energy supply and the transportation and roads network, and developing information and communication technology. These sectors can improve productive sector growth, access to markets and life-enhancing services, and provide pre-conditions for private investment, including in employment-generating sectors such as tourism.
- Programs for private sector development, including export and investment promotion, eliminating structural and physical barriers to investment, improving fiscal frameworks, micro-finance, and privatizing public enterprises. Government will disengage from commercial and industrial activities, concentrating on supporting rather than competing with the private sector.
- Strategies for mining, the largest contributor to foreign earnings, and a major source of employment: reactivating existing large-scale mines, and promoting development of new ones. For small and artisanal mining, the goal is to improve miners' standard of living through modernizing mineral rights licensing, providing access to finance, and extension services.

- Programs to support the tertiary sector, including especially tourism.

Pillar Three supports human development. After food security, the priorities of the poor are access to education, health and water, as the route out of extreme poverty.

- Education sector objectives are basic education for all, and manpower development in key sectors. The New Education Policy focuses on three areas: on access to basic education, especially for girls, providing school feeding, and qualitative improvement (books, materials and teacher education); on tertiary training to meet human resources for poverty reduction programs; and on HIV/AIDS prevention education. Special needs education for disabled and vulnerable children is a further objective.
- The overall goal for health care is equitable access to affordable basic services, improving quality of service and restructuring delivery mechanisms, especially for the poor and vulnerable. Care will focus on maternal, infant and under-five mortality, malaria and communicable diseases. HIV/AIDS and other STDs. Devolution of health management will encourage community participation. Government plans to strengthen secondary and tertiary services where they support the basic level, and to establish nurse training schools.
- To increase access to safe water and sanitation, government will promote sustainable management of facilities, sensitizing communities and users to pay for services. Priorities are safe water for deprived communities in Greater Freetown, district headquarter towns and rural areas: rehabilitating water supply, providing waste disposal, and increasing community awareness of hygiene practices.
- Objectives to ease the critical shortage of housing for the poor are to provide an enabling environment for low-cost housing, facilitating micro-finance, land ownership, sustainable self-help construction, and environmental upgrading of slums. Development partners and NGOs have made important contributions, but programs are far from meeting the needs.
- Improving quality of life for the vulnerable, including inclusion into mainstream society, through programs set up by Government and its partners.
- The youth, the 15-35 age group, underwent violent, radical transformation during the conflict. Those engaged in harmful activities are now part of society. Youth's needs must receive attention in peace-building and poverty reduction. Programs have been developed, and training opportunities provided, but youth development issues continue to pose challenges.
- **HIV/AIDS** is a complex problem with a direct relationship with poverty. Sierra Leone has the conditions for a potentially devastating epidemic: despite ongoing efforts with donor support, it needs further urgent assistance.

- Women's status has traditionally been low, with deep structural discrimination. Actions have been taken for gender equality and empowerment, but more radical progress is required. Gender issues have been mainstreamed into each pillar's strategies. As with all cross-cutting issues, government will provide coordination and advocacy.
- The PRSP recognizes the links between poverty and the environment. Environmental issues include land degradation from mining and deforestation, urban degradation, and pollution. Multi-sectoral environmental measures have been mainstreamed into Pillar strategies. Government will implement environmental policies, and improve the environmental institutional framework

9.2.9 Cost and Financing of the PRSP

The PRSP presents a full, detailed costing of its programs, both recurrent and development costs. Analysis was based on individual sub-program costs. However, the estimates were made before the MTEF constraints were known. They are therefore indicative: they were re-prioritized during 2005, when more MTEF assumptions were available.

The costing exercise was hindered by weak sector planning capacity: accordingly, the PRSP includes a capacity building program. Of course, the costs do not represent the full spending on poverty reduction: they do not include household contributions to poverty alleviation, such as cost recovery charges and extended family expenditures, nor large additional amounts spent directly by NGOs, donors, and philanthropy. The current low institutional absorptive capacity may slow implementation, and thus incidentally reduce costs. The PRSP assumes substantial assistance for institutional strengthening, to jump start operations.

PRSP priority projects and programs for 2005-2007, are estimated to cost Le5, 314 billion (US\$1,786.7 million). This compares with MTEF poverty-related expenditure of Le2, 428 billion (US\$784.8 million). Thus to implement the PRSP minimum additional expenditure of Le3, 363 billion, or US\$941 million, would be required beyond the MTEF. PRSP spending in 2005 would be equivalent to 53% of GDP, falling to 42.5% in 2007. Pillar One costs are estimated at US\$585.6 million, Pillar Two at US\$588 million, and Pillar Three at US\$543.5 million. (For comparison, total debt service 2005-07 is about Le696 billion).

