Public financial management reforms in fragile states: the case of Sierra Leone

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Abbreviations

ACC	Anti-corruption Commission
AfDB	African Development Bank
AFRC	Armed Forces Revolutionary Council
AFROSAI-E	African Organisation of Supreme Audit Institutions in English-speaking Africa
AGD	Accountant-general's Department
APC	All People's Congress
APP	Assessment and Action Plan
ASSL	Audit Service of Sierra Leone
CFAA	Country Financial Accountability Assessment
BCC	Budget Call Circular
BFP	Budget Framework Paper
CAP	Common Action Plan
COFOG	Classifications of the Functions of Government
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DACO	Development Assistance Coordination Office
DFID	Department for International Development
EC	European Commission
EU	European Union
EPRU	Economic Policy and Research Unit
FCAS	Fragile and Conflict-affected States
FMAS	Financial Management and Accounting System
FMR	Financial Administration Regulations
GBAA	Government Budgeting and Accountability Act
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoSL	Government of Sierra Leone
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HRMO	Human Resource Management Office
IDA	International Development Association
IAU	Internal Audit Unit

IFMIS	Integrated Financial Management Information System
IGAP	Improved Governance and Accountability Pact
IMF	International Monetary Fund
IPFMRP	Integrated Public Financial Management Reform Project
IRCBP	Institutional Reform and Capacity Building Project
LTA	Local Technical Assistant
MDA	Ministries, Departments and Agencies
MDBS	Multi-donor Budget Support
MDTF	Multi-donor Trust Fund
MDRI	Multilateral Debt Relief Initiative
MEFF	Macroeconomic and Fiscal Framework
MoFED	Ministry of Finance and Economic Development
MTEF	Medium-term Expenditure Framework
NGO	Non-governmental Organisation
NPPA	National Public Procurement Authority
NAP	National Action Plan
NPRC	National Provisional Ruling Council
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OGAU	Other Government Accounts Unit
PAC	Public Accounts Committee
PAF	Performance Assessment Framework
PDMU	Public Debts Management Unit
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PIU	Parallel Implementation Unit
PFM	Public Financial Management
PFMRU	Public Financial Management Reform Unit
PPA	Public Procurement Act
PPP	Purchasing Power Parity
PPPS	Procedures to Protect Priority Spending
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper

RUF	Revolutionary United Front
SDPS	Service Delivery and Perception Survey
SLPP	Sierra Leone People's Party
UK	United Kingdom
UN	United Nations
UNAMSIL	UN Mission in Sierra Leone
UNDP	UN Development Programme

Executive summary

Sierra Leone's development since independence has repeatedly been undermined by a series of military coups and a protracted civil war. The devastating consequences of the conflicts are still visible, as the country ranks near the very bottom of the Human Development Index. However, these stark human development results do not capture the considerable progress Sierra Leone has made in other aspects of its development, which have facilitated peace and state building. Such efforts are illustrated by strong macroeconomic performance, particularly growth, and considerable improvements on certain social development indicators.

One crucial pillar of this improvement is public sector development, which has been a longstanding priority in Sierra Leone for government and donors alike. In the early stages of his tenure, President Kabbah and his government prioritised civil service reform, alongside tackling corruption, and it formed a key part of the 1999 Governance Reform Secretariat's role. Over time, it has also been the recipient of considerable donor support, resulting in a particularly well-funded public administration. However, it is less straightforward to assess the effectiveness of the administration. In an attempt to improve service delivery in an environment of weak civil service capacity, a 'parallel public sector' has developed in Sierra Leone (Ingram, 2010; World Bank, 2010a). This has addressed reform bottlenecks in the short term while at the same time creating significant sustainability concerns over the longer term. Furthermore, corruption remains one of the main development challenges in Sierra Leone, stemming from a legacy of widespread institutional corruption.

International support has been considered a fundamental component of Sierra Leone's development, having financed and guided government policy both during and since the end of the civil war. Since the end of the conflict, the substantial budget support programme has ensured a considerable level of international engagement in government activities and has become a key focal point for policy dialogue between the Government of Sierra Leone (GoSL) and budget support donors: the African Development Bank (AfDB), the UK Department for International Development (DFID), the European Commission (EC) and the World Bank.

Public financial management in Sierra Leone

During the civil war, state capacity was severely depleted as a result of the extensive destruction of social and physical infrastructure. In terms of public financial management (PFM), not only was there a loss of skilled personnel, but also, in 1997, the building that housed the Ministry of Finance was destroyed (GoSL, 2007). However, the Country Financial Accountability Assessment (CFAA), published less than three months after the civil war was officially declared over,[1] states that 'given the acute period of civil collapse from which the Republic of Sierra Leone only recently emerged, financial management in the country functions surprisingly well' (World Bank, 2002). Although internal and external controls were weak, budget preparation, execution, accounting and reporting were showing moderately good performance (ibid.). There were two key reasons for this relatively positive PFM performance. First, during the civil war, a legal and regulatory framework for PFM was upheld and a highly centralised system of management maintained a degree of expenditure control, while well-financed technical assistance experts carried out day-to-day activities (ibid.). Second, between 1996 and 2002, incremental policy initiatives and the continued provision of some public services to restricted areas of the country served to strengthen governance structures.

There have been three main PFM reform 'action plans' since the end of the civil war: the 2002 CFAA; the 2004 Common Action Plan (CAP), which developed into the National Action Plan (NAP); and the 2009 Integrated Public Financial Management Reform Project (IPFMRP) (GoSL, 2007; World Bank, 2009a). The literature on PFM reform in Sierra Leone suggests that reform plans have been heavily directed by PFM diagnostic assessments funded primarily by the international community. There has been a clear attempt to improve both the comprehensiveness and the conceptual coherence of PFM reform plans and subsequent reform

[1] President Kabbah declared the civil war officially over on 18 January 2002.

efforts in Sierra Leone. First, a common theme in each PFM reform plan, from the CFAA recommendations to the CAP/NAP and then eventually the IPFMRP, is that each successive reform plan has been more comprehensive in its approach (GoSL, 2007; IMF, 2008). Second, the most recent reform plan, the IPFMRP, has clearly been developed based on established PFM reform practice – that of the platform approach.

The following table summarises the results and achievements of PFM reform in Sierra Leone. Since 2002, the GoSL has made good progress in improving its PFM framework and systems and has initiated an impressive set of reforms (Lawson, 2007; GoSL, 2007; World Bank, 2009a). By 2007, the GoSL had implemented nearly all the CFAA recommendations and achieved scores on a Public Expenditure and Financial Accountability (PEFA) assessment equivalent to those attained by other countries in the region despite coming from a considerably lower starting point (GoSL, 2007; World Bank, 2009a). These results reflect a concerted PFM reform effort by the GoSL and donors since 2002, as well as during the latter stages of the conflict when the foundations of PFM reform were established. The table presents the results, against three dimensions of PFM: *de jure* measures vs. *de facto* functional results; upstream vs. downstream performance; and concentrated and de-concentrated performance (World Bank, 2010b).

Results and achievements of PFM reform in Sierra Leone

***De jure m*easures vs. *de facto* functional results**
There has been considerable concentration on establishing a suitable legal and regulatory framework, and good progress has been made in this area. However, criticism has surrounded the appropriateness of the legal framework, as well as its incomplete implementation (GoSL, 2010c; IMF, 2008; Lawson, 2007). There appears to be mixed evidence on the appropriateness of the latter framework, but a degree of consensus around the challenge of the full implementation of many of the new acts, procedures, processes and systems, a sentiment supported by various studies over the past few years (Lawson, 2007; IMF, 2008; World Bank, 2009a). According to the recent Public Expenditure Review, 'interviews with the authorities have identified politically sensitive decisions as the root causes of some of these deviations from the legal framework' (World Bank, 2010a). In addition, weak knowledge and understanding of the acts and procedures – particularly the Government Budgeting and Accountability Act (GBAA) and the Financial Administration Regulations (FMR) in ministries, departments and agencies (MDAs) – have resulted in their poor implementation.
Upstream vs. downstream performance
It is evident that initial reform efforts post-2002 were heavily weighted towards developing the legal and regulatory framework, budget formation and parts of budget execution. Accounting, reporting and external audit and oversight were for the most part supported and reformed later. The outputs of diagnostic instruments on which the reforms have principally been based (e.g. the CFAA and, to a lesser extent, the Heavily Indebted Poor Countries (HIPC) Assessment and Action Plan (APP)) focused primarily on the legal and institutional framework, budget formation and budget execution, and – particularly so for the CFAA – gave little attention to audit, evaluation and accountability (although external audit is covered briefly). For this reason, despite the fact that the GoSL's PFM performance against the CFAA recommendations has been particularly good, it has only relatively recently addressed weaknesses related to external audit and oversight. Key achievements (in addition to those discussed under the other dimensions) include strengthening internal capacity; establishment of new entities and hiring qualified staff for key positions; rolling out a new developed Integrated Financial Management Information System (IFMIS); establishing internal audits; strengthening the medium-term expenditure framework (MTEF) (despite remaining key challenges); integrating regular reporting systems (through the establishment of in-year reporting and regular public expenditure tracking surveys (PETS)); and improving the accountant-general's function and output.
Concentrated vs. de-concentrated entities
PFM performance of de-concentrated entities is weaker than that of the Ministry of Finance and Economic Development (MoFED), reflecting the concentration of the reform effort. Anecdotal evidence suggests that the MoFED has the strongest human capacity of any MDA. Although reforms have been implemented at the de-concentrated level, weak capacity and the infrequent use of sanctions by the MoFED continues to undermine performance. Despite this, the establishment of budgeting, accountability and procurement for both central and local government is considered one of the main achievements of PFM reform since the end of the civil war.

In addition to the conducive environment for PFM reform that had been established by the time of the peace agreement, other factors have influenced the PFM reform approach as well as its implementation in Sierra Leone. These can be divided into three main categories: 1) the incentives created by donor frameworks, especially those related to budget support operations; 2) the influence of political governance and its appetite for reforms; and 3) the establishment of a significant cadre of local technical assistances (LTAs) and off-civil service officials in the MoFED.

1 Introduction

1.1 Purpose and objectives of the study

This paper is part of a study analysing public financial management (PFM) reform initiatives in fragile and conflict-affected states (FCAS). The objective of the study is to undertake a comprehensive stock-taking, review and synthesis of lessons learnt about designing, implementing and assessing PFM reform initiatives in FCAS.

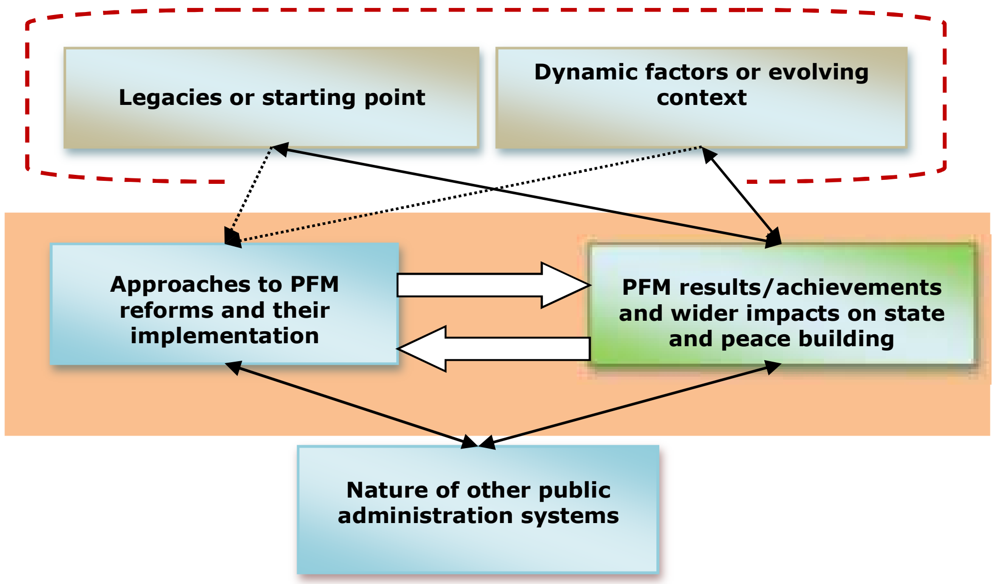
The study builds on analysis carried out in an earlier phase of the project, which presented an opportunity to summarise the literature currently available on PFM reform initiatives in FCAS and to extrapolate key issues and themes from three desk-based case studies (Afghanistan, Cambodia and Sierra Leone). The current study (the second phase of the project) builds on these outputs, but in doing so extends the breadth and depth of the analysis as well as its reach, by carrying out multiple country case studies and exploring synergies across them.

This case study of Sierra Leone is one of eight in-depth country studies that will form the basis of a synthesis paper and a World Bank Guidance Note to provide practitioners with accessible, evidence-based knowledge about PFM reform approaches in FCAS.

1.2 Study questions, framework and methodology

The overall study attempts to answer two overarching questions. First, how have PFM operations been affected by the challenges associated with state fragility? Second, have the design and implementation of PFM operations contributed to sustainable progress in the development of PFM systems, as well as to wider state- and peace-building objectives?

Figure 1: Summary of contextual factors and reform interactions (fragility context)



The study focuses on issues and processes related to the expenditure side of PFM. For the purpose of this analysis, public expenditure management is divided into the following stages of the budget cycle: legal and institutional framework; budget formulation; budget execution; and audit, evaluation and accountability. The study does not examine revenue generation and management or the agencies responsible for the collection of revenues (i.e. customs and the tax administration). It looks at developments over time; across budget cycle functions; across concentrated and de-concentrated agencies (finance ministries; line ministries, sub-national entities etc.); and across actors and stakeholders.

The case studies analyse the relationships between the dimensions (i.e. the arrows) in Figure 1 in order to understand better the PFM reform trajectory in each country. By accounting for the nature of the country context, they examine reform efforts from a political-economy perspective.

This paper primarily covers the post-war period in Sierra Leone from 2002 to 2010, in particular It examines PFM reforms related to public expenditure management. It draws heavily on a desk-based report drafted for the first phase of the overall project. It is based on a review of available documentation and data, fieldwork interviews in Sierra Leone with key country-based stakeholders and follow-up telephone interviews with other stakeholders. The fieldwork was carried out in Sierra Leone in June 2010.

2 Reform environment

2.1 Country context and indicators of 'fragility'

Since independence, Sierra Leone's development has repeatedly been undermined by a series of military coups and a protracted civil war. The civil war in the 1990s to the early 2000s saw widespread killings, looting and destruction of property. By the end of it, at least 50,000 people had died, 30,000 people had been deliberately maimed and a third of the population was displaced.

The devastating consequences of the civil war are still visibly evident in Sierra Leone. In 2009, according to the Human Development Index (HDI), Sierra Leone ranked 180th out of the 182 participating countries. The ranking, based on data from 2007, reports that only 38% of adults (above the age of 15 years) are literate, life expectancy at birth is 47 years and gross domestic product (GDP) per capita (purchasing power parity (PPP)) is equivalent to $679.

Box 1: The 1991 Sierra Leone civil war

The Sierra Leonean civil war began in 1991 with the Revolutionary United Front (RUF) invasion of eastern Sierra Leone. This campaign was followed a year later by a military coup that established the National Provisional Ruling Council (NPRC) as the ruling party. Despite the initial goodwill the NPRC received, poor governance and abuses of civilians led to internal and external pressure to hand over power to a civilian government. As a result, presidential and the parliamentary elections were held in 1996, which President Kabbah and the Sierra Leone People's Party (SLPP) won. Despite initial attempts to broker peace with the RUF, by 1997 President Kabbah's government had been overthrown and forced into exile. During this period, the SLPP developed its policy agenda with support from the international community and, less than a year later, when the SLPP government was reinstalled, it outlined an ambitious and wide-ranging national development programme. However, a second evacuation of Freetown in 1999, following an invasion by the Armed Forces Revolutionary Council (AFRC) and the RUF, was a significant setback for reform implementation. The government and the international community worked together to negotiate and sign the Lomé Peace Agreement in 1999, which saw the establishment of a UN peace-keeping force in the same year. However, by 2000, the RUF had broken the conditions of the agreement. This precipitated the arrest of the RUF leader, a British military invasion and a military effort by the UN Mission in Sierra Leone (UNAMSIL), which finally overwhelmed the RUF insurgency. The civil war was officially declared at an end in January 2002.

