



CIVIL SOCIETY POSITION ON THE 2020 GOVERNMENT BUDGET AND FINANCE ACT

21st, November 2019

This position paper on the 2020 Budget and Finance Act is based on BAN and NSA review of the national budget presented by the Minister of Finance to Parliament on 8th November 2019 as well as the 2020 Finance Act. BAN and NSA will later follow this paper with an extensive analysis of the 2020 Budget Statement and share the findings to all the stakeholders.

Legalizing Non-accountable imprest for daily international travel expenses for the President, Vice President of Sierra Leone, and Speaker of the House of Parliament

In recent years the amount of spending on government overseas travel has been substantial (Le 40.2bn¹ in 2017 and Le 29.2bn in 2018). The expenditure on overseas traveling for the year 2017 supersedes the entire budget for the Ministry of Sport, Youth, Tourism, Social Welfare and Fisheries and Marines Resource combined for 2018. The 2020 Finance Act has provision that has changed the PFM Act which allows a 'non-accountable imprest to provide for daily international travel expenses excluding purchase of tickets incurred by the President, Vice-President and the Speaker of Parliament'. This lack of accountability on expenditure for travel is unacceptable, particularly the increment on spending in this area; and the minimal resources available for development spending in the country. This provision will limit the Audit Service's mandate from auditing that particular budget line, hence decreasing accountability as opposed to increasing it as stated in the New Direction Manifesto. We recommend that all traveling be accounted for to ensure transparency and proper use of tax payer's money as we call on the President NOT to give his assent to the 2020 Finance Act and give a rethink on the non-accountable imprest for the love of the nation.

External Public Debt

Sierra Leone's external public debt has increased by 7.2%² (in dollar terms) and 22.9% (in Leones terms) from June 2018 to June 2019. It is expected to increase by 19% (in dollar terms) and 35.6% (in Leones)

¹ General Purpose Financial Statements of the consolidated fund for the financial year ended 31st December 2018-
<https://mof.gov.sl/annual-accounts/>

² Page 6 paragraph 25 of the 2019 budget speech state that the external public debt stock as of end of June 2018 is \$ 1.53 billion and paragraph 25 page 7 of the 2020 budget speech state that external debt as of end of 2019 is \$ 1.64 billion

by the end of December 2019. While we acknowledge the fact that government's debt is a part of the fiscal management, however, we are concerned about the sustainability of rising debt levels and the shift from moderate to high risks of debt distress. In the one-year report of the economic management of the New Direction (April 2018 – April 2019), two external loan agreements totaling US\$300 million were cancelled by government due to the risks they posed to debt sustainability. Inasmuch as we applaud this prudent measure, we are bemused at the fact that the government announced an external concessional loan of \$ 367.8 million³ projected to be taken by end of December 2019. This sends a worrying signal of the commitment of government to reduce the external debt burden. We strongly recommend that the government should introduce an annual debt ceiling beyond which government cannot borrow, as stated in the New Direction Manifesto, and ensure that loans taken on behalf of the people of Sierra Leone are done in a transparent and accountable manner.

Inflation

Inflationary pressures, mainly on account of the effect of fuel price increase on essential commodities and the depreciation of the domestic currency remains a concern for Sierra Leoneans; especially so when variations in wages are not at par with the current inflation rates. Current inflationary pressures in the country, if not reversed, will continue to erode real earnings of the average Sierra Leonean, and making them poorer at the receipt of every wage. We hope that appropriate fiscal and monetary policy, supported by exchange rate stabilization interventions, would be taken to pull down inflation to the government's single digit target.

Foreign Reserve

We commend government for maintaining the key ECOWAS Convergence Criteria on Gross External Reserves commitment with \$533.2m reserve as at August 2019, which is 3.5 months of imports. We hope that this gain will be sustained and built upon during the FY 2020 and efforts to smoothen excess volatility in the exchange rate through BSL intervention in the Wholesale Foreign Exchange Market be critically reviewed not to otherwise dampen current gains.

Budget Deficit/Surplus

While we acknowledge various strides by government to increase domestic revenue and curtail spending through expenditure rationalization, we are equally concerned with the growing increase in the overall budget deficit. Estimated 2019 overall deficit as a percentage of GDP including grants for the period Jan-Sept 2019 exceeded the 2019 projected figure by 1.2% (Le 1.6 trillion). Even though we are not clear on the drivers of this increase, we call on government to further deepen its domestic revenue mobilization reforms and expenditure rationalization policies including further controls of the wage bill.

