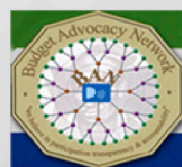# HOW CREDIBLE IS THE
GOVERNMENT BUDGET?

AN ANALYSIS OF BUDGET CREDIBILITY
FOR 2020, 2021 AND 2022

ACKNOWLEDGMENT

We are pleased to present the Budget Credibility report, which focuses on Revenue Outturn; Aggregate Expenditure; and Expenditure Composition Outturn for the period 2020-2022. This analysis undertaken by the Budget Advocacy Network, spot–checks the credibility of the Government's Revenue and Expenditure figures in the budget, and how that affects service delivery.

This intervention is part of BAN's strategy to push for a credible budgetary system in Sierra Leone –a component that will strengthen Public Financial Management (PFM), which should translate into the improvement of fiscal discipline.

Special thanks to the Ministry of Finance and the National Revenue Authority for their comment. Also thanks to staff of the Budget Advocacy Network and Christian Aid Sierra Leone for extensive inputs, comments, and contributions leading to the development of the final report.

Special thanks to the Irish Aid for their financial support under Irish Aid Programme Grant III under the leadership of Christian Aid Sierra Leone.
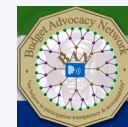
ACRONYMS

AEO	Aggregate Expenditure Outturn
ARO	Aggregate Revenue Outturn
AYV	African Young Voices
BAN	Budget Advocacy Network
CA-SL	Christian Aid Sierra Leone
CIT	Cooperate Income Tax
COVID	Corona Virus Disease
ECO	Expenditure Composition Outturn
ECR	Electronic Cash Register
ECSL	Electoral Commission of Sierra Leone

GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoSL	Government of Sierra Leone
GPFS	General Purpose and Financial Statement
GST	Goods and Service Tax
IAPG	Irish Aid Programme Grant
ICT	Information Communication and Technology
IMF	International Monetary Fund
MAF	Ministry of Agriculture and Forestry
MBSSE	MBSSE
MDAs	Ministries, Departments and Agencies
MFF	Macro-Fiscal Forecast
MoF	Ministry of Finance
MoHS	Ministry of Health and Education
MTEF	Medium-Term Expenditure Framework

MTEF	Medium-Term Expenditure Framework
MTHE	Ministry of Tertiary and Higher Education
NaCOVERC	National Corona Virus Emergency Response Centre
NASSIT	National Social Security and Insurance Trust
NRA	National Revenue Authority
NSAs	Non-State Actors
PACE	Promoting Accountability and Community Engagement
PEFA	Public Expenditure and Financial Accountability
PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
RCO	Revenue Composition Outturn
RO	Revenue Outturn
SDG	Sustainable Development Goals
SSL	Statistics Sierra Leone

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EXECUTIVE SUMMARY

The institutional arrangements in the budget preparation and execution are critical in ensuring budget credibility. The effectiveness of these arrangements enables available resources to be distributed efficiently, improve service delivery and ultimately contribute to the achievement of the government's activities in the Medium-Term Expenditure Framework (MTEF)

When the budget is not credible, it severely undermines the entire essence of the budget process as a tool for policymaking implementation. As such, this is where Non-State Actors (NSAs) have an important role to play in tracking the execution of the budget and holding governments accountable to ensure that governments live up to their promises to spend adequately and deliver on development strategies.

In comparison to the assessment of Public Expenditure and Financial Accountability (PEFA) in 2021, fiscal discipline remains a challenge to budget credibility in both the economic and administrative sectors, which has a detrimental influence on resource allocation and service delivery. Although over the review period, revenue forecast has been very good, revenue composition outturn remains poor. The compilation of data for revenue is still not done by the dictate of the Government Financial Statistics (GFS) manual 2014. In particular, the assessment has not included social security contribution, hence, making assessment of revenue outturn impossible. In terms of domestic revenue and grants forecast, the variation between forecast and grants improved in 2021 and 2022 mainly as a result of improved domestic revenue mobilization.

> **In recent years, the implementation of a credible budget has been challenging due to the variation between approved and actual expenditures. Expenditure outturn was 75.8 percent, 96.2 percent, and 92.7 percent in 2020, 202,1, and 2022 respectively. Expenditure composition outturn by the administration was 48.8 percent, 40.6 percent, and 58.7 percent in 2020, 2021, and 2022 respectively.**

Over the review period, actual expenditures by the Ministry of Health and Sanitation, the Sierra Leone Police, the Ministry of Defence, the Ministry of Energy, the Ministry of Agriculture, and Forestry and the Ministry of Finance were higher than approved budgets, attributed mainly to the government's effort to
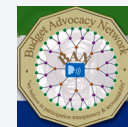
fight the COVID-19 pandemic under the Quick Action Emergency Response Programme (QAERP) and energy subsidies.

The PEFA 2021 report gave an overall rating of D for PI-1, D for PI-2, and C+ for PI-3. The analysis for this assessment shows the overall rating for PI-1 is D, PI-2 is D and PI-3 as C+ as shown below.

Budget Reliability Indicators		Scoring Method	Dimension Rating, 2020 – 2022 (2018-2020 in parenthesis)			Overall Rating
PI-1	Aggregate expenditure outturn	M1	D*(D*)	D*(D*)		D
PI-2	Expenditure composition outturn	M1	D*(D*)	D*(D*)	B(D*)	D
PI-3	Revenue outturn	M2	A(A)	D*(D*)		C+

This reflected a change from the PEFA 2021 assessment. The availability of externally funded data and the classification of revenue according to the government financial statistics (2014) manual might improve the scores of these indicators.

As indicated in the last assessment BAN did in 2019, an evolving risk to budget credibility for the 2020 budget was the outbreak of the COVID-19 pandemic. In addition, the war in Ukraine has also impacted revenue generation and consequently the execution of the budget. Despite this evolving challenge, the government should ensure the process of allocating expenditure is done within the ambit of the Public Financial Management Act (PFM) 2016.

There are more budget credibility issues at the divisional levels. For instance, frontline divisions of the Ministry of Health and Sanitation received far less than their approved budgets.

> **In 2020, the administrative division of the Ministry of Health and Sanitation had an approved budget of Le 360.6 billion (Old Leones), however, the expenditure was Le 392.9 billion, which is 109% execution rate, while the Primary Healthcare Division had a budget of Le13.1 billion (Old Leones) with expenditure of 1.1 billion, which is 7.7% execution rate. In the same year, the Reproductive Healthcare Division had an approved budget of Le 5.5 billion (Old Leones) but spent Le 214.7 million, which is a 3.8% execution rate. This clearly shows that budget credibility at this level is appalling, hence it affects service delivery.**

On the education sector, even though this is the government's priority, not all the divisions were fully funded.

> For example, Pre-Primary and Primary Schools had an approved budget of Le 3.1 billion but Le 2 billion was spent, which is a 65% execution rate. Secondary Education had an approved budget of Le17.4 billion, which was not spent.

Agriculture is contributing over 50% of Sierra Leone's GDP.

> However, budget credibility at the divisional levels is of a great concern as most of the divisions did not utilize up to 50% of their approved budgets in the review period. For example, in 2021, the Crop Division had a budget of Le 3.5 billion (Old Leones) but utilised only Le 344.5 million, giving an execution rate of 9.8%.

Also, the Large Crop Division, which had an approved budget of Le 1.7 billion (Old Leones) spent nothing from this budget line. Furthermore, for the same 2021, the Agricultural Extension services had a budget of Le 3 billion (Old Leones) but only utilised Le230 million, giving an execution rate of 8%.

INTRODUCTION

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Every year, the Government of Sierra Leone prepares a Government Budget and Statement of Economic and Financial Policies (Budget Speech) that is enacted into law by the legislative arm of government and thus becomes a legal instrument that gives power to the government to collect revenue and incur expenditures. This process is a legal requirement (Part VI of the 1991 Constitution and Parts IV and V of the Government Budgeting and Accountability Act, 2005), the latter of which has now been replaced with the Public Financial Management Act of 2016. Given this light, the Government's Budget and Statement of Economic and Financial Policies is a document that explains how the Government plans to collect and spend money for a given period, usually three (3) years with indicative ceilings and budgeted figures for one (1) year. Budget figures, especially revenue and expenditure projections, should be based on reliable projections and the proposed revenue and expenditure priorities of the government. This analysis is intended to spot-check the credibility of the Government's Revenue and Expenditure figures in the budget, and how that affects service delivery.