Yet these stark human development indicators do not capture the considerable progress Sierra Leone has made in other aspects of its development, which have facilitated peace- and state-building efforts. Together, these advancements help explain Sierra Leone's recent progress to above 3.2 on the Country Policy and Institutional Assessment (CPIA) index and, consequently, its progress *from* FCAS status.[2]

Despite Sierra Leone's poor performance on the HDI vis-a-vis the rest of the world, there have been improvements on several *social development indicators* since the end of the conflict, such as under-five mortality, infant mortality and school enrolment rates – which have increased dramatically. In addition, the labour market has strengthened, illustrated by labour force participation increasing faster than unemployment (GoSL, 2010b).

Second, between 2002 and 2008, *macroeconomic performance* was consistently strong, resulting in rapid growth and a steadily declining overall deficit (IMF, 2009a; World Bank, 2009c). Since the end of the civil war, real GDP growth rates have been impressive, averaging 7.6% per annum between 2003 and 2007. These growth rates have been driven largely by successful performance in agriculture, mining, services and construction. Furthermore, during the same period, real GDP per capita increased year on year, despite 'stubbornly' high inflation

[2] The World Bank measures fragility according to the CPIA index. Even though the CPIA score for Sierra Leone for 2010 was slightly above 3.2 so it should have been promoted from FCAS status, the country remained on the World Bank's FCAS list for2010/11.

(IMF, 2009a). Alongside this, the overall deficit as a percentage of GDP decreased year on year between 2001 and 2008, with the assistance of considerable donor support (ibid.).

Only recently has Sierra Leone's fiscal position weakened as a result of the global economic downturn, evidenced by slower growth rates, a reduction in exports and a fall in remittances. Declines in world market prices, delayed investments and scaled-back production have hit the mining sector particularly hard, with export earnings for diamonds plummeting in late 2008 (World Bank, 2010c). This is expected to dampen revenue and real growth projections in the medium term (World Bank, 2009c).

Table 1: Economic and fiscal items, 2000-2012

Economic indicators	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010 proj.**	**2011 proj.**	**2012 proj.**
GDP billions (Leones)	1,330	1,600	1,964	2,327	2,899	3,510	4,217	4,970	5,828	6,407	7,605	8,798	10,000
GDP per capita thousands (Leones)	315	366	433	492	588	687	800	917	1,048	1,125	...	...	...
GDP real growth (%)	3.8	17.9	27.5	9.3	7.4	7.3	7.4	6.4	5.5	4.0	4.8	5.5	6.0
Consumer Price Index, period average (%)	-0.9	2.6	-3.7	8.2	14.2	12.1	9.5	11.7	14.8	9.2	15.6	7.6	8.7
General government budget (% of GDP)													
Domestic revenues	11.4	14.0	14.5	15.4	12.5	11.9	11.8	10.8	11.5	11.7	12.4	12.9	13.7
Grants	8.0	6.4	9.8	9.7	9.1	10.1	20.3	32.0	4.5	7.8	7.0	5.9	6.9
Of which: MDRI							12.2*	27.2*					
Expenditure	28.7	29.8	34.2	32.1	24.1	24.6	22.7	17.6	20.7	22.7	23.3	23.6	24.0
Recurrent	22.7	24.9	28.9	26.1	19.4	18.7	17.6	14.1	14.6	15.6	15.1	15.1	15.0
Development	6.1	4.8	5.3	6.0	4.7	5.9	5.1	3.6	6.3	7.1	8.1	8.5	9.0
Overall deficit (commitment basis)													
Excluding grants	-17.3	-15.8	-19.7	-16.7	-11.6	-12.8	-11.0	-6.8	-9.2	-11.0	-10.8	-10.6	-10.3
Including grants	-9.3	-9.4	-9.9	-7.0	-2.5	-2.7	9.3	25.2	-4.7	-3.2	-3.9	-4.7	-3.5
Change in arrears	3.3	-35.8	-0.2	-0.7	-1.1	-0.2	0.0	0.8	-0.8	-0.9	-1.0	-0.4	-0.3
Overall deficit (cash basis)	-6.1	-45.3	-10.1	-7.8	-3.7	-2.9	9.3*	26.0*	-5.5	-4.1	-4.9	-5.1	-3.8

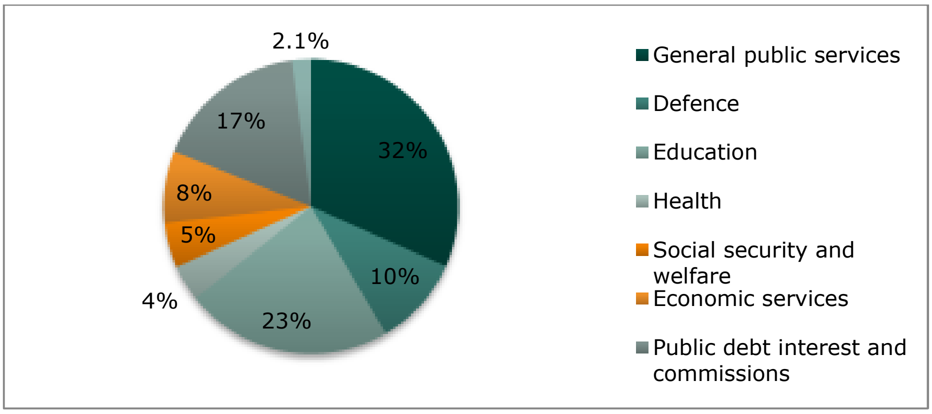
Note: * Not confirmed. MDR = Multilateral Debt Relief Initiative.
Sources: IMF staff estimates and projections (IMF, 2009a (2001-2007) MF, 2010 (2008-2012)) and World Bank (Health, Nutrition and Population statistics).; I

The Government of Sierra Leone (GoSL)'s prioritisation of the restructuring and strengthening of the *public administration* can partly explain the strong macroeconomic performance the country has experienced until recently. This is evidenced by steady increases in the proportion of recurrent expenditure on 'general public services', which resulted in this category absorbing the highest proportion of recurrent expenditure (at 32%) in 2007 (IMF, 2009a)[3]. This investment may help explain why the GoSL has consistently achieved relatively good ratings in

[3] The exact composition of 'general public services' was not specified in documentation reviewed.

recent years for the quality of its public administration, including budgetary and financial management (World Development Indicators).[4]

Figure 2: Functional expenditure, 2007 (% of total recurrent expenditure)



Source: IMF staff estimates and projections (IMF, 2009a).

Yet the expansion of spending in some priority areas came at the expense of expenditure on other pro-poor public services crucial to improved development outcomes. For example, between 2003 and 2007, health, social security and welfare started to absorb smaller proportions of total recurrent expenditure. In addition, significant spending on debt servicing squeezed spending in productive areas. In 2007, public debt interest and commissions made up 17% of total recurrent expenditure, and total domestic and foreign debt combined equated to 52% of GDP.[5] This should be addressed by current efforts to enhance domestic resource mobilisation and to improve Sierra Leone's very low domestic revenue-to-GDP ratio. In 2007, the latter index stood at 10.8%, which is one of the lowest in Sub-Saharan Africa and much lower than the average for other fragile states in the region (IMF, 2009a; 2009b).

Table 2: Fiscal items, 2000-2012 (% of recurrent expenditure)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 proj.	2011 proj	2012 proj
Wages and salaries	29.7	30.6	26.6	31.3	32.2	37.0	36.6	44.9	39.4	40.2	44.0	44.9	45
Purchases of goods and services	38.7	45.3	44.8	45.8	34.4	32.6	27.7	23.8	33.6	35.0	29.5	30.3	31
Subsidies and transfers	3.8	4.1	6.5	5.7	10.0	10.2	13.8	14.4	12.9	14.5	14.8	14.7	15
Interest	27.8	20.1	22.1	17.3	23.3	20.2	21.9	17.0	14.2	10.3	11.8	10.2	10
Of which: domestic	16.7	12.2	10.7	13.3	18.7	15.2	12.0	14.6	12.9	8.9	10.2	9.0	8

Sources: IMF staff estimates and projections (IMF, 2009a (2001-2007); IMF, 2010 (2008-2012)).

The second *poverty reduction strategy programme* (PRSP), Agenda for Change 2008-2012, adopted in 2009, aims to address some of the challenges in prioritising spending on pro-poor public services. It was designed to address a number of key strategic priority areas, including power, infrastructure, agriculture, education and health, considered vital to economic growth, development and poverty reduction. It builds on the efforts of the first PRSP (2005), including the marginal decrease in poverty achieved in recent years (World Bank, 2010a), and sits

[4] According to the World Bank's CPIA scores, between 2005 and 2007 the GoSL consistently achieved 1) a score of 4 for budgetary and financial management; 2) a score of 3 for public administration; and 3) a score of 2 for transparency, accountability and corruption in the public sector – reflecting considerable concerns about the high levels of corruption prevalent in Sierra Leone.

[5] These levels persist despite considerable debt relief between 2004 and 2007, including from the MDRI (IMF, 2009a).

within Vision 2025, Sierra Leone's other overarching policy guide, which lays out a set of development principles. The new government, elected in 2007, is championing the PRSP II.

Another achievement in post-war Sierra Leone is its administration of two *general elections* (in 2002 and 2007) and the decentralisation of public services through the reestablishment of local government, for which elections were first held in 2004. The general election in 2007 was considered fair and resulted in the election of a new government. The All People's Congress (APC) won both the presidential and the parliamentary votes, taking over from the SLPP, which had won both the 1996 and the 2002 elections. However, risks to stability are still present, and may increase as fears of politically motivated violence grow with the next election looming. A change in the voting system in 2007 intensified political competition and saw attempts to block candidates from campaigning in some localities. In 2008, local council elections were marred by intimidation of independent and women candidates, and turnout was subsequently low. Furthermore, a recent planned by-election in the south of the country was postponed because of political violence, and in March 2009 Freetown saw a renewal of political violence in the form of a siege of SLPP headquarters and police paralysis (World Bank, 2008b).

2.2 Sources of influence on PFM reform

2.2.1 Political governance and leadership

> *'By the start of the conflict, the nation had been stripped of its dignity. Institutional collapse reduced the vast majority of people into a state of deprivation. Government accountability was non-existent. Political expression and dissent had been crushed. Democracy and the rule of law were dead' (Truth and Reconciliation Commission, 2004, in Thompson, 2007).*

Sierra Leone was largely a failed state by the time of the RUF invasion in 1991, unable to provide protection or services to the majority of its citizens. The country's economy was reasonably successful for the first 10 years after independence, attaining growth rates of nearly 4% per annum. However, economic and social conditions worsened greatly in the 1970s and into the middle of the 1980s, primarily because of inappropriate government policy and poor governance. A 'shadow state' network of patronage was created under Siaka Stevens,[6] where wealth from the illicit diamond trade and diverted profits and assets, most notably from rice and petroleum marketing, were used to reward allies, such as compliant chiefs, and to coerce opponents. This period also saw the politicisation of the armed forces. By 1991, the government no longer held a monopoly of power, and in 1992 it was ousted by a coup. Nonetheless, the importance of traditional institutions, local power structures and north/south ethnic rivalries all remain important (Reno, 1995, in Thomson, 2007; World Bank, 1999).

It is difficult to establish the extent to which the GoSL (*whole of government*) prioritised PFM reform after 2002, despite its clear prioritisation by the donor community. Although strengthening the public sector appears to have been a key government priority, the extent to which this extended to PFM is unclear. According to a recent study on the political economy of PFM in Sierra Leone, there was little enthusiasm for the reforms in the highest echelons of state authority (World Bank, 2008b). The primarily objection was that planned reform processes focused on building institutions and processes that limited the patrimonial discretion of state authorities. However, the report suggests reforms were pushed through because of the dependence of the GoSL on financial and technical support from international donors, which meant the latter dominated policy options, programmes and activities (ibid.). PFM reform was established as a key priority for the donors, especially the Multi-donor Budget Support (MDBS) donors. More recently, the GoSL has given more attention to PFM reform, illustrated by the fact that one of the foundations for sustained pro-poor growth in the current PRSP is the maintenance of macroeconomic stability and continued improvement in PFM. The extent to which this reflects a clear prioritisation by the GoSL remains to be seen.

[6] Stevens was Sierra Leone's third Prime Minister (1967-1971) and its first President (1971-1985).

GoSL commitment to and influence on PFM reforms at the *ministerial level* is more apparent. In the Ministry of Finance and Economic Development (MoFED), there have been several key champions of PFM reform who have been crucial to the achievement of such reforms over the past two decades. Leadership by senior management in the MoFED has been imperative to PFM reform since 2002. It is clear that a change in this leadership affected the promotion of the PFM reform agenda, most noticeable with the demise of the PFM reform package referred to as the Common Action Plan (CAP).[7]

In addition, considerable and concerted efforts to increase internal PFM capacity at the end of the civil war led to the hiring of a large number of highly qualified, predominantly local, staff for key PFM functions. This was a locally and externally driven initiative in response to the limited capacity that existed in the MoFED at the end of the civil war. A common theme in interviews with government officials and donors was that this cadre of motivated, highly experienced and well-remunerated staff – both technocratic and ministerial – was crucial to the implementation of certain reforms. Such staff became known as local technical assistance (LTAs) and had a significant role in the design and implementation of the reforms, as well as holding prominent positions in the MoFED.[8] Their knowledge, experience, enthusiasm and professional interest in maintaining donor relations secured their influence (World Bank, 2008b). In addition to hiring new staff, the government established influential new entities in the MoFED, including the Public Financial Management Reform Unit (PFMRU) and the PFM Oversight Committee, both staffed with LTAs.

However, the LTA post and many other key professional positions in Sierra Leone are not apolitical. A recent report warned of the difficultly of maintaining the momentum of PFM reform in the country because the influence of LTAs and key technocrats in the reform process was undermined following the change of government in 2007. For example, most LTAs at the time were considered supporters of the previous government (the SLPP), and many technocrats who had had considerable authority to influence reforms because of their relationships with powerful members of that government found it difficult to build similar networks in the current government. That said, the change in government does not appear to be associated with the reversal of reforms. In fact, 2007 saw the beginning of a 'refreshing' of the PFM reform agenda, laying the grounds for the Integrated PFM Reform Project (IPFMRP) (World Bank, 2008b). Nevertheless, the presence of LTAs and the political environment in which they work have led to questions about the medium- to long-term sustainability of PFM reforms in Sierra Leone.

2.2.2 Public sector management

Public sector development has been a longstanding priority in Sierra Leone, for government and donors alike. In the early stages of his tenure, President Kabbah and his government prioritised civil service reform, alongside fighting corruption, and it formed a key part of the 1999 Governance Reform Secretariat. Kabbah spoke of a 'lean, efficient and effective, performance-orientated civil service' (in Thomson, 2007). Yet, over his time in power, inadequate improvements in civil service salaries, as well as insufficient tightening of local patronage practices within the civil service and limited reduction of corruption, meant the Kabbah government made little progress in terms of implementing his vision.