The above financing gap calculations assume that Government would concentrate added spending only on PRSP programs. However, this seems unlikely. Accordingly, a High Case resource-needs scenario was calculated, assuming that 80 percent of total resources net of interest and arrears payments will be dedicated to PRSP objectives. The High Case

funding gap is slightly above US\$1 billion during PRSP implementation. The High Case scenario is more in line with the 2002 Consultative Group, in which donors pledged approximately US\$600 million.

Thus the PRSP needs assessment and program prioritization indicate that to realize its poverty-related objectives Government must spend significantly more than the current MTEF projections. To finance the additional PRSP expenditures, Government needs to secure new funds from both its own resources and its development partners. As the domestic resource base remains fragile, Government will continue to seek a substantial increase in international assistance, beyond HIPC relief, to finance budget deficits.

Public sector borrowing will not expand greatly, so as not to disrupt the PRGF macroeconomic targets. Efforts will be made to mobilize domestic resources, from 47 percent to 64 percent of total budgetary resources (14 percent of GDP). The macroeconomic framework will be re-examined: the PRGF target GDP growth of 6 to 9 percent p.a. will need to increase to meet resource needs, with 12 percent p.a. being the maximum that can be targeted.

9.2.10 Implementing the PRSP and Building Capacity

For the PRSP to succeed, special implementing mechanisms will be needed, under national coordination led by the Inter-Ministerial Committee and Poverty Reduction Strategy Secretariat. Decentralisation will give a significant role to local councils, each of which will have a local planning function. Many institutions will be involved, at all levels

— national, district, chiefdom and ward — to reflect the diversity of interests. NGOs, civil societies and community-based organizations will continue to play an important part.

Donor partnership is vital for the PRSP, in mobilizing resources and in coordinating implementation. Donors have been closely involved with the preparation. The magnitude of the task and related resource needs is such that development partners must take new responsibilities to transfer resources, facilitate private sector development and increase market access for Sierra Leonean products. The close coordination of donor relations must continue; donors are coordinated, within the framework of the Consultative Group, by the joint Development Partnership Committee, co-chaired by the Vice President of the Republic, the World Bank and UNDP.

The institutional and human resource capacity for implementing the PRSP is weak. Absorptive capacity problems have prevented Sierra Leone from using some of the aid

committed to date. Capacity building will have a sharper, longer-term perspective. Donors have funded a series of strong capacity-building programs; support is now shifting from technical assistance towards building indigenous human and institutional capacity. Additional help is urgently needed, especially to upgrade capacity of the newly-established local councils, to meet the local governance challenges implied wide-ranging devolution

9.2.11 Monitoring and Evaluation

In the immediate post-conflict phase, the IPRSP provided a limited monitoring and evaluation (M&E) system, focusing on recovery during the transition. The wider and more detailed programs of the PRSP call for more comprehensive M&E, and for an M&E mechanism. Detailed indicators have been developed to monitor progress towards the objectives and in implementing the programs in each pillar. Particular attention will be given to monitoring decentralized PRSP management, as the new local councils take on planning, implementation, and M&E.

The PRS Secretariat will lead coordination of M&E, which will build on sector-specific programs established in different agencies. It will work through specialized M&E working groups of public and non-government agencies. They will collaborate on resource allocation and expenditure; data and surveys (including public-expenditure tracking); community-based monitoring; and dissemination and policy analysis. The participatory mechanisms used for to prepare the PRSP will also be used to assess progress.

9.2.12 Effects of the PRSP

The PRSP is by no means the first strategy for poverty reduction to have emerged over the past few decades. They exhibit striking similarities with the structural adjustment programmes (SAPs) promulgated by the World Bank and IMF during the 1980s, which were linked to aid conditionality. These SAPs had devastating effects on societies and economies within the developing world, that their abandonment was strongly advocated by national governments and civil society alike.

The PRSP is indeed a noble endeavour, and if implemented accordingly has the potential to lift large numbers of impoverished people within the developing world from the clutches of poverty. In order to achieve this, national governments, the international community and civil society must work together to address the various issues and develop meaningful strategies for poverty reduction.

However, the participation of civil society in the evaluation and designing of, not only the PRSP, but also other government development strategies has always been manipulated

and doctored by government. The Sierra Leone PRSP states that NGOs, civil societies and community-based organizations will continue to play an important role in the implementation of the PRSP and capacity building. This has yet to be seen.