As the government strives to recover from the outbreak of the COVID-19 pandemic and the war in Ukraine, fiscal policy remains important in ensuring the government's programmes are implemented and service delivery is improved. The implementation of a credible budget has been a challenge over the years and has the potential to undermine the implementation of the country's Medium-Term National Development Plan (2019-2023). A credible budget means there are limited deviations from the approved budget during the implementation of the budget.

Budget reliability assesses whether the government's budget was realistic and was implemented as approved by Parliament. When the budget is not executed as approved by Parliament, citizens may not receive expected services like health, education, agriculture, nutrition, water, sanitation, etc., and it undermines efforts to achieve the Sustainable Development Goals (SDGs). SDG indicator 16.6.1 recognizes that the achievement of development objectives requires government budgets to be comprehensive, transparent, and realistic. Over-executed budgets have implications for allocations to other entities, may result in domestic borrowing, crowding out private sector borrowing and can influence macroeconomic instability.

Budget credibility challenges in Sierra Leone are widely discussed amongst Non-State Actors as deviations from the approved budget pose a governance challenge and are a threat to service delivery and poverty reduction. Overall, when a government is committed to sound public financial management practices, the budget becomes more credible and Ministries, Departments and Agencies are in a better position to execute government programmes and improve service delivery.

1.1. Rationale

This assessment is undertaken by the Budget Advocacy Network (BAN) to enhance transparency, accountability, and public trust in the way public funds are allocated, spent, and managed. It is a follow-up study to spot-check the government's compliance with improving budget credibility issues indicated in the Public Expenditure and Financial Accountability (PEFA) report on the Government of Sierra

Leone in 2021. BAN had previously conducted a similar study in 2019 focusing on Revenue Outturn, Aggregate Expenditure, and Expenditure Composition Outturn for the period 2017-2019, which was funded by Christian Aid Sierra Leone through the UK-funded PFM consortium project[1]. The current study covering 2020-2022 is comparing notes on possible changes to the budget credibility issues raised in the previous report. When governments consistently adhere to their budget commitments, they enhance accountability by enabling citizens, civil society organizations, and oversight bodies to track spending and hold the government accountable for certain deviations. This assessment ensures that the government allocates resources based on realistic revenue projections and expenditure estimates such that it prevents overcommitting resources, reduces the risk of budget deficits, and supports the efficient allocation of funds to priority areas such as healthcare, education, infrastructure, and social welfare.

This budget credibility study is done using the Public Expenditure and Financial Accountability (PEFA) assessment framework of 2016. PEFA is a tool that helps governments achieve sustainable improvements in PFM practices by providing a means to measure and monitor performance against a set of indicators across a range of important public financial management institutions, systems, and processes.

> **The report outlines the various revenue policies and tax administrative measures implemented by the government, analyzes the budget credibility of the 2020, 2021, and 2022 Fiscal Years, analyzes revenue performance over the same period, and provides a sectoral analysis of disbursements made to the Ministry of Agriculture, Ministry of Health and Sanitation, Ministry of Basic and Senior Secondary Education and Ministry of Technical and Higher Education.**

This report has been carried out by a network of civil society organizations and is independent of the government.

1.2. Assessment Methodology

1.2.1 COVERAGE OF THE ASSESSMENT

The overall purpose of this report is to provide an analysis of revenue and budget credibility in Sierra Leone. This has been carried out at a macro level, as well as doing some analysis of key sector ministries (health, agriculture, and basic/tertiary education). Assessment of the PEFA indicators PI,1, 2, and 3 have been based on the 2016 PEFA framework, with data for 2020, 2021, and 2022 extracted from the General-Purpose Financial Statement of the consolidated fund. Comparisons are made to the 2021 PEFA assessment, which used data from 2018-2020. The unavailability of disaggregated data on externally funded projects makes it impossible to rate some indicators of budget credibility in line with the PEFA definitions. Beyond the macro assessment, analysis has also been carried out on several service delivery ministries to analyze their budget against actual allocation and disbursement.

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1   https://www.christianaid.org.uk/sites/default/files/2022-08/how-credible-is-the-sierra-leone-government-budget.pdf

The M1 scoring method is used to assess PI-1 and PI-2, while the M2 scoring method is used to assess indicator PI-3.

The M1 method is used for multidimensional indicators where poor performance on one dimension is likely to undermine the impact of good performance on other dimensions of the same indicator. In other words, this method is applied where there is a "weakest link" in the connected dimensions of the indicator. The steps in determining the aggregate indicator score are as follows:

- Each dimension is initially assessed separately and given a score on the four-point calibration scale.
- The aggregate score for the indicator is the lowest score given for any dimension.
- Where any of the other dimensions score higher, a "+" is added to the indicator score. Note: It is NOT acceptable to choose the score for one of the higher-scoring dimensions and add a "-" for any lower-scoring dimensions.

In the M2 scoring method, the aggregate indicator score awarded using this method is based on an approximate average of the scores for the individual dimensions of an indicator. The use of this method is prescribed for selected multidimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. Though all dimensions of an indicator fall within the same area of the PFM system, in certain areas progress on some individual dimensions can be independent of the others. The steps in determining the aggregate indicator score are as follows:

- Each dimension is initially assessed separately and given a score on the four-point calibration scale.
- Identify the row in the table that matches the scores for each dimension of the indicator; the ordering of the dimension scores does not matter.
- Enter the corresponding overall score for the indicator.

1.2.2 INFORMATION FOR THE ASSESSMENT

The assessment relied on several methods for data collection. The assessment has utilized the most recent available data from the annexes of the Government's Statement of Economic and Financial Policies, the Public Financial Management Act of 2016, the Finance Acts, the Fiscal Tables, and the General-Purpose Financial Statements (GPFS) of the consolidated fund in 2020, 2021 and 2022. Interviews were also conducted with some officials in the Ministry of Finance, the National Revenue Authority, and some Ministries, Departments and Agencies (MDAs). The assessment covers only the central government, which includes extra-budgetary agencies (subvented agencies and semi-autonomous agencies) but not local councils or state-owned enterprises.
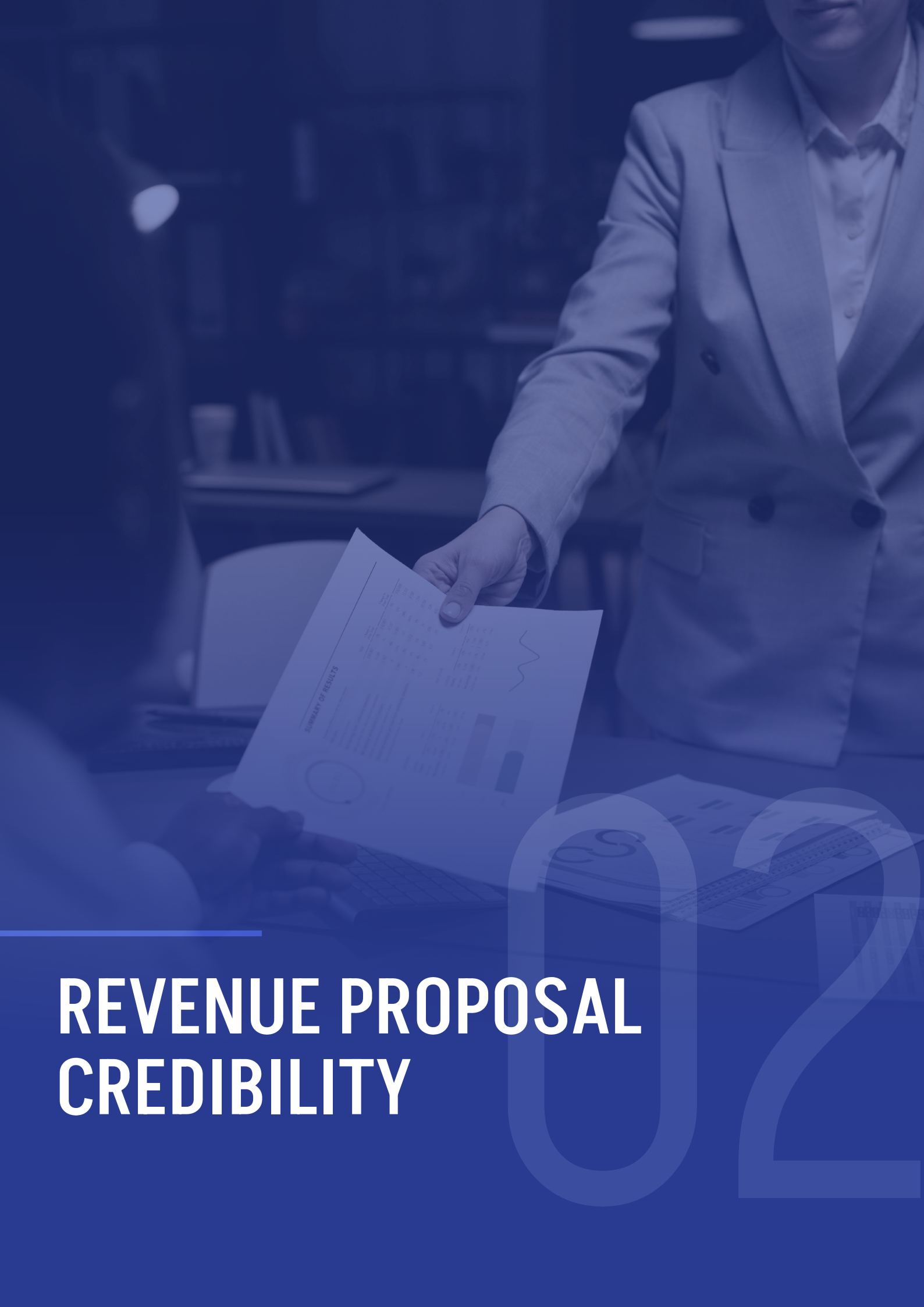
REVENUE PROPOSAL CREDIBILITY