Since the 2007 general election and the appointment of a new president, public sector reform has remained a priority for government. At the launch of the GoSL's second PRSP in 2009, President Ernest Bai Koroma made clear his government's commitment to strengthening the public sector: 'It is our conviction that no economic transformation is possible without a transparent, accountable and effective public sector dedicated to providing supportive policies and actions' (World Bank, 2010a). This political commitment to strengthening the public sector was reflected in the creation of a donor-supported Public Sector Reform Unit in the Office of the President tasked with overseeing the intended transformation, including implementing four

[7] The CAP combined existing donor-driven PFM action plans into a single tool to monitor progress in this area. Section 3.2 explains the various PFM action plans in more depth.
[8] LTAs were initially paid directly by donors, but, as some LTAs have more recently become civil servants, they have been funded from the GoSL's budget.

policy documents produced in 2008/09 to address civil service reform, such as pay reform (World Bank, 2009c).

Government commitment to reforming the public sector has also been heavily supported by donors, both during and post-conflict. Table 3 summarises more recent donor support in this area.

Table 3: Donor support to public sector reform in Sierra Leone

Donor	Support to public sector reform
African Development Bank (AfDB)	Support to the Accountant-general's Department (AGD), Audit Service Sierra Leone (ASSL) and the Public Debt Management Unit (through a project that started in 2001). A major component has been to provide funds for capacity building leading to the upgrading of the formal qualifications of AGD staff.
UK Department for International Development (DFID)	Support to the Management and Functional Reviews of ministries, departments and agencies (MDAs) and the overall architecture of the GoSL, and the conversion of the Establishment Secretary's Office into a Human Resource Management Office (HRMO). In addition, assistance has been provided on training policy and reform strategy.
UNDP	Assistance to establish a Senior Executive Service Implementation Unit in the Office of the President.
World Bank	Assistance on Civil Service Training Centre and Institute of Public Administration and Management, and assistance on pay issues.

Source: GoSL (2010b).

It is difficult to establish the degree of improvement in public sector performance since the end of the conflict, as well as the reasonable expectation of reform (Morgan, 2009). Positive signs include the clear achievement that public service delivery resumed quickly in several sectors in the post-war period, and most strongly in primary education (Morgan, 2009; World Bank, 2009c). In addition, as indicated above, high and increasing proportions of recurrent expenditure have been allocated to public administration. Moreover, the recent Public Expenditure Review (PER) states that there has been progress in public sector reform in recent years (World Bank, 2010a). Yet the PER bases its assessment of this progress primarily on the reduction in the civil service headcount, which had largely happened by 2002, and a small number of other advancements, such as the establishment of the HRMO (ibid.).

Set against this, evidence of the slow pace of improvement is now being noted at the political level by the GoSL and key donors. Results from Management and Functional Reviews indicate that, although some activities have taken place, progress in meeting the agreed MDBS Performance Assessment Framework (PAF) performance actions and indicators is sluggish. A revised civil service pay structure is yet to be agreed and has not progressed significantly over the past year, despite commitments to increase the salaries of targeted professionals such as health professionals. The revision of the civil service pay structure has significant implications for the MoFED, given the number of LTA and equivalent positions (GoSL, 2010a).

In an attempt to improve service delivery in an environment of weak civil service capacity, a 'parallel public sector' has developed in Sierra Leone (Ingram, 2010; World Bank, 2010a). The public service is characterised by a small and ageing senior management cadre close to retirement, a 'missing middle' management staff (about 2% of total staff) and a concentration of 80-85% of staff at junior clerical grades (Ingram, 2010; Morgan, 2009). In an effort to kick-start reforms and improve service delivery, the GoSL and donors have established several categories of personnel operating alongside the civil service. Such personnel often perform the highest level of policy development, planning and policy implementation functions, leaving routine administration of procedures to the mainstream civil service (Ingram, 2010). Ingram counts six categories of such personnel, of which LTAs represent only one (ibid.). These 'off-civil service' staff have almost exclusively been donor funded, at a premium above the civil service pay scale in an attempt to retain high qualified and motivated staff.

Despite increasingly recognised concerns about the implications of the parallel public sector, the trend has remained with the introduction of the Public Sector Reform Unit, one of the latest donor-funded parallel implementation units (PIUs). Not only are there questions about the sustainability of reform efforts spearheaded by parallel structures, but also evidence points to the corrosive impact on morale of sharp salary disparities between civil servants and off-civil service line position officials/advisors, and the feeling that such arrangements have siphoned critical skills out of government (Ingram, 2010; Morgan, 2009). Yet a lack of clear mapping of the scale and spread of off-civil service personnel across the public sector makes analysis of their significance difficult.

That said, the significance of the parallel public sector related to PFM is quite clear, with the scale of off-civil service personnel recently confirmed by a mapping exercise of the MoFED in 2009. Not only are the majority of the key line positions in the MoFED outside the civil service – for example LTAs in the MOFED make up 40% of total staff and significantly outnumber regular civil servants at professional grades (seven and above) (GoSL, 2010a) – but also the PFMRU is itself a donor-funded PIU. Furthermore, it is generally accepted that the off-civil service officials in the MoFED and associated bodies have spearheaded PFM reforms to date in post-conflict Sierra Leone. Meanwhile, concerns about LTAs' weak prioritisation of capacity development raise questions about the sustainability of the reforms.

The IPFMRP attempts to address the issue of off-civil service officials, through the fourth priority of 'core PFM', but progress has been slow. Its implementation will have significant implications not only for PFM functioning and reform, but also for the whole civil service. Given the importance of off-civil service personnel in PFM, interviewees suggested that both government and donor officials felt considerable apprehension about steps going forward. This may in part explain the slow progress made to date on civil service pay reform.

State governance in Sierra Leone is divided between *central government and local government*, with local government comprising 19 local councils and 149 chiefdoms (GoSL, 2007).[9] In 2004, the GoSL passed the Local Government Act, which laid out the devolution of some selected services and functions and assigned specific resources and personnel to local councils. In the same year, local elections were held and 19 new local councils were established. Prior to this, in 2002, chieftaincy elections took place. Paramount chiefs are responsible for local functions including the management of traditional land rights, maintaining law and order and collecting revenue.

Decentralisation is not a new form of governance in Sierra Leone: it replaces an older system of decentralised governance that was semi-dismantled prior to and during the war. By 1996, 'local government was absent in many areas – Stevens had abolished the District Councils in 1972 and many chiefs had fled or been killed during the war' (Thomson, 2007). However, decentralisation was an important feature of Kabbah's government policy from the outset, as it was seen as a key strategy for gaining control of the countryside and encouraging the return of refugees, given the vacuum in the local administration. This policy was pursued energetically by both government and the international community, and, during the civil war, DFID funded pilot local councils in the south and east of the country. Since 2004, the World Bank, the European Union (EU) and DFID have worked together through the Institutional Reform and Capacity Building Project (IRCBP) to provide financial and technical assistance to decentralisation reform.

Public opinion of local councils has declined dramatically since 2005, and citizens generally have a lower opinion of them than of either central government or the chiefdoms. This can be attributable to the slow implementation of the decentralisation process, the high expectations surrounding the initial process in 2005, and difficulties in identifying the roles Local Councils have had in improving performance (IRCBP, 2008). Furthermore, the rivalry between local councils and chiefdoms makes the achievement of improvements in civil participation or provision of government services following full decentralisation more doubtful.

Corruption remains one of the main development challenges in Sierra Leone, and stems from a legacy of widespread institutional corruption. The early Kabbah government prioritised the

[9] In addition to local councils and chiefdoms, there are also the Northern, Southern and Eastern Provincial Coordinating Committees. These are headed by provincial secretaries that coordinate the activities of the local councils in their provinces, as de-concentrated units of the Ministry of Local Government and Community Development (GoSL, 2007).

issue, which led to the establishment of the Anti-corruption Commission (ACC), followed by the introduction of legislation in 2000 and the processing of some important cases in 2001. However, weak political commitment, limited technical capacity and entrenched cultural practices have been cited as reasons for slow progress in this area, and explain the GoSL's consistently poor performance according to the World Bank's CPIA and public perception surveys.

Table 4: Transparency International Corruption Perceptions Index

	2003	2004	2005	2006	2007	2008	2009
Corruptions Perceptions Index score	2.2	2.3	2.4	2.2	2.1	1.9	2.2

Note: 0 = high 10 = low.

Source: Transparency International (http://www.transparency.org/research/cpi/overview).

Corruption is a concern at local government level in particular. Campaigns such as the National Anti-corruption Strategy and the Campaign for Good Governance (both 2005) attempted to address this area, but frustration continued as the ACC was not responsible for prosecution – cases were referred to the attorney-general and the minister of justice: by 2006, not a single high-profile case had been fully prosecuted. To build momentum in this area, in 2008 a new ACC Act was passed and the ACC developed an Anti-corruption Strategy for 2013 and a Strategic Plan 2008-2010. The new ACC Act sanctions the ACC to prosecute cases without going through the attorney-general/minister of justice (who, as a cabinet minister, may face a potential conflict of interest) (IMF, 2009b; World Bank, 2010a). In 2008, within two weeks of the Act being passed, the president declared his assets to the ACC, with 15 out of his 45 Cabinet following suit. By the end of 2009, although compliance was not complete across the civil service, the minister of health and sanitation had come under indictment for alleged corrupt practices and the ACC had produced some strong findings regarding a power sector procurement contract (World Bank, 2010a).

Regulating the diamond sector and addressing corruption has had a positive impact on PFM performance. By 1996, formal government regulation of the diamond sector had been eroded almost completely. However, since 2000, there has been gradual improvement in security and regulation of the sector, which has led to a dramatic increase in official exports of diamonds and a positive impact on revenue collection. Nevertheless, government revenues remain small (fuelling a recent effort to raise diamond royalties), and there is still scope for diamond revenues to finance patronage networks at the chiefdom level with the awarding of licences (Thomson, 2007).

2.2.3 Public expectations and public accountability

Efforts are being made to encourage the engagement of the Sierra Leonean population in PFM reforms. A novel approach for one of the components of the core part of the IPFMRP is to provide grants to non-state actors in an attempt to encourage and enhance accountability to citizens. This builds on current civil society involvement in monitoring government expenditure, through district-level budget committees that report to the MoFED via the Medium-term Expenditure Framework (MTEF) Secretariat or the Budget Bureau. According to the Public Expenditure and Financial Accountability (PEFA) assessment, this has been working well to date (GoSL, 2007). Therefore, the IPFMRP initiative should build indirectly on current country ownership, but it is in fact a consequence of a desired project design rather than an individual objective in itself.

2.2.5 International engagement and modalities of external support

International support has been considered a fundamental component of Sierra Leone's development, having financed and guided government policy both during the civil war and since its end. Sierra Leone is viewed as a 'success story of international intervention to put an end to a brutal civil war' (Thomson, 2007). During the civil war, multilateral and bilateral donors supported the GoSL (through financial and technical assistance) to maintain some functions of the state, to stabilise the security situation and eventually to secure the peace process. In terms of government financing, International Monetary Fund (IMF) approval of

Emergency Post-conflict Assistance in 1999 underpinned the UK and EU's aid programmes and was added to the following year when the World Bank approved the first Economic Rehabilitation and Recovery Credit. This funding was the cornerstone of the government's budget and was essential to maintaining a functioning government at a time when other sources of revenue were extremely limited. Beyond financing government, some donors were heavily involved in supporting government capacity and the design and implementation of government policy. For example, in 1997, following the forced exile of the SLPP government, cabinet advisors took part in a DFID-funded conference in the UK, which led to the production of a '90-day programme' outlining a development reform programme to be carried out on restoration of the government (Thomson, 2007).

Since the end of the civil war, a substantial budget support programme has ensured a considerable level of international engagement in government activities and has become a key focal point for policy dialogue between the GoSL and budget support donors: AfDB, DFID, the European Commission (EC) and the World Bank.[10] This influence is a reflection of the significance of budget support to the government, whose budget has largely depended on such grants (IMF, 2009a). Between 2001 and 2006, budget support accounted for approximately 26% of all discretionary recurrent and domestic capital expenditure,[11] and in 2006 approximately 42% of aid was in the form of budget support (GoSL, 2007).[12] The significance of this amount is likely to be surpassed only by Mozambique, Tanzania and Uganda, the most 'mature' of the general budget support countries (Lawson, 2007).

The importance of budget support in Sierra Leone remains to date. Figure 3 illustrates that, in 2009 (actual), budget support accounted for 32% of recurrent expenditure and 63% of all grants (IMF, 2009a). However, this significant source of revenue for the GoSL saw an exceptional level of volatility in disbursements between 2007 and 2009 as against original forecasts. The disbursement rate of budget support for the four budget support donors combined was 0% in 2007, 65.6% in 2008 and 139% in 2009. Initial suspension and continuation for more than a year owed to two specific fiduciary risks: 1) in 2007, a $65 million Income Electrix energy deal, passed in violation of procurement regulations; and 2) in 2008, the $20 million 'Wanza' commercial creditor arrears (GoSL, 2010b).

In the PEFA 2010, according to a source at the time, this significant uncertainly meant that the IMF Poverty Reduction and Growth Facility (PRGF) programme was on the edge of being declared off-track as donors withheld disbursements until the third quarter of 2008, following the positive outcome of the PRGF review and the MDBS PAF review (GoSL, 2010b). Given the significance of budget support for the GoSL, this period of donor withholding had considerable detrimental effects on strategic planning and financial control.[13] It also coincided with the election of a new government in 2007, and some observers interviewed cited connections between the two. The *ex-post* influence of budget support in Sierra Leone on fostering development partnership arrangements between the MDBS donors and the GoSL is openly acknowledged, as indicated in the DFID's MDBS review in 2007.[14]

[10] DFID has generally been the largest provider of budget support, but between 2007 and 2009 the EU was the single largest donor in this area (GoSL, 2010b).

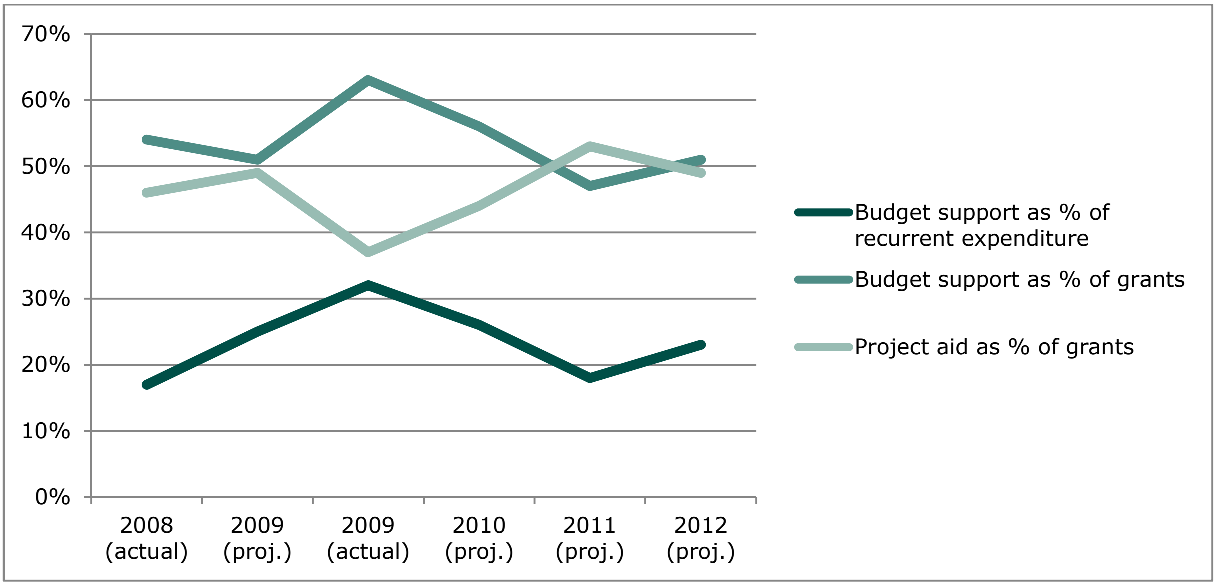
[11] 2006 is a projected figure.