SECTION TEN

WEST AFRICAN BUDGET TRANSPARENCY INITIATIVE (WABTI) – INSTITUTIONAL AND OPERATIONAL PROFILE AND EVOLUTION

10.0 Background

Civil society organizations (CSOs) of various kinds emerged in recent years (1970s) following a dominant international shift towards humanitarian and non-governmental assistance. It was assumed that state management styles were inefficient and perhaps crippled in many instances by widespread corruption. The IMF/World Bank's structural adjustment programmes, and more recently, their poverty reduction strategy programmes reinforced the operating modalities associated with this dominant assumption.

Throughout Western Africa very few local CSOs had the opportunity or perhaps the expertise and institutional strength to undertake budget work as was the case in countries such as Nigeria, Ghana and Sierra Leone. However, budget work has been enhanced as a result of development agencies providing financial support through the establishment of specific programmes coordinated by Northern based NGOs.

In the past, several CSOs sought to train municipal/ provincial leaders and parliamentarians in the view of strengthening governmental efforts towards decentralising administration and governance mechanisms. Civil society has also sought to strengthen democratization processes through improving the level of electoral transparency within the framework of an overall governance package managed by the World Bank and other bilateral parties. Most of these programmes, however, were not carried out independently, and were not driven by social dynamics. They lacked a people centred approach and credibility so that they could be endorsed by independent local CSOs and NGOs. Finally, they were not aimed at empowering CSOs institutionally and through genuine capacity building mechanisms.

The missing link in development work in West Africa is a solid institutional bridge between budget transparency work and existing anti-poverty mechanisms (Millennium Development Goals [MDGs] and Poverty Reduction Strategy Papers [PRSPs]). There is indeed a vacuum in the chain of control over public finance when civil society organizations are not empowered to carry out as efficiently as possible their overarching mandate, which is to provide public opinion with a balanced and fair assessment on the state of public finance and an equitable distribution of resources and opportunities between all social segments. Given the extremely low level of development financing and its downward spiral trend, it is essential that MDGs and PRSPs' budgetary arbitrations be seriously scrutinized and placed under permanent checks by CSOs.

CSOs' financial analysis and monitoring mandate should not be one-sided. It should evaluate states, bilateral and multilateral financial lenders' programmes and their impact on national budgets.

A growing number of West African civil society organizations have participated in the PRS process. Progress has been made on some issues, whilst other issues have remained virtually unchanged when compared with the old structural adjustment approach. Major constraints are lack of most of the states political will, time pressure and capacity constraints.

Further, it is essential to build CSOs' capacity to get involved in watchdog programmes aimed at monitoring and evaluating PRSPs, MGDs and national/local budgets in cooperation with the public and private spheres at national level and with the Economic Community of West African States (ECOWAS). MPs, local councillors and other public civil servants also need training in the area of budget tracking and monitoring. This will contribute to furthering transparency, equity and fairness in national resources sharing. It will also significantly improve economic governance.

Key questions need urgent scrutiny. They include evaluating MDGs and PRSPs, monitoring the New Partnership for African Development (NEPAD) programmes to achieve a timely delivery of relevant global goods (infrastructure; electricity; fresh water, etc), checking how on-going public reform processes and development financing will materialize, improving income distribution, adult malnutrition, gender, environment, etc.

The common denominator between MDGs, PRSPs, budget transparency, NEPAD and public finance reform is the removal of capacity building constraints particularly in the areas of training, advocacy and information delivery as they relate to budget and public finance work (Aide Transparence, 2006).

10.1 WABTI's Agenda for Action

The lack of proper budget monitoring mechanisms within today's civil society organizations, has allowed governments and local councils to act with impunity without

any regard for public opinion and participation in their budgetary processes. This clearly cannot be allowed to continue indefinitely, and civil society must do more to ensure that there is sufficient capacity within CSOs and NGOs to effectively monitor and track the use of public funds. As a step in this direction, WABTI proffers the following agenda for action:

- To create a Public Finance Research and Evaluation think tank emphasizing public finance reforms and budget analysis/tracking as they relate to existing macro-economic frameworks (MDGs and PRSPs);
- To design an adequate strategic and trans-disciplinary training package on advocacy, public relations and public information;
- To design relevant training packages targeting CSOs, Members of Parliament and locally elected leaders at municipal, provincial and village levels.