This section assesses the implementation of key revenue measures undertaken over the review period. It tracks the implementation of the proposals in the various budget speeches of 2020-2022 to determine the impact of their implementation in the collection of domestic revenue.

Key revenue measures undertaken over the review period include:

1. Improved efficiency in revenue mobilisation by piloting the automation and integration of tax processes and transactions with taxpayers through:

   a. The introduction of the Integrated Tax Administration System (ITAS) over the period ensured that taxpayers are now able to register using the online portal, file their tax returns online, and pay their taxes using electronic means. This system also enabled online interaction with tax administration in clarifying tax matters and ensuring automated and integrated management of domestic tax processes and transactions;

   b. The introduction of the Electronic Cash Register (ECR) scheme ensured that electronic recording of sales transactions happens, thus improving reporting and compliance in the GST administration; and

   c. Automating the payment of non-tax revenues through the use of a mobile money payment platform ensured that payment is done with ease without recourse to pay extra transport to make such payments.

2. Close tracking of filing and payment compliance and enforcement for non-compliant taxpayers and non-tax revenue payers.

3. Built capacity for data analytics and delivery by setting up a centralised data analytics unit within the NRA to focus on data analytics using existing systems and third-party sources that will inform compliance improvement, risk analysis, audit, forecasting, and research. Further, with an abundance of data to be accumulated from the major ICT revenue systems implemented at the NRA, a data warehouse was created which serves as a central repository from which tax administration data can be mined and analysed to inform compliance enhancement decisions.

4. Tackling challenges of the digital economy and Multinational enterprises through:

   a. Enactment of the Transfer Pricing (Income Tax) Regulations, 2021 to strengthen the productivity of income taxation from multinationals by ensuring that terms and conditions of related parties' transactions are not materially different if such transactions would have been made by unrelated parties. The main goal of these regulations is to prevent profit shifting and base erosion of our taxes.

   b. Combating cross-border smuggling through capacity building in transfer pricing

   c. Building capacity in computer-assisted audit of the financial and petroleum sectors

5. **Regular media sensitization on paying taxes and operations of the NRA:** Over the past three years, the NRA has strengthened its taxpayer and public engagement through workshops, the media, newspaper publications, and radio and television programmes. This activity is core to the operation of the Authority and has been partly funded through a tax education project funded by OSIWA. Information on taxpayer compliance and operations the regularly updated and uploaded on the NRA website. Monthly reminder messages on the deadlines for filing and payment for the different tax types were sent to taxpayers regularly. In addition, NRA introduced tax education innovations in an attempt to cater to our taxpaying public through:

   a. Institution of an NRA Hour on AYV TV from 7 pm every Monday

   b. Introduction of an NRA Hour on Radio Democracy FM 98.1 every Tuesday

   c. Engaged in public-private dialogue series, which enhanced engagements with taxpayer groups to enhance tax compliance

   d. Developed and Launched a comprehensive tax guide;

   e. The NRA Call Centre was also revamped and made operational on the two main mobile telephone companies;

   f. Extensively utilised social media to articulate and share social media articles around the work of the revenue administration

6. Implementation and enforcement of the Finance Acts 2020, 2021, and 2022 which had numerous revenue-enhancing tax policies as well as compliance enhancement provisions.

2.1. Revenue and Expenditure Credibility (2020-2022)

2.1.1 PI-3 REVENUE OUTTURN

The revenue outturn indicator measures the differences between the revenue projections included in the budget approved by Parliament and actual revenue collection at the end of the fiscal year, both at the aggregate level and disaggregated by the different categories or types of revenue, not including external financing (borrowing). The revenue data for the assessment of both aggregate and disaggregated by type of revenue was obtained from the various budget annexes and GPFS of 2020, 2021, and 2022. The values for the approved budget are consistent with the amounts approved by Parliament for the last three completed fiscal years. The values for actual revenue collection (cash basis) have been taken from the annual accounts for each of these fiscal years.

A good and realistic revenue forecast is a key input to the preparation of a credible budget. The revenue generated allows the government to finance expenditures and deliver services in its development strategy. Overly optimistic revenue forecasts result in in-year adjustments in spending or an unplanned increase in borrowing to sustain the spending level. On the other hand, poor revenue forecast can result in the overachievement of targets and can result in spending that has not been subjected to the scrutiny of the budget process. The main responsibility for the preparation of revenue projections is assigned to the Macro Fiscal Policy Division of the Ministry of Finance. The forecast was done in collaboration with the Bank of Sierra Leone, the National Revenue Authority, and Statistics Sierra Leone. Other MDAs are invited to provide specific information relating to their sectors

Table 1: Requirements for Scores

Score	Minimum requirements for scores
3.1. Aggregate revenue outturn	
A	Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years.
B	Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years.
C	Actual revenue was between 92% and 116% of budgeted revenue in at least two of the last three years.
D	Performance is less than required for a C score.
3.2. Revenue composition outturn	
A	Variance in revenue composition was less than 5% in two of the last three years.
B	Variance in revenue composition was less than 10% in two of the last three years.
C	Variance in revenue composition was less than 15% in two of the last three years.
D	Performance is less than required for a C score.
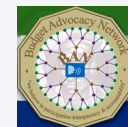
PI-3 M2	Dimension	Score 2021 (using 2016 PEFA)	Score 2020-2022 (using 2016 PEFA)	A brief justification for the 2023 score
Revenue Outturn		C+	C+	
3.1. Aggregate revenue outturn		A	A	
3.2. Revenue composition outturn		D	D	The calculation excludes social contribution as the authorities are yet to adopt the current GFS standard.

2.1.1.1. PI – 3.1 Aggregate Revenue Outturn

This indicator focuses on both domestic and external revenue, which comprises taxes, social contributions, grants, and other revenues including those from natural resources, which may include transfers from a revenue stabilization fund or a sovereign wealth fund where these are included in the budget. External financing through borrowing is not included in the assessment of this indicator. This means that grants from development partners will be included in the revenue data used for the indicator rating but borrowing on concessionary terms from development partners will not be included. As shown in Table 2, the aggregate revenue outturn was reliable at 97.6 percent, 114.1 percent, and 101.5 percent for Financial Years (FY) 2020, 2,021, and 2022 respectively. Domestic revenue and grants were between 97% and 106% of budgeted revenue in at least two of the last three years.