[12] This is roughly equal to the proportion for Afghanistan. In 2007, 44% of official development assistance (ODA) was recorded in the government's core budget, which is implemented through national procedures, with the remaining amount of total assistance being implemented by donors outside the government's control (DFID, 2008).

[13] Illustrated by the fact that the deviation between the aggregate expenditure out-turn and the original approved budget was 22.4% in 2007 (GoSL, 2010b).

[14] 'With general elections being held in Sierra Leone during August 2007, DFID and other development partners are hopeful of being able to consolidate and deepen the existing development partnership. Budget support is likely to remain a significant part of this partnership but with the renewal of the arrangements for General Budget Support provision, there will come an opportunity to rethink its scope – both in financial and policy terms, and to reconsider the design of disbursement modalities and associated monitoring arrangements. In the case of DFID, the review of policy towards the provision of budget support to Sierra Leone is expected to take place in early autumn 2007 after the results of the general election are known' (Lawson, 2007).

Figure 3: The significance of budget support in Sierra Leone



Source: IMF (2010).

It is important to note that it appears to be difficult to collate a reliable time series of budget support data in Sierra Leone, given limited data availability and inconsistencies across datasets.[15] This performance is captured in the PEFA 2010, which states that the amount of detail available with respect to donor budget estimates is not consistent, allocating a D+ to indicator D-2[16] (GoSL, 2010b). The same PEFA also notes that data collected and housed in the MoFED by the Development Assistance Coordination Office (DACO) in their aid database – which donors use to upload their aid information – lacks comprehensiveness. As the database omits aid from non-Organisation for Economic Development (OECD) Development Assistance Committee (DAC) donors as well as aid to non-governmental organisations (NGOs) (ibid.).

Aside from budget support, Sierra Leone has received considerable ODA contributions, both during and after the end of the civil war. In 1999, following the signing of the Lomé Peace Agreement, ODA contributions began to rise sharply. In fact, between 2001 and 2006, Sierra Leone received more foreign aid per capita than almost any other country. In 2007, the GoSL received $535 million from all donors, following an average of $388 million per annum between 2003 and 2007 (OECD DAC database). This translates to approximately $92 ODA per capita in 2007 and an average of $70 per annum between 2003 and 2007.[17]

2.2.6 International engagement in PFM

The budget support donors have played a significant role in contributing to the PFM developments achieved in Sierra Leone. In an attempt to harmonise donor support for the government reform programme and the PRSP, the MDBS initiative, consisting of the four budget support donors (AfDB, DFID, EC, World Bank) was established in 2005/06 and a PAF was developed to harmonise donor monitoring procedures.[18] Since its establishment, PFM actions have been included in budget support operations, including the PAF, and as a result the budget support donors have provided financial and technical support to strengthening PFM.

[15] For example, the 2010 PEFA uses data from GoSL Financial Statements and the Development Assistance Coordination Office (DACO) for 2009 figures. This produces much lower absolute values for budget support and the proportion it makes up of grants and loans, vis-à-vis the IMF (2010) source.

[16] D-2: financial information provided by donors for budgeting and reporting on project aid and programme aid.

[17] Figures are net ODA given in current prices and taken from the OECD DAC database.

[18] The PAF was revised following the 2007/08 'period of donor withholding' to develop a more harmonised PAF framework against which to assess budget support conditions (GoSL, 2010b).

In addition to the support donors offered, their activities led to the development of the GoSL's PFM reform action plans. The primary motivation for the CAP – the second GoSL PFM reform plan post-2002 – was to consolidate the numerous donor PFM reform plans and initiatives that existed at the time. However, despite the establishment of the CAP and the MDBS initiative, support provided by the MDBS donors was still considered 'fragmented' and to be lacking in coherence and comprehensiveness (World Bank, 2009b). This was considered to be associated with considerable transaction costs for both the GoSL and donors. To address this, a government-driven comprehensive PFM reform programme was developed – the IPFMRP – to harmonise and align donor efforts with government priorities. Although the World Bank is not the largest financial contributor to the IPFMRP, it has taken the role of coordinating joint development partner support for the core components of its first phase, at the request of the government and the other donors (World Bank, 2009a; 2009b).[19] The IPFMRP is funded by the GoSL, the Multi-donor Trust Fund (MDTF) (EC, DFID, World Bank), which is administered by the International Development Association (IDA), and the AfDB via budget support that the GoSL has committed to use to support IPFMRP activities.

In addition, donors have supported the establishment of two key units in the MoFED, the PFMRU and the Local Government Finance Department, through the multi-donor IRCBP and now the IPFMRP.

[19] Interviews with World Bank staff.

Table 5: Donor support to PFM in Sierra Leone

Donor	Type of support to PFM (primary projects)
AfDB	1. IPFMRP (2009-2013) 2. Support to the ADG, ASSL and the Public Debt Management Unit
DFID	1. IRCBP (2004-2011) 2. IPFMRP (2009-2013) 3. Support to the auditor-general covering institutional and legislative arrangements; audit policies and procedures; staff development and training; joint audit plans and programmes accompanying on-the-job training; awareness raising outside the Auditor-general's Department; support services, facilities and equipment within the Auditor-general's Department 4. Assistance to the National Commission for Privatisation 5. Assistance on records management 6. Extensive support to the ACC via technical assistance and operational costs 7. Support to the National Democratic Institute to improve the operational and reporting capacities of parliamentary committees (no longer operational) In addition, through the provision of consultancy, DFID supports the implementation of the National Action Plan (NAP) and PFM aspects of budget support; the Government/Donor PFM Oversight Committee; the auditor-general; and the National Revenue Authority.
World Bank	1. IRCBP (2004-2011)[20] 2. IPFMRP (2009-2013), including the PFMRU[21] 3. The Decentralized Service Delivery Program, approved in 2009, which will provide grants to local councils and technical assistance to support decentralised service delivery In addition, the World Bank has provided support in this area through a series of economic reconstruction and recovery credits, governance reform and growth programmes and public sector management support programmes.
EU	1. IRCBP (2004-2011) 2. IPFMRP (2009-2013; 3. Institutional capacity building of the Ministry of Finance – which is a wide support package to the key MoFED departments, including the AGD, the Budget Bureau, the Economic Policy and Research Unit (EPRU), the Tax Policy Division and the Internal Audit Unit

Sources: Various, including the PEFA 2010. For further details, see GoSL (2010b).

[20] The IRCBP focuses on supporting the design and implementation of the decentralisation programme as well as strengthening public expenditure management.

[21] Both the primary IRCBP and the IPFMRP aim to complement policy engagement on PFM established through other World Bank projects. World Bank support to PFM reform in Sierra Leone has been in the form of IDA credits and grants. The two primary PFM projects – the IRCBP and the IPFMRP – have both been grants. The first project, the IRCBP, was approved in May 2004 and, with an extension, ran until March 2009 at a total cost of $28.19 million (of which $25.12 million was the World Bank's contribution and $3.07 million was the GoSL's contribution) (World Bank, 2004). The more recent IPFMRP was approved in June 2009 and is expected to run until July 2013 at an expected cost of $20.9 million (of which $4 million will be the World Bank's contribution, $14.9 million will be the MDTF contribution and $2 million will be the GoSL's contribution) (World Bank, 2009a).

3 Design and implementation of PFM reforms

3.1 Baseline of PFM and reform starting point

During the civil war, state capacity was severely depleted as a result of the extensive destruction of social and physical infrastructure. In terms of PFM, not only was there a loss of skilled personnel but also, in 1997, the building that housed the Ministry of Finance was destroyed (GoSL, 2007). However, an IMF study on rebuilding fiscal institutions in post–conflict states suggests that the conflict created only a 'low to moderate' degree of institutional and social disruption compared with in other post-conflict states (IMF, 2004). Furthermore, the Country Financial Accountability Assessment (CFAA) published less than three months after the civil war was officially declared over[22] states that, 'given the acute period of civil collapse from which the Republic of Sierra Leone only recently emerged, financial management in the country functions surprisingly well' (World Bank, 2002). Although internal and external controls were weak, budget preparation, execution, accounting and reporting were moderately well performed (ibid.). There were two key reasons for this relatively positive PFM performance.

First, during the civil war, a legal and regulatory framework for PFM was upheld and a highly centralised system of management maintained a degree of expenditure control, while day-to-day activities were carried out by well-financed technical assistance experts (World Bank, 2002). The technical experts were primarily funded by international donors, and were expatriates or well-qualified Sierra Leoneans employed on local contracts. Although it is difficult to establish the exact number of such personnel, their role was crucial to the effective functioning of PFM in Sierra Leone at the time, as they were responsible for key PFM functions. The accountant-general was an expatriate and the AGD's functions were supervised by eight local contract staff; the budget director was appointed on contract (ibid.). Limited analysis of technical experts in Sierra Leone over this period makes it difficult to make conclusive statements about the previous balance between expatriate and well-qualified Sierra Leoneans, and the shift between the two over time; the distinction between the two groups is not clear cut, as local consultants can also be considered expatriate: 'expatriate nationals' (Thomson, 2007). What is clear is that the reliance on technical assistance experts, now termed LTAs, as well as other categories of personnel operating alongside mainstream public servants, continues to be significant in PFM in Sierra Leone (Ingram, 2010; Morgan, 2009).

Second, between 1996 and 2002, incremental policy initiatives and the continued provision of some public services to restricted areas of the country served to strengthen governance structures. Even though most of the GoSL's energies were focused on security (including a DFID-funded security sector reform project), the government was able to launch a wide-ranging National Strategy for Good Governance in 1997 and to establish the Governance Reform Secretariat, which began work on civil service and local government reform, including laying the foundations of anti-corruption reform. In terms of PFM reform, during the end of the civil war period the government started designing and implementing a computerised Financial Management and Accounting System (FMAS), introduced an MTEF and established a small but influential Economic Policy Unit responsible for macroeconomic management.

However, much of the progress made on public sector reform during the civil war was led by a small group of well-qualified experts, from either Sierra Leone or abroad, who were funded by international donors (Thomson, 2007; World Bank, 2002). The FMAS was designed and administered solely by the expatriate accountant-general. It was created in 1998 and led to the development of strong discipline in commitment control, payment and accounting during the civil war. However, its centralised use created associated problems regarding accountability and sustainability. Given the complexities surrounding medium-term planning during a civil war, it is not clear why the MTEF was introduced at that time in Sierra Leone. However, it was developed much nearer the end of the civil war than the FMAS – once the

[22] President Kabbah declared the civil war officially over on 18 January 2002.

Lomé Peace Agreement had been signed – and was introduced only a year before it was over (World Bank, 2002).

3.2 Design basis for PFM reform

There have been three main reform action plans since the end of the civil war: the 2002 CFAA; the 2004 CAP, which developed into the NAP; and the 2009 IPFMRP (GoSL, 2007; World Bank, 2009a).[23] The literature on PFM reform in Sierra Leone suggests reform plans have been heavily directed by PFM diagnostic instruments, funded primarily by the international community.

Starting from the end of the civil war, the CFAA, carried out in March 2002, outlined a set of overall areas as well as key activities that it suggested the GoSL and external partners base a reform agenda on. The extent to which this became the central and exclusive reform agenda in the MoFED is unclear. However, steps to implement the recommendations were undoubtedly followed.

Following the CFAA, at the end of 2004, the CAP (start of the NAP) was developed. It was originally referred to as the CAP because it was a 'common' plan with which donors aligned their support. In doing so, it was more extensive than the CFAA, as it encompassed all the PFM plans and initiatives supported by the donor community. It drew on the Heavily Indebted Poor Countries (HIPC) Assessment and Action Plan (AAP) initiative (conducted in 2004), which analysed PFM performance against 16 indicators setting out associated 'agreed measures', as well as the EC audit, which included a matrix of corrective measures for the GoSL to take up. The various actions outlined to improve the GoSL's PFM in the CFAA, the HIPC-AAP and the EC corrective measures were consolidated into the CAP, and an Oversight Committee was established to monitor its implementation and coordinate the government's PFM reform programme. One observer at the time suggested that this was primarily a process to bring various sets of PFM indicators together in a comprehensive way.

The CAP eventually transformed into the NAP in response to an updated PFM diagnostic assessment and the establishment of new development initiatives that demanded their accommodation in the PFM action plan. In March 2006, the GoSL held a workshop for key PFM practitioners to understand the methodology for carrying out PEFAs. A self-assessment was carried out at the end of the workshop and used to develop the consolidated NAP (GoSL, 2010b). The NAP also included the PFM targets and indicators used in the PRSP and the MDBS's PAF, which were laid out to measure successful progress towards their aims. The first PAF was established in 2005 and the first review took place in 2006. The Improved Governance and Accountability Pact (IGAP) reiterated the GoSL and development partners' commitment to PFM reforms around the same agenda. The Secretariat for the Oversight Committee was moved to the PFMRU, and it used the NAP to provide oversight for all the PFM reforms (GoSL, 2007).[24]

In 2008, the IPFMRP was formulated to build on progress made to date in strengthening PFM, including the integration of outstanding initiatives, as well as to develop a more comprehensive and integrated PFM reform programme. Intended to be a government reform programme rather than a donor project,[25] the programme set out not only an integrated, mutually reinforcing set of reforms, but also a platform with which all donors could align their support in order to move away from donors funding separate disconnected initiatives. The programme design focuses deliberately on the supply- and demand-side elements of reform, through

[23] It is important to explain that PFM reform 'action plans' are used in this section to describe what *appear* to be government PFM reform programmes in Sierra Leone since 2002. Although there is some agreement that the CAP/NAP and the IPFMRP are both reform programmes championed by the government, this distinction is less clear for the CFAA. The word 'plan' is used loosely here.

[24] It is assumed that the outcome from the World Bank PER (2004) also fed into the design of the CAP/NAP, although this is not explicitly stated in the documents.

[25] Interviews with World Bank staff.

explicit engagement with civil society organisations and other non-state actors to strengthen demand-side accountability.[26]

Furthermore, its conceptual logic is based explicitly on an established framework for PFM design and sequencing; the platform approach. The IPFMRP was heavily directed by two key PFM diagnostic instruments, the PEFA assessment (GoSL, 2007) and the IMF review (2008). The PEFA provided benchmark data and, although it does not outline a set of recommended actions, potential bottlenecks can be inferred from the examination of PFM performance against established indicators. In addition, the majority of the IPFMRP results framework indicators relate to one or more PEFA indicators. IMF (2008) is an in-depth analysis of the legal framework, the budget preparation process and the budget execution process, against which short- and medium-term recommendations are laid out. The review identified the critical early priority of establishing budget credibility and the need to build the vision of establishing a credible budget into the core of the reform strategy.[27] The IPFMRP also drew on the activities in the NAP as well as experiences from the IRCBP and MDBS.

There has been a clear attempt to improve both the comprehensiveness and the conceptual coherence of PFM reform plans and subsequent reform efforts in Sierra Leone. First, a common theme in each PFM reform plan, from the CFAA recommendations to the CAP/NAP and then eventually the IPFMRP, is that each successive reform plan was more comprehensive in its approach (GoSL, 2007; IMF, 2008). Second, the most recent reform plan, the IPFMRP, has clearly been developed based on established PFM reform practice, that of the platform approach. The conceptual coherence of the previous reform plans is likely to be less sound given their very nature (e.g. their agenda was driven by the static analysis of specific parts of the PFM system).