10.2 WABTI's Mission

The West African Budget Transparency Initiative will have the following mission:

- To develop operational research on public finance and budget transparency based on collaborative work between CSOs, existing research institutions, ministries of finance, parliaments, decentralized administrative entities and international agencies;
- To analyze, monitor and evaluate MDGs and PRSPs in targeted countries through trans disciplinary teams comprised of independent researchers and activists;
- To develop alternative proposals for public finance and budgetary reforms as well as optimal ways for managing public expenditures;
- To develop relevant adequate outreach mechanisms, press coverage and early warning systems;

- To train CSOs, MPs, local councillors and government officials in the areas of budget tracking and public finance policy monitoring as well as strategic legal and political thinking on corruption;
- To train local councillors and CSOs representatives in the areas of budget investigation, audit and control using multivariate approaches and methodologies;
- To create modules for short to medium term training sessions in the areas of advocacy on MDGs, PRSPs and budget transparency in view of heightening CSOs' free participation in financial and budgetary processes:
- To carry out comparative and longitudinal studies on costs related to building highly competitive public expenditure management systems and methodologies, administrative reforms, de-concentration and decentralization, elections, CSOs and political parties financing and global public goods financing;
- To create a Think Tank and a Digital Documentation Centre on Public Finance Reforms and Macro-economic Reforms Monitoring in West Africa;
- To publish the Think Tank's research results through book series, booklets, policy briefs, electronic web based gateways, radio broadcasting, dailies, print magazines, web broadcasting, electronic bulletin and web mailing.

10.3 WABTI's Goals

In order to establish its mission throughout West Africa, WABTI has set itself the following goals:

- To build budget/financial analysis and tracking capacity amongst CSOs, MPs and Local Councillors;
- To analyze, monitor and evaluate PRSPs and MDGs and their relevance to public finance and budget analysis/tracking;

- To feed NGOs, Parliaments, media and other stakeholders with electronic and print policy briefs as well as other relevant information and analysis on budget tracking/analysis, public finance reforms and macro-economic issues.

SECTION ELEVEN

SUGGESTED TRAINING MODULES FOR LOCAL COUNCILS/PARLIAMENT AND CSOs/NGOs IN SIERRA LEONE

11.0 Introduction

In order to effectively prepare CSOs/NGOs, local councils and parliament for budget related activities, certain modules are essential for the preparation process.

11.1 The Budget Process

Based on the responses from the survey and other recommendations, the following areas are suggested for training on the general budget process:

Local Councils/Parliament

Module 1: Budget Literacy – General description of the budget

Module 2: Components of the budget – Income and Expenditure

Module 3: Types of income (revenue, grants, loans etc), types of expenditure (recurrent, development etc)

Module 4: Budget planning and formulation

Module 5: Budget implementation

CSOs

Modules 1, 2, 3

Module 6: Budget Monitoring

11.2 Budget Oversight and Auditing

CSOs and Local Councils/Parliament

Module 1: Budget Analysis

Module 2: Budget Tracking (training on expenditure tracking surveys)

Module 4: Budget oversight mechanisms

Module 4: Budget Auditing and Reporting (report writing techniques)

11.3 Public Finance

In the area of Public Finance, the following training modules are suggested for both CSOs and Local councils/Parliament:

Module 1: Public Procurement mechanisms

Module 2: Public Financial Management (accountability, transparency, record keeping etc.)

11.4 Anti-Corruption Initiatives

In order to make public finance and the budget process transparent, the following anti-corruption trainings are suggested for CSOs and Local Councils/Parliament in the modules below:

Module 1: Definition of corruption

Module 2: Types of Corruption

Module 3: Possible causes of corruption

Module 3: Effects and Cost of Corruption

Module 4: Possible Solutions to Corruption

11.5 Suggested Trainee Organizations

The following organizations in Sierra Leone are recommended for the WABTI training exercise:

- National Accountability Group (NAG)
- Campaign for Good Governance (CGG)
- Network Movement for Justice and Development (NMJD)
- Action Aid Sierra Leone
- Christian Aid
- Forum for Democratic Initiatives
- House of Parliament
- Local Councils

The criteria for suggesting the above organizations is based on the fact that they are all currently engaged in budget work or training in one form or the other.

SECTION TWELVE

ANALYSIS

12.0 Introduction

Sierra Leone, though endowed with so many natural and mineral resources, a small population, a beautiful climate, and so much more, ranks as the second least developed nation in the world, according to the United Nations Development Programme (UNDP) in its 2005 Human Development Index report.

Since independence in 1961, Sierra Leone has experienced economic decline, political instability, military coups, a brutal civil war, an erosion of its once heralded education system and infrastructure, and a general decline in the standard of living of its people. The reasons for this state of affairs are numerous, and the effect on Sierra Leone has far reaching consequences, not only for the people of Sierra Leone in part, but for the entire West African sub region as a whole.