Table 2: Aggregate Revenue Outturn

	FY 2020	FY 2021	FY 2022
Original Budget	7,113,664	8,138,032	9,942,973
Actual Budget	6,275,998	8,432,339	10,094,053
Actual Outturn %	88.22%	103.62%	101.52%

Source: Annual Financial Statements
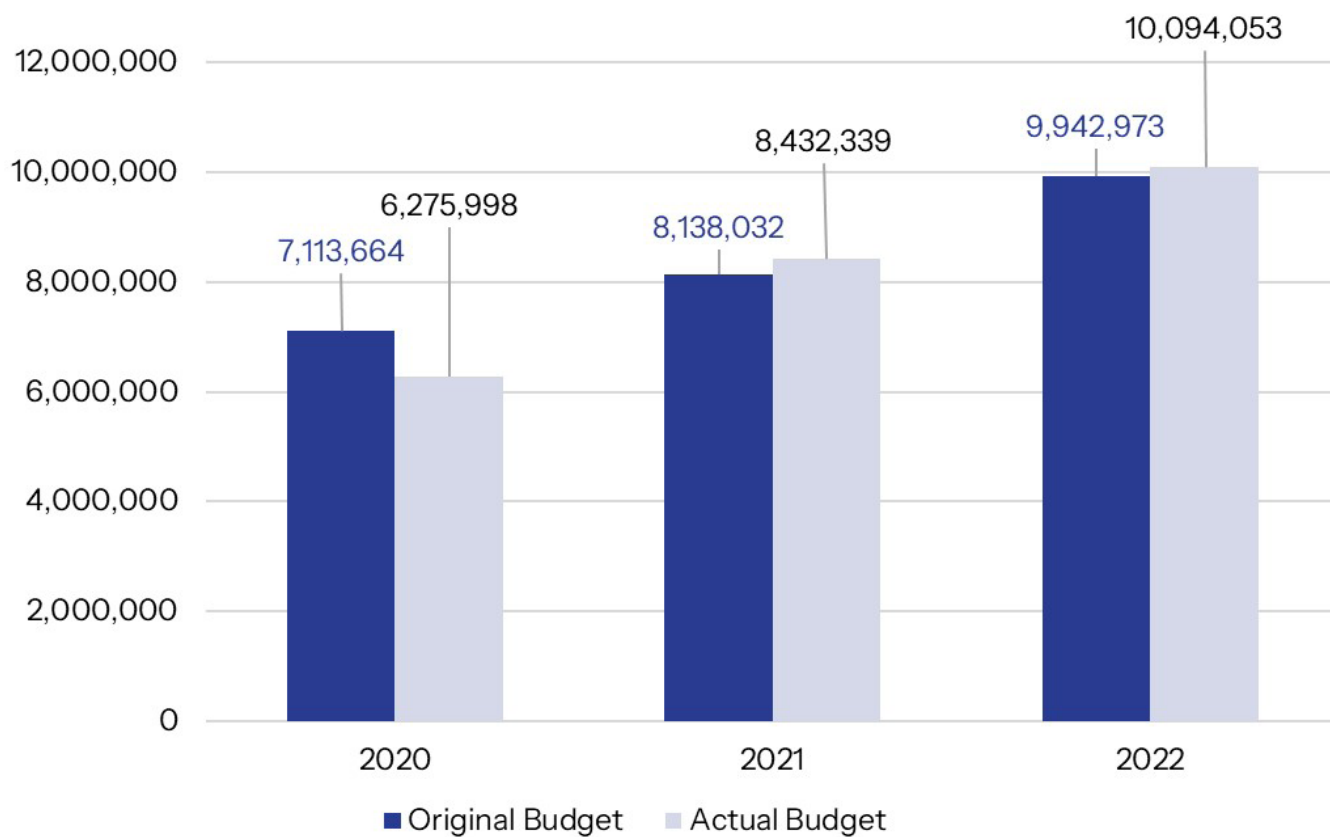
Figure 1: 2020-2022 Budgets, Actuals & Deviations

As shown in Figure 1, the aggregate revenue outturn for 2020, 2021, and 2022 indicates the extent to which the revenue deviates from the originally approved budgets.

- In 2020, total revenue and grants amounted to Le 6,275,998 billion, compared to the amount approved by Parliament, which was Le 7,113,664 billion, giving a deviation of Le 837,666million. The aggregate revenue outturn for 2020 was 88.2 percent.

- In 2021, the deviation between the approved budget and revenue outturn was Le (294,307) billion as total revenue and grants amounted to Le 8,432,339 billion, compared to the amount approved by Parliament, which was Le 8,138,032 billion. The aggregate revenue outturn was 103.62 percent.

- Finally, in 2022, the approved total revenue and grants was Le 9,942,973 billion, compared to an outturn of Le 10,094,053 billion. The deviation from the original budget was Le (151,080) million, with an aggregate revenue outturn of 101.52 percent

2.1.1.2.   PI - 3.2 Revenue Composition Outturn

This dimension is new in the 2016 PEFA Framework and is based on a GFS 2014 categorization of the revenue at level 3 or a classification that can produce consistent documentation according to comparable hierarchical levels and coverage. It includes disaggregation of tax revenue by the main tax types, and not just tax, non-tax, and grants.

This method of compiling revenue data is not currently operational in Sierra Leone, therefore the score for this is a **D*.** The NRA classification of over six revenue sources/streams, plus grants, is used for this computation. Revenue composition variance is calculated at 18.7%, 17.4%, and 25.7% for 2020 (lower receipts from income tax, goods and services tax, and customs and excise), 2021 (lower receipts from income tax, goods and services tax and customs and excise department) and 2022 (lower receipts from goods and services, customs and excise and grants) respectively, indicating that the variance is higher than 15 percent in two of the three years. However, the calculation of this indicator excludes social contribution. Such a score is rated as **D*.**

Table 3: Revenue Composition Outturn

Financial Year	Revenue Outturn	Composition Variance
2020	88.22%	18.7%
2021	103.62%	17.40%
2022	101.52%	25.70%

Source: Annual Financial Statements

2.1.2 PI-1: AGGREGATE EXPENDITURE OUTTURN

Dimension to be assessed: The Difference Between Actual Expenditure and Originally Budgeted Expenditure[2]

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved by Parliament, as defined in the annexes of the Government's Statement of Economic and Financial Policies and the recurrent and development expenditure estimates for each of the fiscal years under consideration (2020, 2021 and 2022).

According to the PEFA 2016 guidelines, aggregate expenditure includes planned expenditures and those incurred as a result of exceptional events—for example, armed conflicts or natural disasters. Expenditures on such events may be met from contingency votes. Expenditures financed by windfall revenues, including privatization, should be included and noted in the supporting fiscal tables and narrative. Expenditures financed externally by loans or grants should be included, if reported in the budget, along with contingency vote(s) and interest on the debt. Expenditure assigned to suspense accounts is not included in the aggregate. However, if such amounts are held in suspense accounts at the end of any year, they may alter the scores if included in the computations. The reason(s) for inclusion must be explicitly explained in the PEFA report in such circumstances.

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2   The data for assessing this indicator is the general-purpose financial statements (GPFS) of the consolidated fund published by the Accountant General's Department. It covers total expenditure, including contingency, interest payments but excludes externally funded development expenditure.

> Data on externally funded development expenditure were not included in the previous assessment of this indicator, and as a result, that information needed to be included in the GPFS. The removal of donor-funded project data from government accounting has stayed the same since the 2021 PEFA review. This rendered assessing this indication difficult, and it is thus rated D.

The percentage deviation between aggregate expenditure outturn and the amount approved by Parliament for 2020, 2021, and 2022 are shown in Table 1.1 below (Calculations are shown in Annex I). As with the PEFA Report 2021, the omission of significant donor expenditure means that data is not available to score this indicator by the PEFA 2016 requirements, so the score is **D***.

Indicator/Dimension	Score 2021	Score 2022	Brief Justification for Score
PI-1 Aggregate expenditure out-turn compared to the original approved budget	D*	D*	The Aggregate expenditure outturn performance for two of the last three years was less than required for a C score. Furthermore, note that the budget profile reports total donors not in the form of loans and grants and not in its disaggregated form.

In the absence of donor-funded project data, the evidence provided shows that actual expenditure was 97% in 2020, 119% in 2021, and 113% in 2022, and would have been A and C for two of the last three years, leading to an average of B (aggregate expenditure excluding donor funding).
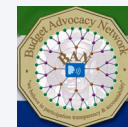
> Actual expenditure was higher than the amount approved in the budget law by 19 percent and 13 percent in 2021 and 2022 respectively. However, in 2020 actual expenditure was lower than the approved budget by 3 percentage points.