3.3 Coverage of PFM reform

3.3.1 Legal and institutional framework

Legal framework: Since the end of the civil war, there has been considerable concentration on establishing a suitable legal and regulatory framework (Lawson, 2007). The GoSL has established a legal and regulatory framework for budgeting, accountability and procurement through the introduction of a number of new acts and procedures,[28] which have been supplemented by the establishment of new entities[29] (World Bank, 2009a). The range of new acts and procedures has created an 'adequate and generally appropriate' regulatory framework (Lawson, 2007), and this legal framework compares well with that of most developing countries (World Bank, 2010a).

The Government Budgeting and Accountability Act (GBAA) 2005 (framework law) and the associated Financial Administration Regulations (FMR) 2007 (implementing regulations) authorise the MoFED as the principal agent in the government on PFM matters (GoSL, 2010b). The GBAA and the FMR repealed the previous 1992 Public Budgeting and Accountability Act and its 1996 amendments, and provided the foundation for the PFM reform (World Bank, 2010a). They restored parliamentary supremacy over public finances and reinstated the oversight roles of the auditor-general and the Public Accounts Committee (PAC) – which had been reduced via the 1992 and 1996 Act and amendments.

There is mixed evidence on the appropriateness of the PFM legal framework. The Constitution of 1991 sets out the legal and institution framework for PFM in Part VI Sections 110-120 covering the supremacy of the parliament with respect to matters of taxation and expenditure,

[26] Interviews with World Bank staff.

[27] Interviews with World Bank staff.

[28] These include the National Revenue Authority Act 2003; the Local Government Act 2004; the Public Procurement Act 2004; the Government Budgeting and Accountability Act 2005; and the Financial Administration Regulations 2007. See the 2010 PEFA for a full list (GoSL, 2010b).

[29] These include: National Revenue Authority (NRA); Internal Audit Department Unit (IAD); MoFED's Public Financial Management Reform Unit (PFMRU) which until recently was funded by the IRCBP; the PFM Oversight Committee; IRCBP; Independent Procurement Review Panel.

as well as the auditor-general (GoSL, 2010b). A Commission to Review the Constitution of 1991 reported its findings in January 2008 and did not recommend any changes to the PFM legal framework, save minor alterations to the appointment of the auditor-general (World Bank 2010a). Despite this, a 2010 review of the GBAA and the FMR noted that 'most of the current PFM problems of Sierra Leone are rooted in the Constitution, either deriving from weak and sometimes ambivalent positions that are unclear on roles and responsibilities, or from equivocations, inconsistencies and mutually neutralizing provision and provisos, or from oversights or omissions' (GoSL, 2010c). It goes on to say that 'the review of the Constitutional Review Report conducted in 2008 suggests that the Committee is of the opinion that the finance provisions in Part IV of the Constitution of Sierra Leone 1991 should remain unchanged. Given (1) and (2) of the Constitutional issues above, however we have a contrary view' (ibid.).

The 2010 review of the GBAA and the FMR was carried out under the IPFMRP. In comparing the legal framework against international standards and best practices, the review found that 'even though a lot has been achieved, much still needs to be done to streamline, strengthen and harmonize the PFM legislative'. In addition, it suggested that the 'FMR could further strengthen the PFM framework, but it needs beefing up, in addition to the need for clarity and comprehensiveness; its inconsistencies with the GBAA need to be resolved' (GoSL, 2010c). For example, the GBAA does not address financial management, accounting and reporting of public enterprises and autonomous statutory bodies, but the FMR applies to bodies in which the government is either the sole or the majority shareholder. Regarding the recommendations of the review, in addition to reviewing sections of the Constitution, the review recommends that the GBAA be replaced by a Public Finance and Accountability Act that addresses the challenges raised above.

Under the IPFMRP, the 2010 review of the GBAA and the FMR is part of a wider consultation process with relevant stakeholders on the revision of the GBAA 2005, the Local Government Act 2004 (including the formation of a decentralisation policy, which is now at an advanced stage) and the Public Procurement Act (PPA) 2004, together with the relevant regulations supporting the respective Acts (GoSL, 2010b). Included in this process is the accelerated plan to revise the GBAA and the FMR to include a Public Investment Programme, for which a revised bill entitled the Government Budgeting and Accountability (Amendment) Act 2010 has been drafted and is ready to be laid before Parliament. In addition, a bill entitled the Public Debt Management Act 2010 has been drafted and will shortly be laid before Parliament.

Although there are criticisms related to the appropriateness of the PFM legal framework, the recent PER states that 'perhaps the most pressing issue with regard to the legal framework is its implementation' (World Bank, 2010a). Anecdotal evidence suggests that not all FMR procedural requirements are being met, particularly with regard to budget execution.[30] The PER goes on to say that '[i]nterviews with the authorities have identified politically sensitive decisions as the root causes of some of these deviations from the legal framework' (ibid.) and highlights a large extra-budgetary commitment in 2007/08 for a power sector contract that was procured incorrectly. Alongside this, other challenges and deficiencies in implementation have been associated with weak commitment control and the subsequent development of arrears when funds do not materialise or are released late. This situation has become increasingly common because the lack of compliance has not been addressed through the adequate application of sanctions (IMF, 2008). Second, apparent weak knowledge and understanding of the acts and procedures – particularly the GBAA and the FMR in MDA – have resulted in their poor implementation. This can be explained in part by the low proportion of professional staff across government.

Institutional framework: The MoFED is made up of the following divisions/departments: the Budget Bureau, the AGD, the Internal Audit Department, the EPRU, Administration, Information Communication and Technology Unit, the Central Planning Monitoring and Evaluation Unit, the DACO, Regional Integration and South–South Cooperation, the Public

[30] See the PER for various examples (World Bank, 2010a).

Debts Management Unit (PDMU), Revenue and Tax Policy, Local Government Finance and the PFMRU. External audits are carried out by the independent auditor-general. Parliament oversees the reports of the auditor-general, referring them to the PAC or other committees in the public interest (GoSL, 2010b).

In addition to the rebuilding of the MoFED following the end of the civil war, reform efforts have led to the establishment of a number of entities to support PFM reforms. First, after the establishment of the CAP, a PFM Oversight Steering Committee (chaired by the financial secretary along with five sub-committees) was established to monitor and coordinate the government's PFM reform programme. Second, the MoFED's PFMRU and the Local Government Finance Department were established in 2004 under the multi-donor IRCBP. Third, there is a newly established Integrated Project Management Unit for the IPFMRP. The PFM Oversight Committee currently oversees PFM reform process and as such the work of the PFMRU, which, alongside the Integrated Project Management Unit, leads, manages and coordinates the PFM reforms in government. Criticisms of the integration of these units/committees have been raised and do not appear to have been fully addressed.[31] For instance, both the 2007 and the 2010 PEFAs state that the full integration of the PFMRU into the MoFED, with clear lines of responsibility for the implementation of PFM reform, remains a critical challenge to future PFM reform efforts (GoSL, 2007; 2010b).

In an effort to improve the systems surrounding procurement, the GoSL introduced a procurement reform programme in 2003 (Addison and Villela, 2004). The Central Tender Board was dissolved and in its place a Procurement Reform Steering Committee in the Office of the Vice-president was established. Following the approval of the PPA (2004), the National Public Procurement Authority (NPPA) – a central regulatory agency – was established in 2005 and commenced operations in 2006, alongside the Independent Procurement Review Panel for handling problems and complaints. The NPPA and the Independent Review Panel cover central government, local government and other public bodies (GoSL, 2010b). The 2007 PEFA indicated that some aspects of the PPA were yet to be implemented (GoSL, 2007), but 2007 saw the introduction of revised procurement controls supervised by the NPPA, laying out a strict code of conduct for officials with procurement responsibilities (ibid.; World Bank, 2010a). The revised procurement controls initially applied to only the nine largest MDAs, but have year on year been rolled out across public spending entities. This may explain the sentiment in the latest PEFA, which notes that, since the establishment of the NPPA five years ago, there have been measurable improvements in many aspects of the procurement activities under the scrutiny and oversight of the authority (GoSL, 2010b).

3.3.2 Budget formation

Macroeconomic forecasting: Since the publication of the 2007 PEFA, a macro-fiscal section has been established within the EPRU tasked with producing reliable and consistent macro-fiscal projections to support revenue forecasting and budget formation (GoSL, 2010a; 2010b). More recently, under the IPFMRP, efforts have been made to improve this function with the establishment of a new Integrated Macroeconomic Model - an IMF-style Financial Programming and Policies model – which will be tested for the 2011 budget cycle (GoSL, 2010a). This will go some way to improving the historically over-optimistic revenue estimates (World Bank, 2010a). In addition, an Integrated Macroeconomic Modelling and Forecasting Steering Group[32] has been established to review, coordinate and ensure consistency of the macro-fiscal projections in government (GoSL, 2010b). At present, a macroeconomic and fiscal framework (MEFF) is developed with guidance from the IMF in the first to second quarter of the prior financial year, and informs decisions about expenditure ceilings for the three upcoming years. These ceilings are included in the Budget Call Circular (BCC) for MDAs , which is normally issued in June or July. However, MDAs so not respect these budgetary ceilings, in part because the BCC is issued without Cabinet endorsement and before the MEFF is finalised. Consequently, after the circulation of the BCC, the MEFF and spending ceilings for the MDAs are usually revised considerably in the fourth quarter (GoSL, 2010b; World Bank, 2010a).

[31] Although the PFMRU, alongside the DACO, have been moved into the main MoFED building (GoSL, 2010b).

[32] Composed of the MoFED, the Bank of Sierra Leone, Statistics Sierra Leone and the National Revenue Authority.

Strategic and policy planning: Alongside the introduction of the MTEF, strategic and policy planning received early attention in the post-war PFM reform effort. In 2002, strategic plans of MDAs were introduced in the annual budget planning process; in 2004, policy hearings were brought in to allow the MoFED to review sector policies and strategic plans (Addison and Villela, 2004; World Bank, 2010a). Despite early efforts to establish mechanisms to strengthen the strategic direction of the budget process, after several years the majority of strategic plans produced by the MDAs were of poor quality. According to the 2007 PEFA, it was not until 2006 that some MDAs had produced acceptable strategic plans (GoSL, 2007).

Since 2007, it appears that limited progress has been achieved. For example, according to MoFED officials, only four out of the fifty-nine MDAs in 2008 produced acceptable strategic plans (World Bank, 2010a); where full-blown sector strategies have been developed, they are financially unconstrained and thus present unrealistic proposals (GoSL, 2010b). The 2010 states that 'examination of a sample of budget submissions indicates that MDAs have difficulty in presenting this information in a meaningful way (which suggests that they do not understand the concepts fully or are not interested in them)' (GoSL, 2010b). The reasons given are supported by the PER, which points to interviews with various MDA officials in 2009 who revealed a 'surprising lack of knowledge concerning the contents of the PRSP-2' (World Bank, 2010a). A more recent attempt to strengthen the strategic framework within which the budget is developed has involved establishing a cadre of budget officers (under the Budget Bureau) to deploy to key MDAs and setting up budget committees in MDAs (GoSL, 2010b).

Budget planning and allocations: Establishing a medium-term perspective to budget formation was one of the early priorities of the recent reform effort. In 2001, before the end of the civil war, the GoSL introduced an MTEF. In 2003/04, medium-term planning was improved by the issue of MTEF Guidelines and the introduction of policy hearings for MDAs as the first step in the MTEF cycle. In addition, an orderly and timely budget calendar of activities that included the circulation of the BCC was established.

The amount of information that MDAs are currently asked to supply each year for the budget planning and allocations is significant. MDAs are expected to submit a medium-term strategy, a detailed work plan for the implementation of the strategy, a procurement plan and revised estimates of the revenue and capital expenditures for the three forward years. In addition in the November 2008 Budget Speech for the Fiscal Year 2009, MDAs were additionally asked to provide programme-based budget estimates (World Bank, 2010a). Burdensome budget planning requirements, alongside weak planning capacity, translates into late submissions and inconsistencies across budget documentation.

Mechanisms are in place to encourage participation in the budget process, but they could be improved. According to the 2007 FMR, each MDA should ensure that revenue and expenditure estimates are prepared with the relevant programme officers, civil society organisations and district budget oversight committees via the MDA Budget Committee meetings. However, actual practice is very mixed, and often depends on the capacity of the administrative head. This varied practice appears to be tolerated by the MoFED, but in part may be explained by the lack of clarify regarding actual practice (World Bank, 2010a). In addition, manpower hearings, policy hearings and participatory budget discussions all allow for wide participation, but in practice the former two often face limited participation, without the invited district budget oversight committees and civil society organisations. The separation of the various budget hearings, including a separate hearing for the development budget, has created a fragmented budget process, whereby human resource management needs are not tied effectively to or do not match budget and manpower needs per programme. The result of this is a shortage of skilled technical staff to evaluate investment proposals, implement projects and programmes and ensure delivery (ibid.).

The preparation of the development and recurrent budgets now comes under the Budget Bureau in the MoFED, following the integration of the Ministry of Development and Economic Planning and the Ministry of Finance into this institution. However, there is little formal linkage between the two budgets, and performance in this area recently received a D score – investment and recurrent expenditure are not fully linked – in the 2010 PEFA (GoSL, 2010b).

There remains a distinction between the two budgets, with no mechanisms in place to link the recurrent cost implications of investments, and the existence of separate policy hearings. However, there is a plan to merge the two budgets.

Although the MTEF has been in existence for approximately a decade in Sierra Leone, considerable weaknesses continue to create questions about its value-added and usefulness in its current form. It has been criticised for producing unreliable annual budgets, particularly for outer-year projections, which for MDAs are usually highly incremental despite disparities between needs. Not only are there significant variations in forecasts, but also such variations often receive limited explanation. For example, during the budget planning process, significant variations exist between ceilings provided in the BCC and outer-year figures of older MTEFs, which are not explained. Furthermore, once MTEF estimates are updated, there is no detailed explanation of the technical or policy reasons for the adjustments (IMF, 2008; GoSL, 2010b). In addition, disparities exist between final appropriations and MTEF figures, indicating a clear disjoint between the MTEF and the annual budget (IMF, 2008).

Procurement: With the introduction of the PPA in 2004, all MDAs were required to produce public procurement plans and house procurement committees as part of the budget formation process. Implementation was initiated for the 2007 budget year and initially applied only to the nine largest MDAs. It was rolled out gradually, and by 2009 25 major MDAs and all 19 local councils had produced their own plans. Since their introduction, procurement plans have formed part of the annual budget public policy hearing process and, once submitted, they have been used as the basis for quarterly ceilings for the MDAs (GoSL, 2007; World Bank, 2010).

Developing sustainable procurement capacity within the MDAs remains a challenge. Yet, by applying novel approaches and building on improvements at the local council level, the government is making significant headway in addressing this problem. Until relatively recently, procurement capacity in central government has been weak, and made worse by high staff attrition and the transfer of trained procurement staff to other MDAs to perform functions not related to procurement (GoSL, 2010a). This helps explains why the procurement-related benchmarks established under the MDBS PAF are being met only partially. In a bid to address this and retain procurement specialists within central government, the NPPA, with support from the HRMO and the Public Service Commission, is developing a professional procurement cadre in Sierra Leone (GoSL, 2010a; 2010b). Taking the led from the local councils, which, under the IRCBP, hired and trained dedicated procurement officers for respective councils, the GoSL is in the process of recruiting 40 new procurement officers into the civil service in MDAs (GoSL, 2010a). To support this initiative, the University of Sierra Leone has introduced procurement majors in its degree courses. Furthermore, several training programmes have been organised for personnel assigned procurement responsibilities, within both central government and local councils, to improve their technical competencies. Such a course was provided to local councillors in 2010 (GoSL, 2010b).