Public Expenditure Tracking Survey (PETS)

The budget speech highlighted the Public Expenditure Tracking Survey (PETS) carried out in education, health and agriculture. This is very commendable, and the first time these surveys have been carried out for several years. However, we have concerns that the results will not be published, as the budget speech only mentioned discussion of the findings with stakeholders. In the original expression of

³ Paragraph 5 2020 budget speech

interest published by the Ministry of Finance, it was made clear that the PETS would ‘provide valuable insights to policy makers on impediments to improving financial governance and fostering greater transparency, and hence be a source of accountability on government spending’. We hold the strong view that if PETS results were not published, it would hardly serve the desired purpose of promoting transparency and accountability in the use of public resources

Tax Waivers

We welcome the government’s plans to develop a new tax waivers policy, and subsequently a bill to be laid in parliament. Civil society stand ready to support the government with constructive and technical inputs. We would also urge the government to engage with business, NGOs and others in the formulation of this policy to enhance procedures around waivers. In particular, we would like to see a detailed policy which gives clarity on what types of good/services are eligible for waivers, and a more transparent approval process which removes discretion and cuts out the layers of approval. Furthermore, the policy should cover both domestic and external taxes, and include a clear rationale for each waiver so that the impact of the waivers can be monitored and assessed over time. The level of tax waivers should also be included in the budget, broken down by sector.

Inclusion and People with disabilities

Government must re-define its understanding of inclusion. The budget makes mention of plans to support 2,000 persons living with disability in the next 3 years for economic empowerment. Whilst we commend the approach of leaving no one behind, we would urge that the government to go a step further to widen the support base as there are currently about 310,973 persons with disability in Sierra Leone, many of whom do not engage in regular employment (according to the recently published Integrated Household Survey). People with disability are less likely to be engaged in employment and are often the most disadvantaged and the most at risk of being left behind. Government must engage on the policy environment for dealing with disability and inclusion for those furthest from services and opportunities and affirm resources for free health care provision for persons with disabilities. The rights to essential services of other marginalized groups must be enshrined in the laws and resource allocation protected.

Micro enterprises development

Introducing Le 100 billion of micro-enterprise development to target 20,000 people (for which 70% are women and 30% men) is a great stride in the right direction. However, evidence has shown that the repayment of micro loans can be very challenging. For example, a lot of women are today in the correctional centers because of their inability to repay loans from micro credit agencies. While the goal is to empower women and small businesses, we are concerned about the effect of those women who will not be able to repay the loan. With regards to this, we are suggesting that this credit be converted to grant and the responsibility passed on to NASCA to administer the grant since they have experience in working with various vulnerable group. Also, we are recommending that government should publish the selection criteria and ensure that disbursement has a national spread.

Budget credibility

In conclusion, it should also be noted that actual budget performance remains a serious issue of budget credibility in Sierra Leone – that is, the spending laid out in the budget is not delivered during the year.

As public financial management reforms continue to show modest signs of progress over the years, successive studies on Public Expenditure and Financial Accountability (PEFA) in Sierra Leone continues to highlight the challenges of budget reliability and predictability. Whilst debate and analysis of the budget laid before parliament is important, it is equally important to monitor the actual spending that takes place during the year. In particular, there have been continuing weaknesses in expenditure composition (high levels of reallocation between budget lines and a lack of adherence to budget policy). These changes made to the budget throughout the year that are not brought back to parliament. These are often the result of politically directed spending, which can push out the spending plans of MDAs laid out in the budget. Disbursements to MDAs are often late, meaning vital public goods and services are delayed or not delivered at all. Finally, we recognize many positive aspects of the budget, and we would highlight that implementation is the real challenge.

For further information please contact

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About BAN

The Budget Advocacy Network (BAN) established in 2006, is a Network of Civil Society Organisations in Sierra Leone committed to work on budgets and budget policies to enhance policy making and implementation for sustainable and equitable development. BAN consists of local and international organizations such as Christian Aid (CA), Campaign for Good Governance (CGG), Network Movement for Justice and Development (NMJD), Western Area Budget Education Network (WABEAN), ActionAid Sierra Leone (AASISL), Search for Common Ground (SFCG), and the Transparency International (TISL)

About NSA

About NSA: Non-State Actors (NSA) is a consortium of CSOs across Sierra Leone working with Government and Development Partners on Public Financial Management (PFM) reforms. The objective of the NSA Support Programme is to facilitate public oversight that would promote transparency and accountability in the use of public resources. Activities and Programmes of the NSA Secretariat are funded mainly by development partners with support from GoSL through the Public Financial Management Improvement and Consolidation Project.