Table 4: Budgeted and Actual expenditure for 2020, 2021 and 2022 (Le' million)

	FY 2020	FY 2021	FY2022
Original Budget	9,453,821	8,979,636	10,677,139
Actual Outturn	9,182,424	10,707,963	12,879455
Actual Outturn%	97%	119%	113%

Source: Annual Public Accounts, 2020, 2021 and 2022

A government official noted that the levels of deviation in 2021 and 2022 reflected expenditure pressures to contain COVID-19, wages and salaries, goods and services due to inflationary pressures, domestically financed capital spending, including Free Quality School Education (FQSE)) and higher-than-anticipated energy subsidies. Additional expenditures were incurred on the mid-term population and household census; procurement of equipment for the security sector and an integrated civil registration system.

2.1.2.1.   PI-2: Expenditure Composition Outturn

This indicator measures the difference between the original approved budget and end-of-year outturn in expenditure composition, by functional classification, during the last three years. It is an indicator that shows how the budget policy was adhered to over the period under review.

As a full functional analysis of expenditure is not provided, the classification by the administrative head (Ministry/Department/Agency) included in the approved budget is used for this analysis. Expenditure is taken excluding contingency items and interest on debt. As donor-funded project expenditure is not brought into the IFMIS in Sierra Leone, though it is included in the budget, it is hereby omitted from both budget and actual expenditure, and the same reservation applies as in PI-1 above.

Score	Minimum requirements for scores
2.1. Expenditure composition outturn by function	
A	Variance in expenditure composition by program, administrative, or functional classification was less than 5% in at least two of the last three years.
B	Variance in expenditure composition by program, administration, v,e, or functional classification was less than 10% in at least two of the last three years.
C	Variance in expenditure composition by program, administrative, or functional classification was less than 15% in at least two of the last three years.
D	Performance is less than required for a C score.
2.2. Expenditure composition outturn by economic type	
A	Variance in expenditure composition by economic classification was less than 5% in at least two of the last three years.
B	Variance in expenditure composition by economic classification was less than 10% in at least two of the last three years.
C	Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years.
D	Performance is less than required for a C score.
2.3. Expenditure from contingency reserves	
A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.
B	Actual expenditure charged to a contingency vote was on average more than 3% but less than 6% of the original budget.
C	Actual expenditure charged to a contingency vote was on average more than 6% but less than 10% of the original budget.
D	Performance is less than required for a C score.

Summary of Scores and Performance Table

PI-2 Dimension	Score 2021 *(using 2016 PEFA)*	Score 2023 *(using PEFA 2016)*	Justification
Expenditure composition outturn (M1)	D	D	
2.1 Expenditure Composition by Administration	D*	D*	The Aggregate expenditure outturn performance for two of the last three years was less than required for a C score. Furthermore, note that the budget profile reports total donors not in the form of loans and grants but not in its disaggregated form.
2.2 Expenditure composition outturn by economic type	D*	D*	The Aggregate expenditure outturn performance for two of the last three years was less than required for a C score. Furthermore, note that the budget profile reports total donors not in the form of loans and grants but not in its disaggregated form.
2.3 Expenditure composition from contingencies fund	D*	B	This is slightly above 3% in two of the last three years.
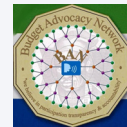
2.1.2.2.   PI-2.1   Expenditure Composition Outturn by Administration

This indicator measures the difference between the originally approved budget and the end-of-year outturn in expenditure composition by administrative classification during the last three years including interest on debt but excluding contingency items. It is also important to note that the budget heads have been changing over the years. In 2020, there were 89 budget heads, an increase of 14 from 2017. There were 94 and 96 budget heads in 2021 and 2022 respectively. In 2020, the 20 largest administrative budget heads accounted for 78.3 percent of actual expenditure. For 2021 and 2022, the 20 largest administrative budget heads accounted for 69.0 percent and 74.8 percent of actual expenditure respectively as shown in Figure 2 below. The importance of this points to the fact that budgetary resources could have been better rationalized, thereby enabling MDAs to implement their programmes as approved in the budget.
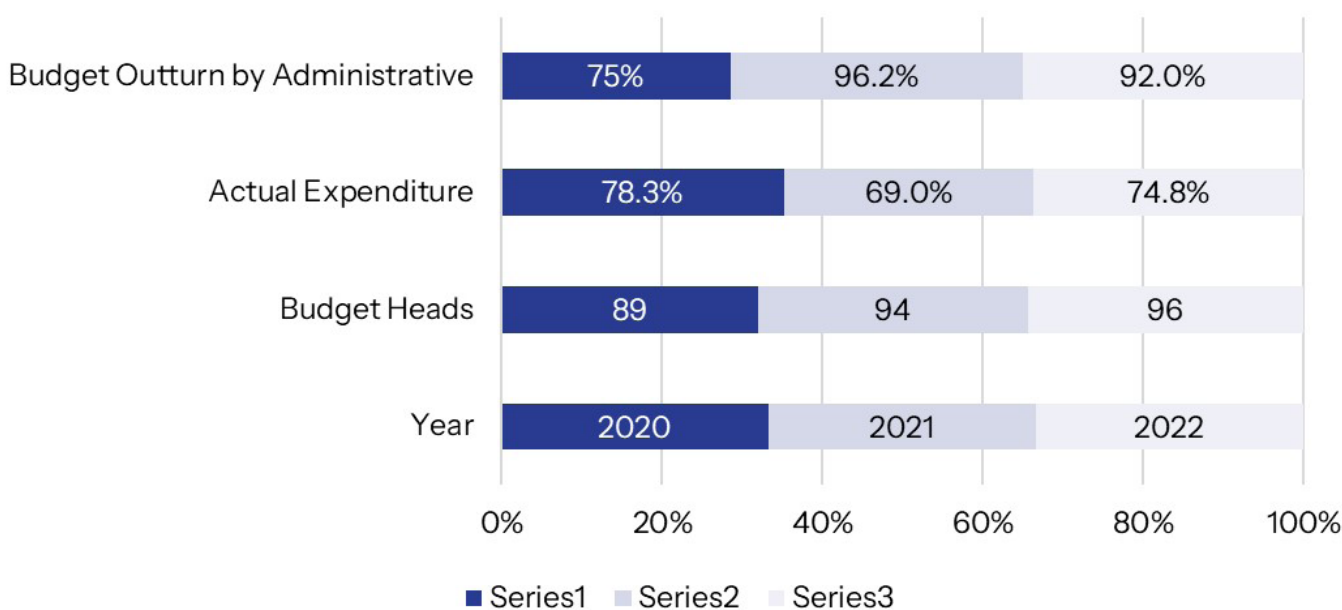
Figure 2: Budget Composition Outturn by Administrative, Budget Heads
& Actual Expenditures for the FY2020, 2021, and 2022

The composition outturn by administrative was 75.8 percent, 96.2 percent, and 92.0 percent in 2020, 2021 and 2022 respectively.

> **Over the review period, actual expenditures by the Ministry of Health and Sanitation, the Sierra Leone Police, the Ministry of Defence, the Ministry of Energy, the Ministry of Agriculture and Forestry and the Ministry of Finance were higher than the approved budget. Significant expenditure was allocated to the security sector and the Ministry of Health and Sanitation in 2020 and 2021 as part of the government's commitment to fighting the COVID-19 pandemic, under the Quick Action Economic Recovery Programme (QAERP), which was formulated to address the economic challenges from the COVID-19 pandemic.**

The government also allocated funds to support key activities in the agriculture sector. This is rated **D**, as a higher rating would require a variance to have been less than 15 percent in at least two of the three years under review. Furthermore, the absence of donor-funded data also prevents the indicator from getting a higher score. Hence, the score for this dimension is "D*".

2.1.2.3.   Expenditure Composition Outturn by Economic Type

This dimension measures the difference between the originally approved budget and the end-of-year outturn in expenditure composition by economic classification during the last three years including interest on debt but excluding contingency items.

Variance in expenditure according to economic type is calculated by the PEFA 2016 framework. It is based on total expenditure excluding contingency and donor-funded project expenditure but including interest. The composition of the budget by economic classification is important for showing the movements between different categories of inputs—for example, capital and recurrent expenditures.