In addition, there has been progress on reviewing the PPA, and the MoFED has established a Procurement Unit and a Procurement Committee in compliance with best practice (GoSL, 2010a). In 2010, a World Bank Country Procurement Assessment was carried out, which will provide an in-depth assessment of the public procurement framework and practices.

Budget approval: The approval of the 2007-2009 MTEF was the first time the budget calendar had been fully adhered to in line with the GBAA. It also marked the first time in the GoSL's recent history that the budget was approved before the beginning of the new financial year (GoSL, 2007). However, since 2007, performance has fallen. In each of the years between 2007 and 2009 (e.g. for the 2008, 2009 and 2010 budget years) the budget has been approved after the start of the financial year, requiring a presidential warrant to allow expenditures to be incurred, and thus not adhering to the GBAA (GoSL, 2010b).

3.3.3 Budget execution

Financial management reporting system: Subsequent to the implementation of a new chart of accounts in 2003, preliminary work was carried out on the Integrated Financial Management Information System (IFMIS) in preparation for it replacing the FMAS. In 2005, the IFMIS went live, starting with the Auditor-general's Department; it was then rolled out to targeted MDAs[33] (GoSL, 2007; World Bank, 2009a). The first phase of rollout was funded under the IRCBP.

Implementation of the IFMIS – one of the main reported achievements of PFM reform in Sierra Leone – went someway to provide for hard budget control by laying the foundation to restrict spending exceeding overall quarterly budget allocations. In the year after IFMIS implementation, 2006, the government established the first written procedures for budget execution in an attempt to strengthen budget execution further.

Both activities were important interventions, given that poor budget execution rates and budget credibility have historically been a key challenge in Sierra Leone[34] (GoSL 2007; 2010a; IMF, 2008). Since introduction of the IFMIS, improvements in budget execution rates at the aggregate and MDA level have taken place, despite a worsening of practice in 2009[35] (GoSL, 2007; 2010b; IMF, 2008). However, a comparison of the results of Indicators 1-3 in the 2007 and 2010 PEFAs suggests further work is required to strengthen budget credibility in Sierra Leone.

Table 6: Budget credibility in Sierra Leone according to the two PEFAs

	2007	**2010**
PEFA indicator	**Score and Explanation**	**Score and Explanation**
PI-1 Aggregate expenditure out-turn compared to original approved budget	B: The position relating to aggregate expenditure shows an improving picture, with the provisional data for 2006 showing a deviation of 1.1% down from 5.5% the previous year and 7.6% in 2003. This has been achieved while revenues have fallen, but outgoings on interest payments have also been declining, and not all donor budget support is included in the budget.	B: The position relating to aggregate expenditure compared with budget shows a mixed picture. While 2006 showed a deviation of 1.1%, 2007 deviation ballooned to 22.4% and fell to 3.5% in 2008 before creeping up to 7.9% in 2009.
PI-2. Composition of expenditure out-turn compared to original approved budget	C: The variances in excess of the total deviation exceeded 10% in one of the 3 years. While there has been an improvement in the control of aggregate expenditure, there has been a worsening of the distribution of expenditure when 2006 is considered.	C: The variances in excess of the total deviation exceeded 10% in one of the 3 years – 2.6% in 2007 widening to 11% in 2008 before falling slightly to 9.0% in 2009.
PI-3. Aggregate revenue out-turn compared to original approved budget.	B: In 2003 and 2004, actual revenue was higher than that forecast in the budget, but fell below in 2005 and 2006. Economic conditions in 2006 for businesses were difficult which will have contributed to the downturn. This deterioration in revenue may also stem from the willingness of government ministries to grant duty-free importation to commercial operations as part of an incentive package.	C: Actual domestic revenue collection was below 92% of budgeted domestic revenue estimates in 2007, only. Economic conditions in Sierra Leone have reflected conditions worldwide. This revenue performance may also stem from the continued willingness of government ministries to grant duty-free importation to commercial operations.

Sources: Various, including the 2010 PEFA. For further details, see GoSL (2010b).

The IPFMRP is supporting the second phase of IFMIS rollout. It is still currently being rolled out to MDAs. Its core modules now in use are budget and appropriation; purchasing; expenditures; and human resource management/payroll revenues (although the NRA data have to be split and this is not automatic) (GoSL, 2010b). The PFMRU continues to provide

[33] The IFMIS has currently been rolled out to the MoFED, the Sierra Leone Police, the Ministry of Education, Youth and Sports, the Ministry of Works, Housing and Technical Maintenance, the Ministry of Health and Sanitation, the Ministry of Agriculture and Food Security, the Ministry of Defence and the Prisons Department. The IFMIS captures central government expenditure (GoSL, 2007; World Bank, 2009a).

[34] Illustrated by considerable variations between aggregate appropriations and expenditure out-turns, as well as MDAs' appropriations and expenditure out-turns; over-valued revenue projections; and certain budget items, in particular item 501 routinely over-spent (World Bank, 2010a).

[35] That said, performance against the MDBS performance indicator, which measures variance in the expenditure composition for the 20 largest budget heads, was ahead of target, only exceeding the overall deviation in the domestic primary expenditure by 8.7%.

training and support to MDA users to ensure activities are properly and adequately captured in the IFMIS (ibid.). Through the Information Communication and Technology Unit in the MoFED, efforts are beginning to be made to strengthen the environment in the MoFED, MDAs and local councils to facilitate the more efficient use of the IFMIS and PFM systems (GoSL, 2010b).

There are several main areas for improvement regarding IFMIS functionality. First, the classification system/chart of accounts used by the GoSL IFMIS for formulation, execution and reporting of the central government's budget uses the Government Financial Statistics (GFS)/Classifications of the Functions of Government (COFOG) complaint classification based on the GFS 1986, while the standard requirement in all countries is now GFS 2001 (whether cash or accrual basis). Second, separate IFMISs is used for central government and local councils, and they do not currently interface adequately. This creates challenges in developing a consolidated picture across all the levels of government.[36] In addition, there are two main administrative loopholes in budget execution procedures, which affect internal control and the effectiveness of the IFMIS. The expenditure control system is not comprehensive; for example, according to the FMR (Section 70(1)), it applies only to expenditure incurred through local purchase orders and other contracts, whereas personnel emoluments, statutory transfers, debt service and opening of imprests are *outside* the control system. In addition, the system administrators can override the commitment control system (World Bank, 2010a). According to the 2010 PEFA, the auditor-general's reports and other audit reports still highlight ongoing system problems and non-compliance regarding rules for processing and recording transactions that link to internal control (GoSL, 2010b).[37]

Poor resource projections have already been discussed. Work to improve projections, including those relating to external budget support, is crucial to re-establishing budget credibility (GoSL, 2007; 2010a; IMF, 2008). In addition, serious weaknesses in commitment controls and cash management became evident when the cash budget was introduced in 2007, and inability to stop MDAs from entering into commitments with suppliers created a substantial volume of arrears to domestic suppliers – amounting to 1.7% of GDP (World Bank, 2010a). Improvements to control spending are required, not least because MDAs are currently unable to provide accurate monthly cash forecasts from their procurement management systems, as required by the GBAA. Currently, the needs of each quarter are based roughly on the forecast at the beginning of the year (ibid.).

Effort has been made to protect priority spending, but implementation has been weak. In accordance with the first PRSP, special attention was given to the protection of poverty-reducing expenditures (GoSL, 2007). In 2006, the government issued Procedures to Protect Priority Spending (PPPS), which divided each year's budgeted expenditure between 'priority' and 'non-priority' categories (World Bank, 2010a). However, the PPPS were not used, for exogenous and endogenous reasons. First, delayed donor budget support in 2007 forced the GoSL to make significant PFM and expenditure decisions. To fully protect poverty-reducing programmes, considerable reductions in other government programmes would have been required, which were considered unacceptable. More significantly, however, in April 2007 the MoFED implemented a cash-based budget, and quarterly allocations were abandoned and payments were limited to actual cash collected on a weekly basis. Although the PRGF macro-fiscal quantitative performance criteria were largely met (excluding domestic arrears criteria), the orderly execution of government programmes and services was badly affected and poverty-reducing programmes reached only 57% of the budgeted amount by the end of the year (ibid.). Second, weak internal capacity to execute the budget (for certain budget items) and the withholding of the fourth quarter transfer to local councils meant that priority spending did not improve in 2008. The introduction of performance contracts for ministers, alongside the implementation of the PRSP II and the IFMIS, may address this underperformance.

[36] Interviews with World Bank staff.

[37] Effectiveness of expenditure commitments controls and the comprehensiveness, relevance and understanding of other internal control rules/procedures both received a B in the 2010 PEFA. These controls exhibit a high level of centralisation, duplication and multiple signatories and are expected to absorb a significant amount of officers' time, but the cost of this should be weighed against the adverse cost of corruption opportunities under a less layered system (GoSL, 2010b).

Internal audit: Concurrent to the introduction of the IFMIS, significant effort was made to establish credible internal audit systems in the public sector – a concept then new to Sierra Leone. In order to fulfil a requirement of the GBAA, 14 internal audit units (IAUs) were established and an internal audit charter, handbook and manual were developed. The IAUs report directly to the vote controllers (i.e. heads of the budget agency) and function independently from the finance department. At the time of the first PEFA, only the internal audit reports produced by the MoFED's own Internal Audit Department appeared to be of good quality: quality assurance reports of other IAUs in key MDAs were considerably weaker (GoSL, 2007). At the time of the 2010 PAF review, 25 IAUs existed but only 8 were adequately staffed and reported to the vote controller and director of internal audit of the MoFED – even though senior positions were required to be filled by July 2010 (GoSL, 2010a).

In response to this, in August 2010 the MoFED, through the Public Service Commission and the HRMO, recruited 51 internal audit personnel, including a deputy director, principal auditors and senior auditors, into the Internal Audit Department, taking the number of internal auditors to 130 (GoSL, 2010b). Following training, the majority have been assigned to MDAs to further strengthen their IAUs.

Practitioners' guides that cover all aspects of the scope of the internal audit function have been developed, and the Internal Audit Department provides continuous capacity building (GoSL, 2010b). In addition to this, plans have been initiated to set up a Personnel Audit Training Programme for newly recruited auditors. Building on efforts to strengthen the internal audit function, MDAs have been encouraged to establish audit committees; these now exist in six MDAs (ibid.). Although much remains to be done, these are all important steps towards achieving an effective internal audit, given the Internal Audit Department has been in operation for less than five years. In line with the Local Government Act 2004, local councils have also established IAUs, which are staffed and functioning.

Payroll: The payroll module of the IFMIS was introduced in 2006 and has improved controls, audit trails and reporting facilities. At the time, independent audits indicated that the risk of large-scale undetected payroll fraud in the form of ghost teachers and out-of-scale payments was very high. In an attempt to address this, a 'cleaning-up' of personnel records took place, focusing on Education, Health, Agriculture and the Establishment Office (GoSL, 2007). Partial payroll audits and staff surveys have also been undertaken in the past three years; although they have led to the removal of unverified workers, significant additional attention is required to introduce more rigour into systematic payroll audits (GoSL, 2010b). The 2010 PEFA scored Indicator PI-18 ('effectiveness of payroll controls') with a D, given 1) the lack of complete personnel records and a personnel database; 2) weak reconciliation between the three current lists (those held by MDAs, the master file held by the HMRO and the IFMIS-HCA data); and 3) delays in processing changes to the payroll.

Debt management: In 2005, the MoFED and the GoSL conducted a debt sustainability analysis and in the same year the MoFED's PDMU launched an annual Public Debt Bulletin (GoSL, 2007). In 2009, a Debt Management Performance Assessment was undertaken covering debt management strategy, evaluation of debt management operation, coordination with fiscal and monetary policy, legal framework and auditing, loan guarantees and contingent liabilities. This showed that the PDMU ensured compliance with basic international standards for debt management. Meanwhile, the quality of debt data recording and reporting received a B↑ score in the 2010 PEFA (GoSL, 2010b). To address criticisms surrounding the fragmented nature of the legal framework, the Public Debt Management Act 2010 will consolidate fragmented provisions on public debt management contained in various existing laws (GoSL, 2010a; 2010b). In accordance with the second external commercial debt reduction programme, the PDMU is facilitating the process of an external commercial debt buy-back operation (GoSL, 2010b)

Procurement: In 2007, timely reporting of procurement entries to the NPPA was not being completed, and open competition mechanisms were being undermined through the use of contract splitting. This will also become more difficult when procurement planning and implementation is applied more widely (GoSL, 2007). In 2010, the 2010 PAF review mission noted that there had been a decline in actual procurements over the national threshold that had been competitively tendered (GoSL, 2010a).

Financial reporting: In-year reporting was first introduced in Sierra Leone in 2003, with half-year reporting of all MDA resource allocations and expenditure. Since then, the introduction of the IFMIS has significantly increased the potential for in-year reporting. It has made in-year reporting more regular as well as improving the quality and timeliness of in-year reports from the MoFED. Initially, the potential range of reports that could have been produced through the IFMIS was not fully exploited. In 2007, only expense analysis reports were being distributed to MDAs, and, despite the significant amount of information on budget performance available via the IFMIS (including comparisons between approved budget, executed budget and outstanding commitments), only a small amount of data was being transferred to MDAs. At the time, it appeared that the main focus of the IFMIS was to keep spending within budget allocations, rather than closely monitoring outstanding expenditure commitments (GoSL, 2007). The 2010 PEFA lays out a variety of regular, and increasingly accurate, in-year reports produced and sent to MDAs to assist them with their decision making, and allocates Indicator PI-24[38] a B+ (GoSL, 2010b).

Since 2001, the GoSL has regularly carried out public expenditure tracking surveys (PETSs) to monitor expenditure flows to service delivery units. These have since become an annual occurrence (bi-annual since 2007) and are considered to be a central component of the monitoring systems, particularly given their significance for accountability and transparency, as addressed in the Good Governance Pillar of the PRSP. The 2006 PETS on the distribution of drugs noted considerable improvement in the delivery of essential drugs to medical units and district medical officers following the adoption of a new system for drug delivery. However, PETS results over time show persistently poor record keeping and weak internal controls across sectors – so their role in facilitating improved performance appears to be weak (GoSL, 2007; 2010b).

In addition to the PETS, in 2006 the first independent Service Delivery and Perception Survey (SDPS) was implemented in an attempt to assess the effectiveness and efficiency of service delivery, as well as its impact on target beneficiaries (GoSL, 2007). More recently (this year), the Central Planning Monitoring and Evaluation Unit of the MoFED introduced the Cap Scan (launched this year) in its monitoring and evaluation framework. This is a managing for development results assessment tool that should enable the MoFED to have a clear view of the strengths and capacity gaps in institutions' set-up for public service delivery (GoSL, 2010b).

In the past few years significant attention and resources have been channelled towards improving the accountant-general's function. Following the appointment of a new accountant-general in 2006, the backlog of all annual financial statements has been removed, with a significant increase in the timeliness of financial statements; for the financial years from 2007 to 2010, the accounts were produced within three to four months of the end of the financial year (GoSL, 2010b; World Bank, 2009a). Furthermore, over the same period, outstanding bank reconciliations have been completed. During 2007, reconciliations started to be carried out on a regular basis, and these have been sustained supported through improvements made to the IFMIS reconciliation module, the absence of suspense accounts and the existence of a single treasury account (GoSL, 2010b). Capturing this improved performance, the PEFA score for PI-22 increased from a C in 2007 to B in 2010 (GoSL, 2007; 2010b). However, the financial statements include only those financial operations of the GoSL's MDAs that are processed through the Treasury; other public funds, including aspects of donors and subvented agencies' funds, are not covered.