The past decades have shown that instability in one part of the sub region can easily spill over into other parts, yielding horrific consequences. The civil wars in Liberia and Sierra Leone are a demonstration of this fact. It is therefore imperative that all counties in the West African sub region work together to ensure peace and stability, which serves as a necessary ingredient for economic growth and sustained development.

With the end of civil war in Sierra Leone in 2002, one would have expected that Sierra Leone's problems would have come to an end. In reality, this is far from the fact. Sierra Leone has, since 2002, made some progress towards restoration of peace and stability, an improvement in the general economic situation, and the sustenance of its fledgling

democracy, but, has remained shy of proper and sustained development that is commensurate with its capacity to do so.

There are many reasons for the current state of affairs in Sierra Leone, and the government must bear the brunt of the responsibility. Some of the reasons are highlighted below:

- Corruption
- Political favouritism
- Weak and inefficient judiciary
- Lack of commitment to the people
- Lack of transparency and accountability
- Mismanagement
- Lack of credibility
- Archaic and outdated bureaucracies
- Poor procurement practices
- Lack of privatisation

12.1 Corruption

President Alhaji Dr Ahmad Tejan Kabbah in his forward to the ‘Strategic Plan 2003-2008’ of Sierra Leone’s Anti-Corruption Commission (ACC) made the following comments.

“I am on record as saying that I regard corruption as that vicious enemy of our society. If this country is to develop, the culture of impunity that has become so entrenched in our society must be made a thing of the past. Corruption has to be eliminated.

I have personally committed myself to the continuing fight against corruption at all levels of our society, both in the public and private sectors. It is important that we continue to maintain zero tolerance for corruption.

The need to stamp out corruption is a responsibility that falls on each one of us. I gladly re-affirm my personal commitment to root out this enemy of the nation as it is a national security issue. The Government remains committed to the struggle, but government alone cannot accomplish the task of combating corruption. The fight must be carried out in partnership with an active, demanding and independent civil society, involving people from all walks of life.

I wish to renew this call and urge all Sierra Leoneans – businessmen, politicians, home workers, public officials, students, and ordinary citizens, etc. to support the ACC in its efforts to root out corruption in our midst. Only then will it be possible to maximise revenue collection and ensure that such funds are channelled into providing essential services for the people of Sierra Leone. This will mean improved health facilities, better

schools and roads, the provision of clean drinking water, fewer unemployed youths and enhanced salary structures.”

These comments, on the surface, reflect a commitment to the eradication of corruption. However, it is the reality on the ground that provides the contradiction. Sierra Leone has been plagued by endemic corruption ever since the first military intervention in politics after the 1967 general elections. From the era of Siaka Stevens to that of Tejan Kabbah, government ministers, civil servants, workers in government parastatals, etc., have all been involved in corrupt practices of one sort or the other, with devastating effects on Sierra Leone’s economy.

Some recent examples of government corruption are the case of Harry Will (former Minister of Agriculture) and others versus the Attorney-General, which involved the embezzlement of government financial resources meant for the purchase of agricultural seeds and equipment for local Sierra Leonean farmers, and the case of Momoh Pujeh (former Minister of Transport and Communications) and Mary Pujeh versus the Anti-Corruption Commission (ACC), regarding the smuggling of diamonds out of Sierra Leone.

It must however be pointed out that it appears to be only those government officials that have fallen out with the central government, for one reason or the other, that seem to be prosecuted. Those that are in favour with the central government have some form of protection from prosecution, as was highlighted by the refusal of government to allow the investigation of the Marine Resources Minister Mr. Okere Adams, to be conducted, as requested by the ACC. This clearly establishes some form of double-standard practised by the Sierra Leone government with regards to the investigation of government ministers by the ACC, especially by a government that claims to be committed to the struggle against corruption.

12.2 Political Favouritism

Sierra Leone has, over the decades, suffered from political favouritism. Central governments (both past and present) tend to favour political allies over more experienced people in the award of contracts and general procurement, job recruitment, and other areas, leading to the provision of sub-standard goods and deliverables. A recent case of this was the award of contract for the purchase of heavy crane equipment for the Queen Elizabeth II quay (Sierra Leone’s container port). This contract was awarded to Shamsu Mustapha and others, who ended-up purchasing a poor-quality second hand crane, causing a great uproar from the Sierra Leonean public. The issue was taken up by government and sent to court. However, due to the apparent close ties of the culprits to the Vice-President (Mr. Solomon Berewa), who happens to be seeking the Sierra Leone Peoples Party (SLPP) ticket for the Presidency in the coming presidential and general elections in 2007, their case was thrown out of court for the apparent lack of sufficient evidence. This kind of attitude is not only detrimental to the health of the Sierra Leone

economy, but also encourages public officials to engage in corrupt practices with impunity with no apparent regard for the rule of law.