Table 4: Composition of variance of economic classification of the budget for 2020, 2021, and 2022.

Year	Total Expenditure outturn	Composition of variance by economic classification
2020	75.8%	46%
2021	96.2%	42%
2022	92.0%	45%

Source: General Purpose Financial Statements

As shown in Table 4, the composition of variance for the review period was 46%, 42%, and 45% respectively in 2020, 202,1, and 2022. Hence, the score for the present dimension is **D**. The completed working table on expenditure classification variance for each of the last three completed fiscal years is in Annex I.

2.1.2.4.   Expenditure from Contingency Reserves

This dimension recognizes that it is prudent to include an amount to allow for unforeseen events in the form of a contingency vote, although this should not be so large as to undermine the credibility of the budget.

Sections 36 (1) and (2) of the Public Financial Management (PFM) Act, 2016, prescribe a more formal arrangement for a Contingencies Fund. Any Appropriation Bill for any financial year should make provision for contingencies. This Contingencies Fund shall not exceed 2% of non-extractive revenue for that year. There are three contingency votes under the PFM Act, of 2016. These are contingencies fund (601), special warrant of the President (611), and unallocated head of expenditures (612).

Table 5: Contingency for FY 2020

	2020 Budget	2020 Actual
Contingency	1880	460,883
Unallocated Expenditure Emolument – Miscellaneous	0	39,226
Special Warrant of the president	940	2,186
Total Contingency	**2820**	**502,295**
Total Expenditure (Budget)		**6,323,466**
Contingency (% of Expenditure)		**7.90%**

Source: Annual Public Accounts 2020

Table 6: Contingency for FY 2021

	2021 Budget	2021 Actual
Contingency Fund	11,365	36,980
Unallocated Head of Expenditure	4,283	17,279
Special Warrant of the president	4,283	24,739
Total Contingency	**19,931**	**78,998**
Total Expenditure (Budget)		**7,831,962**
Contingency (% of Expenditure)		**1.10%**

Source: Annual Public Accounts 2021

Table 7: Contingency for FY 2022

	2022 Budget	2022 Actual
Contingency Fund	8,119	–
Unallocated Head of Expenditure	6,429	747
Special Warrant of the president	6,329	23,672
Total Contingency	**20,887**	**24,419**
Total Expenditure (Budget)		**8,159,975**
Contingency (% of Expenditure)		**0.30%**

Source: General Purpose and Financial Statement 2022

The amount of expenditure charged to a contingency vote in 2020, 2021, and 2022 was 7.9 percent, 1.1 percent, and 0.3 percent respectively. The average amount over the three years was 3.1 percent (Table 8). This is rated **B**.

Table 8: Average contingency share of total expenditure

Year	P1 - 2 Contingence Share
2020	7.9
2021	1.1
2022	1.3
Average	**3.1**

The overall rating for this indicator, using the M1 method in the PEFA 2016 assessment framework of combining the dimensional scores, is **D** as indicated in Table 1.2 below.

Table 1.2

Indicator/Dimension	Score	Brief Justification for Score
PI-2 Expenditure composition out-turn	**D**	**M1 method of combining dimension scores**
2.1 Expenditure composition out-turn by function	D*	Variance was below 15% in only one of the last three years
2.2 Expenditure composition out-turn by economic type	D*	Variance was at or below 15% in two of the last three years
2.3 Expenditure from contingency reserves	B	Average spending from the contingency vote averaged between 3% and 6% over the last 3 years.

ANALYSIS OF REVENUE COLLECTED AND IMPACT OF NEW REVENUE PROPOSALS

Over the review period, domestic revenue increased marginally by 4.4 percent to Le 5,654 billion in 2020 from Le 5,417 billion in 2019. Domestic revenue increased by 22 percent to Le 6,917 billion in 2021 from Le 5,654 billion in 2020. This increase was a result of improved performance on all the revenue streams except road user charges. Domestic revenue increased to Le 8,088 billion in 2022, from Le 6,917 billion in 2021, an increase of 16.9 percent. The increase in revenue was mainly due to the performance from income tax of other departments. Revenue from income tax increased by 24.4 percent from Le 2,435 billion in 2021 to Le 3,028 billion in 2022, while revenue from other departments increased by 73.6 percent from Le 1,200 billion in 2021 to Le 2,085 billion in 2022.

To increase domestic revenue mobilization, several policy measures proposed in the budget speeches were implemented over the review period. They include the following:

- Reduction in corporate income tax from 30 percent to 25 percent

- All raw materials, semi-processed and finished products, properly labeled for use as input into the production of goods by manufacturing companies will attract an import duty of 5 percent instead of 20 percent;

- Products imported by Packaging Industries will attract an import duty of 10 percent; and

- Implement a flat rate turnover tax regime for SMEs in an attempt to enhance compliance and enable the use of mobile money for payment of their taxes;

- Fully roll out the Integrated Tax Administration System (ITAS) and the Electronic Cash Register (ECR) in 2021;

- Scale up the implementation of the Electronic Single Window System to cover both free imports and commercial imports;

- Implement the Duty and Tax Waiver Policy;

- Introduce a transfer pricing legislation to minimise transfer mispricing and revenue loss from related party transactions;

- Engage stakeholders in the telecommunications sector on how to compute GST on communication transactions;

- Review the Excise Tax Act of 1982;

- Broaden the base of the Goods and Services Tax as about 60 percent of its base is exempt and areas such as digital services and insurance are not subject to GST;

UPDATE ON THE REVENUE COLLECTED AS A % OF GDP

> **Domestic revenue as a percent of Gross Domestic Product was 13.8 percent, 15.7 percent, and 13.0 percent in 2020, 2021, and 2022 respectively (Figure 3).**

Following a positive trajectory in 2018 and 2019 that saw domestic revenue reach 14.8% in 2019, there was optimism that the set government target of 20% of GDP by 2023 was to be attained. In 2020 however, the outbreak of the COVID-19 pandemic thwarted the global economy and consequently the domestic economy. Revenue was seriously impacted with the revenue /GDP ratio declining to 13.8% in 2020. A notable improvement was realized in 2021, but those gains as the domestic economy recovered and so did revenue collection. These gains however were quickly reversed in the following year in the aftermath of the Ukraine war which impacted the domestic economy and consequently revenue collection. In effect, the possibility of meeting the 20% revenue/GDP set target by 2023 consistent with the Medium-Term National Development Plan was no longer evident.

Figure 3: Sierra Leone's Domestic Revebue/GDP Ratio 2020-2022 (%)
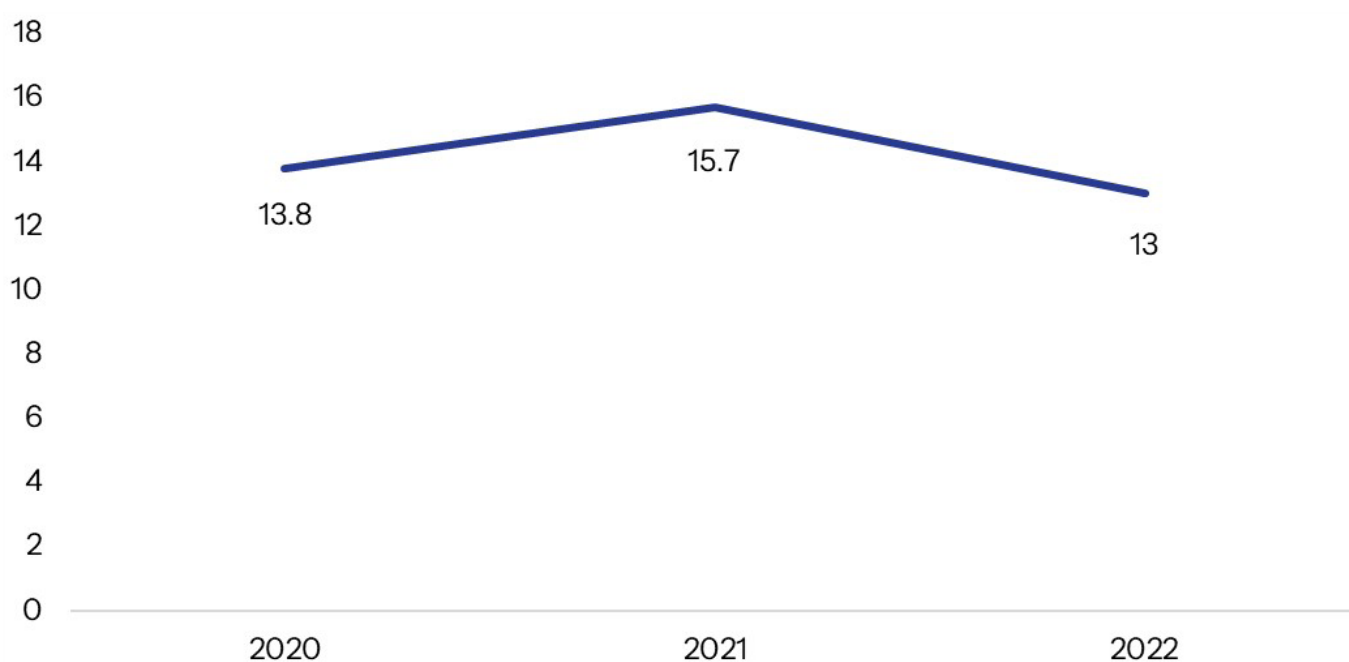
Source: National Revenue Authority