In 2005, the Other Government Accounts Unit (OGAU) was set up in the AGD to capture data on extra-budgetary bodies and externally funded projects (GoSL, 2007). The OGAU data capture system is poor and comprises a standalone spreadsheet and database into which printed statements from the organisations are manually entered (GoSL, 2010b). Such a system meant that the 2010 PEFA was unable to score the indicator related to the level of

[38] Quality and timeliness of in-year budget reports.

extra-budgetary expenditure, which is unreported. Subvented agencies have their own accounting systems, which do not interface with the IFMIS and other records such as payroll. One significant challenge is the reconciliation of OGAU bank accounts. As of August 2010, there were 57 Treasury and 131 department bank accounts operating. There is no regular discipline to ensure the agencies submit bank statements and schedules on time (ibid.).

Strong capacity exists in the AGD but so do concerns about 'capacity flight': the skill set of qualified accountants is rare in Sierra Leone and they are often attracted to the private sector.

3.3.4 Audit, evaluation and accountability

Until more recently, this stage of the budget cycle received proportionately less attention in PFM reform efforts than the other stages discussed above. A greater focus on audit, evaluation and accountability occurred near the end of the latter half of the 2000s, resulting in some associated improvements. Limited attention early on in the reform effort may be because, first, activities included in this stage tend to receive relatively little coverage in PFM assessments such as the CFAA and the HIPC-AAP, which formed the basis of the early PFM reform processes in Sierra Leone; and second, because of the institutional and political challenges related to fostering strengthened domestic accountability mechanisms. As a consequence, until recently this was one of the poorest performing areas of the Sierra Leonean PFM budget cycle.[39]

External audit: The ASSL is mandated to carry out the external audit of all central and local government revenue and expenditure as well as parastatals that receive more than 50% funding from the GoSL (GoSL, 2010b). Weaknesses in the comprehensiveness of the audits and severe delays in the submission of the auditor-general's annual reports to Parliament have historically undermined the impact of the auditor-general's work. For instance, in 2007, the ASSL received limited responses from vote controllers regarding recommendations arising from the audit. Concerns about the independence of the ASSL have also been raised (GoSL, 2010b).

That said, significant improvements have been achieved more recently, which led the 2010 PAF review to state that 'external audit (alongside budget execution) are the two areas of significant improvement' (GoSL, 2010a). Such advancements are also captured in an improved PEFA score for Indicator PI-26. According to the PAF review, the backlog of auditor-general reports has now been dealt with. The 2008 report was published in a timely manner and has been published on the ASSL's website, along with the audited public accounts for 2006 and 2007 (GoSL, 2010a; World Bank, 2010a). Meanwhile, the ASSL provides fairly high (and improved) follow-up figures on audit recommendations (GoSL, 2010b). In addition, the scope of audits has expanded and extended to other areas, including procurement, information technology, civil work and performance. For example, in 2010, a performance audit of the Education Inspection Service was completed, as well as a value for money report on the inspection and supervision of secondary schools, which has been laid before Parliament (GoSL, 2010a; 2010b). To support this expansion, the ASSL has partnered with the African Organisation of Supreme Audit Institutions in English-speaking Africa (AFROSAI-E), the regional audit body, to organise a training course for 2010-2011 (GoSL, 2010b). This support has existed alongside international technical assistance to promote profession building and improvements to the timeliness, scope and content of audit reporting.

Despite these improvements, challenges remain regarding the coverage of the ASSL's audit work. In 2009, ASSL audit work covered 69.3% of the total national actual expenditure of the central government for the fiscal year of 2008. Private audits firms are contracted to audit specialist organisations such as state-owned enterprises, but it is sometimes difficult to obtain their reports (GoSL, 2010b). Furthermore, there have been calls to reduce the auditor-general's constitutional mandate to submit to Parliament within 12 months of the end of the period covered. Prior to 2009, the main achievements were the official publication of terms and conditions of the service of external auditors under the National Service Act 2006 and completed external audits for all 19 local councils in 2007 (GoSL, 2007).

[39] The following scores were achieved in the 2007 and 2010 PEFAs, respectively: Indicator PI26 (scope, nature and follow-up of external audit) D+ and C; PI28 (legislative scrutiny of external audit reports) D+ and C++; PI27 (legislative scrutiny of the annual budget law) C+ and D+↑ (GoSL, 2007; 2010b).

Parliamentary oversight: According to the Constitution and the GBAA, Parliament is required to consider the reports of the auditor-general and refer them to the PAC or any other committee (World Bank, 2010a). The 2007 PEFA scored both legislative scrutiny of external audit reports and the annual budget law poorly. Yet, as with the external audit function, recent improvements of the parliamentary oversight role are evident (GoSL, 2010b; World Bank, 2010a). Two important reforms were achieved in 2009. First, removal of the embargo on publishing the auditor-general's reports, following the clarification of Parliamentary Standing Order 75,[40] which was considered one of the major strides achieved in PFM (GoSL, 2010a). This clarification has translated into publication of the auditor-general's reports on the ASSL's website prior to the completion of the relevant PAC report. This is an important achievement given that in 2007 budget support from DFID and the EC was nearly suspended owing to a lack of access to published audited accounts[41] (World Bank, 2010a). The second important reform was the opening of PAC hearings to the public.

In terms of other performance, the PAC has cleared the audit reports for 2003-2007 and is currently reviewing the 2008 report. In addition, the PAC report is now a much more substantial document in terms of motivating correctional results to the MDAs (GoSL, 2010a; 2010b; World Bank, 2010a). This is a consequence of technical training and support provided to the PAC by the ASSL as well as international technical assistance (GoSL, 2010b). However, although the timeliness of the review by the PAC has improved significantly since 2007, implementation and follow-up on PAC-recommended actions continues to be weak, and there is no systematic approach or database in place to monitor progress on this (GoSL, 2010a).[42]

The Finance Committee caries out the scrutiny function on the annual budget law (GoSL, 2010b). The Cabinet's ability to usefully review the budget during the budget preparation process is undermined by weaknesses in the credibility of the macroeconomic and fiscal framework in the Budget Framework Paper (BFP) and the very small timeframes available for parliamentary review. At the beginning of the budget formulation process, the BCC is not formally presented to the Cabinet, which is not formally involved in the budget preparation process until it is sent the BFP. In 2009, this was at the beginning of November, only five weeks before the actual budget speech (GoSL, 2010b). This undermines not only the parliamentary scrutiny function but also the perceived credibility of the BCC (World Bank, 2010a). The Cabinet's role is further weakened by bilateral discussions between the minister of finance and individual ministers regarding their MDA's budget (GoSL, 2010b). Furthermore, in the past three years, despite improvements in 2006, the budget speech has not been delivered to Parliament by the end of October to allow it the statutory two months to debate and pass the budget before the end of the calendar year, hence parliamentary approval of the budget has been achieved only after the start of the relevant financial year.

Oversight by civil society: Advancements in terms of the participatory nature of budget formation (e.g. budget hearings and budget discussions) have enabled a greater role for non-state actors, which has been further supported through the IPFMRP. Following the recruitment of the non-state actors' coordinator, a consultation process took place to develop a common roadmap for the non-state actors' component of the IPFMRP. This was launched in August 2010.

3.3.5 Linkages with other public sector reforms: decentralisation

A significant achievement in the post-conflict period is the decentralisation of the delivery of government services, in the form of the re-established local councils and chiefdoms. This process has not been without challenges. Nevertheless, the GoSL has been able to successfully establish budgeting, procurement and accounting procedures in local councils, as well as institutional apparatus. This has been supported through the IRCBP, which has strengthened

[40] Parliamentary Standing Order 75 had been interpreted to mean that publication of any evidence tendered to the PAC meetings was not allowed until the PAC issued its own report (World Bank, 2010a).

[41] Although it was later suspended for reasons discussed in Section 2.

[42] The PAC has asked the donor community to strengthen both the PAC and the External Audit Service. The following donors are/will be involved in supporting this function: China, the IPFMRP, the National Democratic Institute and UNDP (World Bank, 2010a).

the functioning of the local government system, by strengthening PFM functions at both central and local council levels.

Local councils receive revenue from central government grants for development, administration and the devolved functions. They also have direct sources of assigned revenues and receive some from the chiefdoms, although these two sources equated to only 4% of local council revenue in 2007 (GoSL, 2007). In 2007, tied grants for devolved functions were allocated to health, education, solid waste management and rural water. PFM systems are weaker at the local government level and undermined by the inability of the Local Government Service Commission to attract suitable candidates for treasurer posts. Although budget preparation is prepared in an ordered and participatory way, budget execution performance (and, subsequently, local council service delivery) has been frustrated by very poor grant disbursement rates from central government as a result of delays in authorisation procedures and central government cash flow problems and cumbersome procedures. Poor external auditing minimises the scope for lesson learning (ibid.). Recently, there has been renewed commitment by the government (led by the financial secretary) to protect transfers to local councils. In 2009, this resulted in timely disbursements from the MoFED with low variance. Performance in this area was a concern for the MDBS donors during the 2009 PAF review (GoSL, 2010a).

Continued donor support to strengthen PFM at the local government level is anticipated through the extension of the IRCBP and the IPFMRP. Although the IPFMRP focuses primarily on the central government, it includes a sub-component to support PFM at the local government level. The PETRA accounting application has been rolled out to eight of the nineteen local councils and planned rollout to the remaining councils will take place in 2011. Efforts are also being made to improve the quality and timeliness of reporting in local councils.

4 PFM results, challenges and achievements

Since 2002, the GoSL has made good progress in terms of improving its PFM framework and systems and has initiated an impressive set of reforms (Lawson, 2007; GoSL, 2007; World Bank, 2009a). By 2007, it had implemented nearly all the CFAA recommendations and achieved scores on a PEFA assessment equivalent to those attained by other countries in the region, despite coming from a considerably lower starting point (GoSL, 2007; World Bank, 2009a). The results reflect a concerted effort by the GoSL and donors since 2002, as well as during the latter stages of conflict when the foundations of PFM reform were established.

A more revealing way of summarising the patterns of Sierra Leone's PFM performance is to present the achievements against three dimensions of PFM: *de jure* measures vs. *de facto* functional results; upstream vs. downstream performance; and concentrated and de-concentrated performance[43] (World Bank, 2010b). This analysis is presented below and in in Table 8 (which discusses the results in more detail). It is clear that achievements have been made across the board, but performance varies within dimensions.

***De jure* measures vs. *de facto* functional results:**[44] There has been considerable concentration on establishing a suitable legal and regulatory framework and good progress has been made in this area. However, criticism has surrounded the appropriateness of the legal framework, as well as its incomplete implementation (GoSL, 2010c; IMF, 2008; Lawson, 2007). There appears to be mixed evidence on the appropriateness of the latter framework, but a degree of consensus around the challenge of the *full* implementation of many of the new acts, procedures, processes and systems, a sentiment supported by various studies over the past few years (Lawson, 2007; IMF, 2008; World Bank, 2009a). According to the recent PER, '[i]nterviews with the authorities have identified politically sensitive decisions as the root causes of some of these deviations from the legal framework' (World Bank, 2010a). In addition, weak knowledge and understanding of the acts and procedures – particularly the GBAA and the FMR in MDAs – have resulted in their poor implementation.

Upstream vs. downstream performance:[45] It is evident that initial reform efforts post-2002 were heavily weighted towards developing the legal and regulatory framework, budget formation and parts of budget execution. Accounting, reporting[46] and external audit and oversight were for the most part supported and reformed later. The outputs of diagnostic instruments on which the reforms have principally been based (e.g. the CFAA and, to a lesser extent, the HIPC-APP focused primarily on the legal and institutional framework, budget formation and budget execution, and – particularly so for the CFAA – gave little attention to audit, evaluation and accountability (although external audit is covered briefly). For this reason, although the GoSL's PFM performance against the CFAA recommendations has been particularly good, it has only relatively recently addressed weaknesses related to external audit and oversight. Key achievements (in addition to those discussed under the other dimensions) include strengthening internal capacity; establishment of new entities and hiring qualified staff for key positions; rolling out a new developed IFMIS; establishing internal audits; strengthening the MTEF (despite remaining key challenges); integrating regular reporting systems (through the establishment of in-year reporting and regular PETS); and improving the accountant-general's function and output.

[43] Performance dimensions based on the analysis presented in the PFM chapter of the forthcoming World Development Report (World Bank, 2010).

[44] A comparison between the legal framework and practice.

[45] 'The former includes strategic budgeting (multi-year forecasting, strategic planning, investment planning, debt planning); annual budget preparation; legislative analysis of the annual budget; and the structure of formal budget documents. Downstream performance includes resource management (including cash inflow and outflow management, procurement, payroll); Internal control, internal audit and monitoring; Accounting and reporting; External audit; and Legislative analysis of audit reports' (World Bank, 2010b).

[46] Except for integrating regular reporting systems (through the establishment of in-year reporting and regular PETS), which also gained early attention.

Concentrated vs. de-concentrated entities:[47] PFM performance of de-concentrated entities is weaker than that of the MoFED, reflecting the concentration of the reform effort. Anecdotal evidence suggests the MoFED has the strongest human capacity of any MDA. Although reforms have been implemented at the de-concentrated level, weak capacity and the infrequent use of sanctions by the MoFED continue to undermine performance. Despite this, the establishment of budgeting, accountability and procurement for both central and local government is considered one of the main achievements of PFM reform since the end of the civil war.

Table 7: Snapshot of PFM results in Sierra Leone to date, achievements and challenges

Legal framework and institutional rules	
	'Sierra Leone's PFM legal framework is generally sound and appropriate, and compares well with that of most developing countries' (World Bank, 2010; also IMF, 2008; Lawson, 2007). There is conflicting evidence around the appropriateness of the legal framework, with a recent review of the GBAA and the FMR citing criticisms regarding the Constitution, the GBAA and the FMR (GoSL, 2010c). Yet the recent PER states that the most pressing concern regards the incomplete implementation of the PFM legal framework and notes that '[i]nterviews with the authorities have identified politically sensitive decisions as the root cause of some of these deviations from the legal framework' (World Bank, 2010a). In addition to the rebuilding of the MoFED following the end of the civil war, PFM reform effort has led to the establishment of the PFM Oversight Steering Committee, the MoFED PFMRU and the Local Government Finance Department.
Budget formulation	
Macroeconomic forecasting	The MEFF works fairly well in Sierra Leone and is expected to be strengthened, with recent efforts to establish a new integrated macroeconomic model. However, the initial MEFF, included in the BCC that underlies spending ceilings, lacks credibility (owing to a lack of parliamentary approval and subsequent revisions to the figures) and as a consequence the spending ceilings are often not respected by MDAs (World Bank, 2010a).
Strategic and policy planning	Alongside the introduction of the MTEF, strategic and policy planning received early attention in the post-war PFM reform effort. However, this function remains weak, illustrated by the limited number and poor quality of MDA strategic plans. Reasons for this include poor capacity in the MDAs as well as weakness in the current MTEF processes.
Budget planning and allocations	Establishing a medium-term perspective to budget formation was one of the early priorities of the recent reform effort. To date, various challenges exist, and there are questions surrounding the usefulness of the MTEF in its current form in Sierra Leone. Challenges include excessive documentation requirements from MDAs; poor actual participation; weak credibility of budget estimates; disconnect between budgets including the recurrent and development budgets and the MTEF and the annual budget (GoSL, 2010b IMF, 2008; World Bank, 2010a). Since 2005, procurement plans have formed part of the annual budget process and, once submitted, have been used as the basis for quarterly MDA ceilings. Capacity challenges exist but current interventions building on successes at the local council level are expected to address this.
Budget approval	Approval of the 2007-2009 MTEF was the first time the budget calendar had been fully adhered to in line with the GBAA (GoSL, 2007). Since then, performance has fallen, and between 2007 and 2009 the budget was approved after the start of the financial year and thus did not adhere to the GBAA (GoSL, 2010b).