12.3 Weak and inefficient judiciary

The inability of the Sierra Leone judiciary to enforce the rule of law with regards to government cases, and the use of draconian rules for the levying of fines, have made a mockery of the judiciary in recent years. With regards to the case of Harry Will and others versus the Attorney-General, the presiding judge, in his verdict issued the defendants with fines based on archaic laws that were established when the Leone (Sierra Leone's national currency) was running at par with the UK pound. This resulted in fines running to the tune of about Le 500,000 (about £100 in today's money) that was insignificant as compared to the billions of Leones that were embezzled. Upon completion of the case, the Attorney-General took the presiding judge to court and had him tried for corruption, and subsequently jailed.

A more recent example is the case of Hinga Norman versus the Attorney-General. This case was instituted as a result of the current Vice-President's election to the position of SLPP party leader and presidential candidate. The 1991 Sierra Leone constitution, and the SLPP party constitution, clearly prohibits a sitting vice-president from running for and being elected to the post of party leader, this, particularly so, when the current party leader who is also the President of Sierra Leone is still in office. The Supreme Court of Sierra Leone ruled that it did not have the jurisdiction to rule on such issues as they were internal party affairs. This forms a contradiction of principles, as it is this same vice-president who sought for the trial and eventual imprisonment of the presiding judge mentioned above in the Harry Will case.

12.4 Lack of transparency and accountability

The structures of government in Sierra Leone are based on archaic colonial structures, and are sorely lacking with regards to transparency and accountability issues. The huge government bureaucracies are forces unto themselves, with the permanent secretaries and senior civil servants having enormous leeway with regards to the execution of their duties, with little or no checks and balances in place. Consider the case of the Ministry of Finance (MoF). Whenever payments for services to government are to be issued, the final decision rests with the permanent secretary (in this case the assistant financial secretary), who may or may not agree to the award of payments based on his own personal decision. No reason, whatsoever, is given to any person or organisation whose payments are refused, and there is no system of redress. There are cases wherein payments to individuals or organisations have been outstanding for years. Those payments that are automatically awarded are usually as a result of some 'kick-back' given to the official in charge.

This unfortunate state of affairs runs deep in today's Sierra Leone. Government departments and public offices have officials that use their offices for private gain. The apparent lack of structures that facilitate transparency and accountability have helped this status quo to fester unchecked for many decades, thus resulting in this inherent corrupt nature in the Nation's psyche. The establishment of the Anti-Corruption Commission (ACC) in 2002 has sought to remedy this situation. The ACC faces a gargantuan task, as corruption is deep-rooted and covers the whole spectrum of society that it has almost become a norm. Citizens hesitate to come forward with reports of corrupt practices for fear of retribution from corrupt officials, some of whom are very powerful.

12.5 Poor procurement processes and lack of privatisation

The procurement process in the past has been very inconsistent and rife with corruption. The bid process and the award of contracts have always been heavily influenced by government interests and concerns, all geared towards the reception by officials of enormous 'kick-backs' and bribes. The bidder willing to provide the biggest kick-backs and bribes would be the one to most likely win the bid. This has led to the provision of poor quality services and the erosion of standard procurement procedures. In 2005, the Sierra Leone government established the Public Procurement Authority to help address some of these concerns, and establish a standard public procurement procedure. Of course the task has been riddled with difficulties, as the authority is still in its developmental stages with key positions yet to be filled and officials yet to be trained.

The lack of a proper privatisation process over the years has helped spawn critical mass of highly inefficient and debt laden parastatals. The unwillingness of the central government to privatise these institutions has led to their gradual decay, some of which have led to disastrous consequences. Two examples of these are the National Power Authority (NPA) and Sierratel (Sierra Leone's national telecommunications company). NPA's decline over the decades due to the lack of proper management and corrupt authorities has led to the virtual collapse of electricity provision in Sierra Leone. This is most evident in the capital city Freetown. Whole areas of Freetown have been in perpetual blackout for months on end (some areas have not had electricity for years). Officials sell-off the fuel oil and purchase substandard parts, and there are numerous cases of this over the years which have resulted in changes of NPA's administration in several instances, but with no real change in the company's performance. In addition to this, the construction of the Bumubuna hydroelectric dam has taken almost three decades since its inception and is still yet to be completed. Rampant corruption and mismanagement of resources are the most obvious reasons for this persistent delay.