ANALYSIS OF REVENUE PERFORMANCE (2020-2022)

05

Total revenue comprises tax and non-tax revenue. Currently, social security data is not available and will be excluded in the discussion of domestic revenue collection. In 2020, domestic revenue amounted to Le 5,654 billion. The amount is Le 274,479 billion below the original amount approved by Parliament of Le 6,470 billion. However, as a result of the outbreak of the COVID-19 pandemic, the original amount was revised to Le 5,336 billion following discussions with the International Monetary Fund (IMF). As such the actual revenue of Le 5,654 billion exceeded the revised target of Le 5,336 billion by Le 318 billion.

The ability of the NRA to collect that much in 2020 was attributed to the approach taken by the Authority during the pandemic when it adapted its operations to ensure social distancing, including allowing the filing of tax returns by email, and engagement with taxpayers online and via SMS asking them to be compliant with their tax payments. The NRA also adopted moral suasion techniques to convince and appeal to taxpayers to honor their obligations rather than having to accrue arrears that will later become burdensome to settle. Finally, the relaxation of COVID-19 restrictions later in the year contributed to this performance to the extent that Q4 and December 2020 collections were recorded quarterly and monthly collections respectively.

The budget deficit including grants in 2020 amounted to Le 2,301.8 billion. Excluding grants, the deficit was Le 4,586.4 billion. The deficit was financed through domestic and foreign sources. Domestic financing of the deficit amounted to Le 2,709.9 billion, while foreign financing amounted to Le 692.4 billion. The domestic financing sources were the Central Bank, Commercial Bank, and the non-bank sector including the National Social Security and Insurance Trust (NASSIT). The foreign financing was mainly from project loans.

Domestic revenue collection for FY 2021 amounted to Le 6,917 billion compared to the target of Le 6,717 billion, an increase of 22 percent from 2020. Apart from road user charges and vehicle licenses, all other revenue streams experienced significantly higher yields in 2021 compared to 2020. Revenues from other departments, customs and excise and income tax increased by 36.7 percent, 21.7 percent and 21.8 percent respectively compared to 2020.

The budget deficit for 2021, excluding grants amounted to Le 5,317 billion and was partly funded by domestic financing amounting to Le 2,882 billion. The budget deficit including grants amounted to Le 2,947 billion. This gap was closed through domestic financing amounting to Le 2,882 billion, external financing amounting to Le 350,242 billion and a float amount of (Le 285 billion). The float amount included cheques held at the Bank of Sierra Leone and the Accountant General's Department and un-crystallized arrears paydown.

Although the impact of the COVID-19 pandemic and the war in Ukraine continued to pose challenges to revenue generation, domestic revenue collected in 2022 amounted to Le 8,088 billion, above the target of Le 7,642 billion by Le 446 billion, an increase of 16.9 percent. Most of the revenue streams experienced lower yields compared to 2021 with only revenue from income tax and other departments growing by 24.4 percent and 73.6 percent respectively.

The budget deficit including grants in 2022 amounted to Le 5,305 billion while excluding grants, the budget deficit amounted to Le 9,080 of the total budgets. The total financing requirement was Le 5,305

billion and this was financed through a domestic financing of Le 4,476 billion and privatization receipt of Le 1,233 billion.

Some of the underlying factors that impacted revenue over the review period include:

- Increased compliance arising from taxpayer engagements in preparation for reforms
- Increased tax audits, including on the telecom and mining sectors
- Opening of international trade thus helping in customs collection and export revenues, especially of timber
- Reduced COVID-19 restrictions in 2021 thus aiding collection from consumption-related revenues
- Close monitoring of revenue collection through collaboration with stakeholders and weekly revenue meetings
- Increased taxpayer sensitization and education through traditional and social media
- Implementation of compliance and revenue-enhancing provisions in the Finance Act 2021

SECTOR-LEVEL ANALYSIS OF DISBURSEMENTS MADE TO HEALTH, EDUCATION, AND AGRICULTURE

Budget credibility is impacted when a government deviates from the approved budget during implementation. This can take away resources from other critical sectors of the economy.

6.1. Health

In 2020, the total health expenditure (wages and salaries, goods and services, and development) increased by 43 percent compared to the original budget. Approved health expenditure was Le 441 billion (6.9 percent of total expenditure) compared to the actual expenditure of Le 634.3 billion (Table 9). In addition, wages and salaries for health workers amounted to 12.6 percent of the total wages and salaries budget.

Table 9: Total Health Expenditure – 2020 – 2022 (Le' million)

Total Health Expenditure			
Year	Budget	Actual	Variance
2020	440,964	634,266	193,302
2021	513,814	679,021	165,207
2022	542,545	751,748	209,203
Total	**1,497,323**	**2,065,035**	**567,712**

Source: Annual Public Accounts

> **In 2021 and 2022 actual health expenditure was higher than the approved budget by 32.2 percent and 38.6 percent respectively.**

In 2021, actual health expenditure was Le 679 billion (6.3 percent of total expenditure) compared to the approved budget of Le 513.8 billion. Wages on health workers accounted for 12.1 percent of the total wages and salaries budget.

In 2022, the approved budget was Le 542.5 billion compared to the actual expenditure of Le 751.7 billion (5.8 percent of total expenditure). The increase in health expenditures over the review period can be attributed to the outbreak of the COVID-19 pandemic and the increase in health expenditure to respond to the pandemic. This increase in wages and salaries expenditure in 2020, 2021 and 2022 was a result of the allowances paid to health workers and other expenditures incurred in the fight against the COVID-19 pandemic (Table 10). In July 2020, the Government published a Supplementary Budget to deal with the unexpected effects of the pandemic. The budget provided for the Quick Action Economic Response Programme (QAERP) to mitigate the negative economic impact of the pandemic and related restrictions
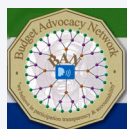
as well as to release resources for the Health Sector Response Plan to deal with the health impact of COVID-19 in Sierra Leone.

Table 10: Health sector wages and salaries – 2020 – 2022 (Le' million)

Health Expenditure - Wages and Salaries			
Year	Budget	Actual	Variance
2020	348,808	400,455	51,647
2021	427,432	465,307	37,875
2022	455,881	555,105	99,224

Source: Annual Public Accounts

Actual health expenditures on goods and services were higher for each of the years under review (Table 11). In 2020, actual health expenditure was Le 81.5 billion compared to the approved budget of Le 55 billion. The actual health expenditure on goods and services in 2021 and 2022 were Le 99.6 billion and Le 193.1 billion respectively.

Table 11: Budget vs. actual health expenditure on goods and services (Le' million)

Health Expenditure - Goods and Services			
Year	Budget	Actual	Variance
2020	54,956	81,510	26,554
2021	55,782	99,563	43,781
2022	55,782	193,081	137,299

Source: General Purpose and Financial Statements

Actual development expenditures allocated to the health sector were higher in 2020 and 2021 but fell significantly short of the approved budget for 2022 (Table 12). Actual health expenditure in 2022 was Le 3.7 billion compared to an approved budget of Le 30.9 billion. The outbreak of the COVID-19 pandemic resulted in higher than approved health expenditures in 2020 and 2021.