[47] A comparison between the ministries of finance and budget organisations, municipalities, the Assembly, External Audit.

Budget execution	
Financial management reporting system	The IFMIS was introduced in 2005. It has led to improved budget execution and financial reporting, but weak internal control systems undermine its effectiveness.
Internal control	Starting with the implementation of the IFMIS and the first written procedures for budget execution, budget execution rates have continued to improve. Internal control is very centralised and scored well on the 2010 PEFA. However, there are two main administrative loopholes in the budget execution procedures. First, the expenditure control system is not comprehensive (according to the FMR); second, the commitment control system can be overridden by the system administrator (World Bank, 2010a). The auditor-general and other audit reports highlight ongoing system problems and non-compliance problems that link to internal control (GoSL, 2010b).
Internal audit	To date, 25 IAU exist; however, at the time of the 2010 PAF review, only eight of these were adequately staffed and reported to the vote controller and director of internal audit of the MoFED (GoSL, 2010b). Since then, a large-scale recruitment round has taken place and plans to implement training programmes are being developed (GoSL, 2010b)
Financial reporting	Annual financial statements are up to date, as are bank reconciliations. Strong capacity in the AGD exists, but so do concerns about 'capacity flight'. Other in-year and annual reporting (e.g. PETS and SDPS) exist. Since the last PEFA, the range of in-year reports produced for MDAs has increased, but not all information is being used to improve PFM functions (e.g. the outcome of PETS) (GoSL, 2007; 2010b).
Debt management	In 2005, following a debt sustainability analysis, the PDMU was launched (GoSL, 2007). A Debt Management Law seeking to consolidate fragmented provisions on public debt management contained in various existing laws was drafted and expected to be laid before Parliament by 2010 (GoSL, 2010a). Recent assessments suggest performance of the PDMU is good (GoSL, 2010b).
Audit, evaluation and accountability	
External audit	In 2007, external audit was poorly performing (GoSL, 2007). However, there has been significant improvement, illustrated by the PAF review 2010 stating that 'external audit (alongside budget execution) are the two areas of significant improvement' (GoSL, 2010a). The backlog of the auditor-general reports has now been dealt with and performance audits have been introduced. However, concerns about the implementation of follow-up remain.
Parliamentary oversight	In 2007, the PEFA scored poorly both the legislative scrutiny of external audit reports and the annual budget law but, as with the external audit function, performance has recently improved. Parliamentary oversight has been strengthened as a result of Standing Order 75 and opening PAC hearings to the public. The backlog is being addressed, but follow-up remains weak. Parliamentary oversight over the annual budget law continues to be undermined by tight timeframes.

Source: GoSL (2007; 2010a; 2010b); IMF (2008); Lawson (2007); World Bank (2010a); various interviews.

5 Analysis of interactions: linking context to the PFM reform approaches and results

Sierra Leone has achieved scores on PEFA assessments equivalent to those attained by other countries in the region, despite coming from a considerably lower starting point (GoSL, 2007; World Bank, 2009a). This can be explained by Sierra Leone's performance as it emerged from the civil war as well as three main drivers of PFM reform in peacetime Sierra Leone.

Sierra Leone, unlike many other FCAS, emerged from the end of the civil war with a PFM system that functioned well given its post-conflict status. Despite extensive destruction of social and physical infrastructure during the conflict, including the MoFED building, two key factors contributed to this relatively positive performance. First, during the civil war, a legal and regulatory framework for PFM was upheld and a highly centralised system of management maintained a degree of expenditure control, while well-financed technical assistance experts carried out day-to-day activities (World Bank, 2002). Second, between 1996 and 2002, incremental policy initiatives and the continued provision of some public services to restricted areas of the country served to strengthen governance structures. Incremental policy initiatives took place both across the whole of government and in PFM; in PFM, both the FMAS and the MTEF were introduced in the civil war period.

Therefore, by the time of the peace agreement, a conducive environment for future PFM reform had been established. The strengths of the system, albeit upheld by pockets of strong capacity, as well as an evident appetite for reform, illustrated by the fact that reforms had been implemented successfully in the most arduous circumstances during the civil war, created a constructive baseline on which post-2002 PFM reform agendas have been implemented. This may help explain the considerable success of the first PFM reform action plan, designed and implemented very early in the post-war period. The CFAA, carried out in March 2002, outlined a set of recommendations that had nearly all been implemented by 2007.

Beyond this constructive baseline, three other main factors have influenced the PFM reform approach pursued as well as its implementation in Sierra Leone: 1) the incentives created by donor frameworks; 2) the influence of political governance and its appetite for reforms; and 3) the establishment of a significant cadre of LTAs and off-civil service officials in the MoFED.

First, building strong PFM systems has been a priority for the donors providing budget support to Sierra Leone, and this interest has driven PFM advancements. Sierra Leone has been a large recipient of budget support, both during and post-conflict. In 2007, Lawson (2007) made reference to Sierra Leone as on a par with some of the most 'mature' budget support countries. This level of dependency is evident in the historically high proportions of both recurrent expenditure and total aid that are made up of budget support. During 2005/06, on the back of the strengthened principles of aid effectiveness expressed in the Paris Declaration, the budget support donors joined together to form the MDBS group, and, in order to improve the efficiency of budget support, the PAF included 'proposed actions' related to PFM performance. Examining the PAF from 2007 to 2010, it is clear that PFM proposed actions and associated indicators have made up the largest theme among all proposed actions. In addition, revisions to the PAF over this time period led to PFM proposed actions gaining increasing weight, as their proportional share of all proposed actions increased. Given the sustained high dependence of the GoSL on budget support and the interest held by the MDBS donors in strengthening PFM, plus the risk of donors withholding funds if performance is not achieved, the GoSL has faced strong incentives to push forward and implement PFM reforms.

There appear to be three patent examples of the influence of the MDBS donors on the PFM reform agenda:

- First, in response to the suspension of budget support by the four MDBS donors in 2007 and the first half of 2008 as a result of two specific fiduciary risks, there was an attempt by both the GoSL and the MDBS donors to consolidate and revise their PFM sector plans and PAF. The IPFMRP – the GoSL's first integrated and comprehensive PFM reform action plan – was formulated in 2008, in part motivated by the incentive to strengthen PFM reform effort and performance. The IPFMRP was developed with support from the MDBS donors and championed by the newly elected government. At the same time, following the 2007/08 period when the MDBS donors withheld their funding, the PAF was revised to further harmonise the framework against which budget support conditions were assessed. This revision led to PFM proposed actions gaining greater weight in the framework and, as a result, reinforcing the incentives faced by the GoSL to advance PFM (GoSL, 2010b).
- Although there have been improvements in PFM performance across the budget cycle, it is perhaps unsurprising that performance in areas included in the PAF appear to have been prioritised. For example, comparing the results of the 2010 PEFA and the PAF 2010 review for 2009, it is clear that the variance in expenditure composition for the 20 largest budget heads (a PAF performance indicator) was smaller, at 8.7% (exceeding the 10% PAF target), than the variance in expenditure composition for all primary expenditure (PEFA Indicator PI-2) at 9.7%. Therefore, the variance in expenditure composition was better for the 20 largest budget heads than for all primary expenditure. In addition, is unlikely to be a coincidence that historical PFM problems, such as the timely transfer of funds to local councils, have been addressed following the incorporation of indicators into the PAF addressing these areas. For instance, an indicator to measure whether funds are transferred to local councils in a predictable manner was incorporated into the 2010 PAF (to be based on 2009 performance), and in 2009 performance improved, spearheaded by the financial secretary of the MoFED (GoSL, 2010a).
- MDBS donors have provided significant technical advisory assistance to targeted areas of PFM, which has supported the strengthening of systems. This has been evident recently in the ASSL.

Second, the MoFED's governance and leadership have heavily influenced the PFM reform effort. Although strengthening the public sector appears to have been a key government priority, the extent to which this has extended to PFM is unclear. According to a recent study on the political economy of PFM in Sierra Leone, there has been little enthusiasm for the reforms in the highest echelons of state authority. Despite this, GoSL commitment to and influence on PFM reforms at the ministerial level is apparent. Over the course of the past decade, there have been several key PFM reform champions who have helped maintain strong PFM performance and spearhead reforms.

Third, LTAs and other off-civil service officials have been instrumental in PFM reform efforts to date in Sierra Leone. During the conflict, robust PFM performance was managed by a small group of technical assistance experts (international and national) who maintained a highly centralised control system and led the implementation of incremental reforms. At the end of the conflict, many of the technical advisors remained, and many more were hired following a concerted effort on behalf of both the GoSL and donors to address capacity challenges. In order to address what has been termed the 'missing middle' phenomena of the civil service in Sierra Leone, a parallel civil service was created. The scale of LTA presence in the MoFED is significant in itself to drive the policy and management agenda in Sierra Leone; by 2008, LTAs in the MoFED made up 40% of total staff and significantly outnumbered regular civil servants at professional grades (seven and above) (GoSL, 2010a). In addition to new government entities established in the MoFED, including the PFMRU, the PFM Oversight Committee and the newly established Integrated Project Management Unit for the IPFMRP, have been staffed with LTAs and have been fundamental in driving PFM reforms, especially the PFMRU. These highly qualified, motivated, experienced and well-remunerated LTAs have faced a set of incentives that have meant they have become crucial to both the design and the implementation of the PFM reform effort in Sierra Leone.

The existence and performance of LTAs and other off-civil service officials are intertwined with the two other main drivers of reforms in Sierra Leone: the incentives created by the MDBS donors and the governance and leadership of the MoFED. First, LTAs and other off-civil service officials have prominent positions in the MoFED. In fact, the vast majority of senior managers in the MoFED are classed as such staff. This means they have had a significant role in the design and implementation of the reforms. Second, such officials have been reliant predominately on donors for their existence. To date, the vast majority, if not all, of such officials have been paid directly (or, some observers argue, fungibly through budget support) from donor resources. In addition, those working in PIUs or tasked to implement donor-funded PFM reforms rely on the continuation of such reform efforts. At the same time, the importance of such staff in the reform effort has created a reverse reliance by donors on their existence. As a result, the knowledge, experience, enthusiasm and professional interest of these staff in maintaining donor relations has secured their influence (World Bank, 2008b).

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[48] Formal permission has yet to be being sought for the use of this paper; circulation of referenced points should be restricted in the interim.

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Annex 1: PEFA results (2007, 2010)

		Score 2010					Score 2007				
		Indicator	Dimension				Indicator	Dimension			
A. PFM OUT-TURNS: credibility of the budget			(i)	(ii)	(iii)	(iv)		(i)	(ii)	(iii)	(iv)
PI-1	Aggregate expenditure out-turn compared with original approved budget	B					B				
PI-2	Composition of expenditure out-turn compared with original approved budget	C					C				
PI-3	Aggregate revenue out-turn compared with original approved budget	C					B				
PI-4	Stock and monitoring of expenditure payment arrears	D+	D	C			No score	NS	D		
B. KEY CROSS-CUTTING ISSUES: comprehensiveness and transparency											
PI-5	Classification of budget	C					A				
PI-6	Comprehensiveness of information included in budget documentation	A					C				
PI-7	Extent of unreported government operations	No score	NS	D			No score				
PI-8	Transparency of intergovernmental fiscal relations	A	A	A	A		B	A	A	D	
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C+	C	B			C	C	C		
PI-10	Public access to key fiscal information	B					B				
C. BUDGET CYCLE											
C(i) Policy-based budgeting											
PI-11	Orderliness and participation in the annual budget process	D+	C	C	D		C+	A	C	D	
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	C	A	D	D	D+	C	B	D	D
C(ii) Predictability and control in budget execution											
PI-13	Transparency of taxpayer obligations and liabilities	B	C↑	A	C↑		C+	C	B	C	
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	B	B	B	B		C	C	C	C	
PI-15	Effectiveness in collection of tax payments	No score	NS	B	A		D+	D	B	D	
PI-16	Predictability in availability of funds for commitment of expenditures	C+	C	B	C		C+	C	B	B	
PI-17	Recording and management of cash balances, debt and guarantees	C+↑	B↑	C	C↑		C+	B	C	C	
PI-18	Effectiveness of payroll controls	D+	D	D	B	C	D+	D	D	B	B
PI-19	Competition, value for money and controls in procurement	C+	B	C	C		C	C	C	C	
PI-20	Effectiveness of internal controls for non-salary expenditure	C+	B	B	C		C+	B	B	C	
PI-21	Effectiveness of internal audit	D+↑	C	C	D↑		D+	C	C	D	
C(iii) Accounting, recording and reporting											
PI-22	Timeliness and regularity of accounts reconciliation	B	B	B			C	B	D		
PI-23	Availability of information on resources received by service delivery units	A					A				
PI-24	Quality and timeliness of in-year budget reports	B+	B	A	B		C+	A	A	C	
PI-25	Quality and timeliness of annual financial statements	C+	C	A	C		D+	C	D	C	
C(iv) External scrutiny and audit											
PI-26	Scope, nature and follow-up of external audit	C	C	C	C		D+	C	D	C	
PI-27	Legislative scrutiny of annual budget law	C+	C	C	A	C	C+	C	C	A	A
PI-28	Legislative scrutiny of external audit reports	D+↑	D↑	A	C		D+	D	A	C	
D. DONOR PRACTICES											
D-1	Predictability of direct budget support	D	D	D			C+	A	C		
D-2	Financial info provided for budgeting and reporting on project/programme aid	D+	D	C			D+	D	C		
D-3	Proportion of aid managed by use of national procedures	D					D				

Annex 2: List of people interviewed

Mr Doug Addison, Country Economist (until mid-2010), World Bank
Mr Thomas Allen, Economic Advisor, DFID
Mr Gerald Audez, EC World Bank
Mrs A.A. Caesar, Auditor-General, MoFED
Mr Melvin L. Caulker, Deputy Financial Secretary, MoFED
Mr Ismaila Ceesay, Senior Financial Management Specialist, Sierra Leone and Liberia, World Bank
Mr Augustus E. Cole, Director, PFMRU, MoFED
Mr Winston Cole, Senior Financial Management Specialist, World Bank
Mr Vidal Paul Coller, Deputy Auditor-general
Mr Matthieu Dinjie, Budget Director, Budget Bureau, MoFED
Mr Engilbert Gudmundsson, Country Manager, World Bank
Mr Ambrose James, Country Director, Search For Common Ground
Mr Kadi Julia Jumu, Policy and Programmes Manager, Christian Aid
Dr Samura N.W. Kamara, Minister of Finance and Economic Development, MoFED
Mr Kaswusu Kebe, Director of Aid Policy of Strategy Department, MoFED
Mr Amara S. Koroma, Principal Accountant, AGD, MoFED
Mr Edmund Koroma, Financial Secretary, MoFED
Mr Abdul Rahman Turay, Coordinator/Principal Advisor, Strategy and Policy Unit, Office of the President
Mr Matthew Sandy, Economist, IMF
Mr Sheku S. Sesay, Governor and Chairman, Board of Directors, Bank of Sierra Leone
Mr Ramesh Siva, Lead Informatics Specialist, e-Government Practice Information Solutions Group, World Bank
Mr Vivek Srivastava, IPFMRP Task Team Leader (until mid-2010), Senior Public Sector Specialist, World Bank
Mr Richard S.R. Williams, Deputy Accountant-general, AGD, MoFED
Mrs Alaine Williams-Taylor, DFID
Mr Peter Zetterstrom, UNDP
Principal Accountant, Ministry of Education, Youth and Sports
Chair, PAC
Deputy Commissioner, ACC
Deputy Party Leader of SLPP
Education Advisor, Ministry of Education, Youth and Sports
Representative of a Local Council

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