The most glaring case of the need of privatisation of parastatals is given by that of Sierratel. Sierratel has been so riddled with corruption in the past that today it is unable to pay the salaries of its employees on time, so much that some employees have not been paid for up to three months at a time. This unfortunate state of affairs was drawn to the attention of the whole world when employees of Sierratel embarked on a three week industrial action and sit down strike in June 2006. They were however bulldozed in to

going back to work by the government after they were threatened with immediate dismissal and replacement. This demonstrates the lack of basic rights for government employees, and the apparent unconcern of the Sierra Leone government for the welfare of its employees in particular and the general populace in general.

It should however be noted that in 2005 the Sierra Leone Privatisation Commission was launched to help address some of these issues, but is still in its infancy to have made any meaningful contribution up till this point in time.

12.6 General Comments

The issues raised in the preceding subsections highlight major flaws in the governance of Sierra Leone. These are flaws that will never be documented in government papers or even acknowledged by government. The process of denial has been the most contributing factor to the decay of the Sierra Leone economy which led to the brutal ten year civil war between 1992 and 2002. It is sad to note the reasons cited by the rebels for the war are still prevalent in society today, with no apparent effort made by government to address these issues. Is Sierra Leone travelling down the same path of destruction, or is the nation prepared to make amends for a turbulent and corrupt past? These are questions that may only be answered in time.

It is apparent that there is insufficient capacity within government and local councils with regards to general governance issues, and especially with regards to accountability and transparency issues. One major contributing factor is the lack of a Freedom of Information Act. The absence of the free flow of information has enabled corrupt elements to manoeuvre undetected for decades, as information about public establishments have been prohibited from the public domain. With the establishment of a Freedom of Information Act, public officials will be forced to tread carefully because of the fear of exposure from unknown and unanticipated sources.

In order to achieve the MDGs and successfully execute the PRSP, Sierra Leone first of all needs to address the issues raised above in the preceding subsections. Sierra Leone has tremendous preliminary strides to make in addressing basic developmental issues before embarking on the poverty reduction strategy as highlighted in the PRSP. A greater role by civil society and non-governmental organisations is one of the routes Sierra Leone could take in bringing this initial barrier down, which reiterates the fact that the capacity of civil society as well as local and central government needs to be immensely upgraded in order to carry out the difficult but important task of budgetary monitoring and transparency initiatives.

SECTION THIRTEEN

FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

13.0 Findings, observations and recommendations

13.1 Findings and Observations

13.1.1 General Observations

- There was generally insufficient capacity to effectively monitor national / local budgets by all the organizations covered in this survey. This is due mainly to the short time duration that some of the organizations had been working on budget related issues (especially with regards to the local councils and CSOs / NGOs), and also the lack of expertise in budget related evaluation techniques.
- There was also a general lack of knowledge regarding formulation and structure of national / local budgets by the organizations surveyed. This is due mainly to the complexity of the budget process in Sierra Leone and the secrecy enshrouding the formulation and preparation of the budget by the Ministry of Finance.
- Organizations covered in this survey were weak not only with regards to general budget processes but also with regards to general financial management.

13.1.2 Civil Society Organizations and Non-Governmental Organizations

- CSOs / NGOs were quite weak with regards to general budget literacy, especially with regards to the planning, formulation and structure of national / local budgets.
- CSOs / NGOs lacked sufficient capacity with regards to budget implementation, budget management and budget monitoring.
- There was also insufficient capacity to undertake public expenditure tracking by the CSOs / NGOs covered in this study.
- Most CSOs / NGOs in this study were sorely lacking in the areas of financial management, project management, public procurement and project reporting.

13.1.3 Local Councils and Parliament

- Local councils and parliament were lacking in the areas of budget literacy, especially with regards to the planning and formulation of national / local budgets.
- There was also insufficient capacity to effectively undertake budget analysis, budget monitoring, budget management, budget implementation and budget reporting by local councils and parliament.
- Local councils and parliament also had insufficient capacity to effectively undertake project designing, project management, public procurement and financial management.
- Local councils and parliament were weak with regards to auditing, expenditure tracking and anti-corruption initiatives.

13.2 Recommendations

The above findings and observations clearly indicate that civil society organizations, non-governmental organizations, local councils and parliament in Sierra Leone, do not currently have sufficient capacity to undertake budget related work. The various constraints they face and the general lack of expertise with regards to budget issues have rendered these organizations weak and vulnerable. This state of affairs provides opportunities for corruption as it hinders the effective monitoring of the use of public resources. Therefore, there is a dire need for proper training of these organizations with

regards to budget related issues so as to ensure budget transparency by local councils, parliament and other sectors of government in Sierra Leone.

13.2.1 General Recommendations

- To be able to effectively ensure budget transparency, monitoring organizations need to be fully aware of the formulation and structure of budgets. This would require training in the design, formulation and structure of budgets by the participating organizations. A sensitization and training programme for CSOs / NGOs, local councils and parliament covering the planning, formulation and structure of national / local budgets should be undertaken.
- A sensitization and training programme for CSOs / NGOs, local councils and parliament covering budget analysis, budget implementation, budget management, budget monitoring and budget reporting should also be undertaken.
- CSOs / NGOs, local councils and parliament should participate in a training programme covering project designing, project management, public procurement and financial management.
- A sensitization and training programme for CSOs / NGOs, local councils and parliament should be undertaken covering the aspects of auditing, expenditure tracking and anti-corruption initiatives.

13.2.2 Recommendations regarding the poverty reduction strategy and millennium development goals

The government of Sierra Leone in response to the Millennium Development Goals (MDGs) prepared the Poverty Reduction Strategy Paper (PRSP). Implementation of the PRSP cannot be divorced from capacity building at all levels by any means whatsoever. The small number and poor quality of institutions, systems of service delivery and human resources are recognized as some of the key obstacles to an effective absorption of resources and any significant progress in achieving the government's poverty reduction goals. Capacities for programme design, implementation, economic and financial management in the public and non-public sectors have declined progressively over the last two decades due to several factors, including bad recruitment, absence of realistic human resource planning, training and lack of a retention plan. These problems were compounded by the civil conflict. Reversing the trend is central to reversing the decline in service delivery, especially in the rural areas.

Although some improvements have been made in upgrading capacity and restoring some measure of competence in some parts of the public service, there is still a need to build more capacity to meet the demands of the PRSP, both within and without the public sector. The urgency of the problem is underscored by the need to upgrade the capacity of

the newly established district, city and town councils, to meet the challenges of local governance as implied in the wide-ranging functions to be developed according to the Local Government Act 2004.

The successful implementation of the PRSP will depend, to a large extent, on enhanced institutional capacity for policy analysis, planning, coordination and implementation, monitoring and evaluation of critical programmes and projects (PRSP, 2005).

The government of Sierra Leone will require substantial support from its development partners over the short to medium term to coordinate and achieve the following capacity building requirements:

- Identifying the administrative, technical and logistical needs of Ministries, Departments and Agencies of Government, Civil society (including NGOs) and the private sector involved in the implementation of the PRSP.
- Determining training needs, relevant training programmes, and sources of sponsorship for technical and managerial staff training.
- Providing the necessary administrative, technical and logistical support for implementing institutions and agencies.
- Establishing relevant and effective management information systems and coordination mechanisms.
- Support for realistic performance and competence-based wage structure that will ensure maximum retention of qualified personnel in the public sector.

SECTION FOURTEEN

CONCLUSION

14.0 Conclusion

This report confirms that there are severe incapacities in budgetary expertise within civil society organizations, non-governmental organizations, local councils and parliament in the Republic of Sierra Leone. The report further sought to highlight these shortfalls and suggest areas in which training needs were required. An overview of the economy and structure of the Sierra Leone budget process was also highlighted. The millennium development goals and the PRSP process were briefly discussed, and recommendations to ease the implementation of the PRSP were given.

This report also looks at Sierra Leone through a critical eye with a view of comparing realities on the ground vis-à-vis the MDGs and PRSP. It highlights the fact that Sierra Leone has tremendous preliminary strides to make in addressing basic developmental issues before embarking on the poverty reduction strategy as highlighted in the PRSP. A greater role by civil society and non-governmental organisations has been highlighted as one of the routes Sierra Leone could take in bringing this initial barrier down, which reiterates the fact that the capacity of civil society as well as local and central government needs to be immensely upgraded in order to carry out the difficult but important task of budgetary monitoring.

This survey is not an audit; it serves to highlight the needs of civil society, non-governmental organizations, local councils and parliament to ensure proper budgetary transparency in the Republic of Sierra Leone, and help end the reign of corruption in an already embattled economy.

REFERENCES/BIBLIOGRAPHY

Poverty Reduction Strategy Paper Document
Millennium Development Goals 2005
Public Expenditure Tracking Survey Reports 2002
National Population Census Report 2004
MTEF Estimate Financial Year 2006-2008
National Anti-Corruption Strategy 2005
Anti-Corruption Report 2004