Table 12: Budget vs. actual development health expenditure (Le' million)

Agriculture Development Expenditure			
Year	Budget	Actuals	Variance
2020	37,200	152,301	115,101
2021	30,600	114,151	83,551
2022	30,882	3,562	(27,320)

Source: Annual Public Accounts

There are more budget credibility issues at the divisional level of the Ministry of Health and Sanitation, especially when frontline divisions are receiving far less than what was budgeted. For example, in 2020, the administrative division approved budget was Le 360.6 billion (Old Leones),

> However, the expenditure was Le 392.9 billion, which is 109% execution rate, while the Primary Healthcare Division had a budget of Le13.1 billion (Old Leones) with expenditure of 1.1 billion, which is 7.7% execution rate. Also, the reproductive healthcare division had an approved budget of Le 5.5 billion (Old Leones) but spent Le 214.7 million, which is a 3.8% expenditure rate. This clearly shows that budget credibility at this level is appalling, hence it affects service delivery.

6.2. Education

In 2020, the approved budget for the education sector was Le 1,362.1 million, compared to the actual expenditure of Le 1,113.5 million (Table 13). Allocation to the education sector amounted to 12.1 percent of the total expenditure. In addition, wages and salaries in education accounted for 27.5 percent of the total wages and salaries budget.

Table 13: Education expenditure – 2020 – 2022 (Le' million)

Total Education Expenditure			
Year	Budget	Actuals	Variance
2020	1,362,139	1,113,545	(248,594)
2021	1,463,360	1,478,281	14,921
2022	1,640,434	1,428,009	(212,425)
Total	**4,465,933**	**4,019,835**	**(446,098)**

Source: Annual Public Accounts

In 2021, actual expenditure was 2.9 percent higher than the approved budget. The approved budget for the education sector was Le 1,463.4 billion (13.8 percent of total expenditure), whilst actual expenditure amounted to Le 1,478.3 billion. Of this amount wages and salaries accounted for 27.3 percent of the total wages and salaries budget.

In 2022, actual expenditure was 10.3 percent lower than the approved budget with actual expenditure amounting to Le 1,428 million, compared to an approved budget of Le 1,640.4 billion. Over the review period, the actual expenditure to the education sector was 10 percent lower than the approved budget. The total approved budget for 2020, 2021, and 2022 amounted to Le 4,466 billion, compared to an actual expenditure of Le 4,019.8 billion.

The approved expenditure for wages and salaries for the education sector was Le 895.5 billion, Le 987.7 billion and Le 1,096.6 billion for 2020, 2021 and 2022 (Table 14). Actual expenditure was higher than the approved budget for 2020 and 2021. Actual expenditure for wages and salaries amounted to Le 874.4 billion, Le 1,029.1 billion and Le 1,131.9 billion for 2020, 2021 and 2022 respectively. The increase in actual expenditure in 2021 and 2022 was attributed to the increase in teachers' salaries and on government's flagship free quality education programme.

Table 14: Budget and actual education expenditure for wages and salaries -2020 – 2022 (Le' million)

Education (MBSE & MTHE) Expenditure -Wages and Salaries			
Year	Budget	Actuals	Variance
2020	895,479	874,397	(21,082)
2021	987,663	1,029,052	41,389
2022	1,096,638	1,131,935	35,297

Source: Annual Public Accounts

The government committed to meet the Education For All (EFA) target of allocating 20 percent of its budget to the education sector. In 2020, total education expenditure (wages and salaries, goods and services, and development) for MBSSE and MTHE was Le 1,113.5 billion, while total expenditure was Le 9,182.4 billion. As such in 2020, expenditure in the education sector accounted for 12.1 percent of total expenditure. In 2021, total education expenditure was Le 10,708 billion, while education expenditure was Le 1,478.3 billion, accounting for 13.8 percent of total expenditure. In 2022, total education expenditure amounted to Le 1,640.4 billion, while total expenditure amounted to Le 12,879.5 billion. Total education expenditure was 11.1 percent of total expenditure.

> **Even though Education is the government's priority, not all the divisions were fully funded. For example, Pre-Primary and Primary Schools had a budget of Le 3.1 billion but Le 2 billion was spent, which is a 65% execution rate. Secondary Education had an approved budget of Le17.4 billion, which was not spent.**

6.3. Agriculture

Despite the government being a signatory to the Comprehensive Africa Agriculture Development Programme (CAADP) that commits the government to spend at least 10 percent of total expenditure on agriculture, overall expenditure to the agriculture sector has fallen well short of this commitment. The actual allocation to the agriculture sector as a percent of the total budget was 2.3 percent, 1.7 percent and 1.9 percent in 2020, 2021 and 2022 respectively. In 2020, the approved budget for the agriculture sector was Le 161.2 billion compared to the actual expenditure of Le 214.9 billion (Table 15). In 2021 and 2022, actual agriculture expenditures were 15.2 percent and 64 percent higher than the approved expenditure respectively.

Table 15: Total agriculture expenditure (Le' million)

Total Agriculture Expenditure			
Year	Budget	Actuals	Variance
2020	162,601	214,940	52,339
2021	161,190	185,744	24,554
2022	150,143	246,216	96,073
Total	**473,934**	**646,900**	**172,966**

Source: Annual Public Accounts

The development expenditure allocation to the Ministry of Agriculture and Forestry amounted to Le 109.4 billion, Le 111.8 billion, and Le 97.7 billion for 2020, 202,1, and 2022 respectively. Actual development expenditure amounted to Le 39.0 billion, Le 137.2 billion, and Le 3.8 billion for 2020, 2021, and 2022 (Table 16).

Table 16: Budget vs. actual development expenditure on agriculture – 2020 – 2022 (Le' million)

Agriculture Development Expenditure			
Year	Budget	Actuals	Variance
2020	109,378	39,015	(70,363)
2021	111,800	137,191	25,391
2022	97,675	3,824	(93,851)

Source: Annual Public Accounts

Agriculture is contributing over 50% of Sierra Leone's GDP. Budget credibility at the divisional levels within the Ministry of Agriculture is of a great concern as most of the divisions did not utilize up to 50% of their approved budgets in the review period.

> **For example, in 2021, the Crop Division had a budget of Le 3.5 billion (Old Leones) but utilised only Le 344.5 million, giving an execution rate of 9.8%. also, the Large Crop Division, which had an approved budget of Le 1.7 billion (Old Leones) spent nothing from this budget line. Furthermore, for the same 2021, Agricultural Extension services had a budget of Le 3 billion (Old Leones) but only utilised Le230 million, giving an execution n rate of 8%.**

COMPARISON OF 2023 BUDGET CREDIBILITY RATINGS WITH THE PREVIOUS ASSESSMENT

Even though methodologies have changed between the previous assessment (using the 2014 methodology) and the current assessment (using the 2016 methodology), the results show that revenue forecasts have continued to improve with a consistent score of 'A' in revenue outturn. In both cases, Sierra Leone scored A, indicating that revenue forecasting remains reliable and credible over the years. The capacity of the Research department at the NRA and the Macro-Fiscal Forecasting team comprising MoF, BSL, NRA and SSL in revenue forecasting seems to be improving. More credible revenue forecasts help guide the Ministry of Finance and Accountant General in their expenditure disbursements consistent with set revenue targets.

However, when it comes to the composition of revenue outturn, this indicator remains unimproved as the variation between actual collection forecast across the reported revenue components is wide of the expected standards. In the previous assessment, the revenue composition variance averaged Le16.1% over the period 2017-2019. In the current assessment from 2020-2022, revenue composition variance averaged 20.6% which even showed a deterioration. Further, the government of Sierra Leone continues to not report comprehensive revenue reports including social contributions. NASSIT, which is the government body responsible for accounting for social contributions does not publish these statistics and therefore does not make it available in the public domain. It is important that NASSIT publishes these data as other countries do, so Sierra Leone scores impressively in this sub-component.

In terms of expenditure credibility, the omission of disaggregated donor funds in the national budget implies a rating of D, which has been the situation in both the previous and current assessment. Total donor funding in the form of loans and grants is included in the national budget profile, but the disaggregated form of this funding remains absent thus leading to a score of D. Until the Ministry of Finance provides this disaggregated data, this indicator will continue to score D. In the absence of disaggregated donor funding data, the variance between actual expenditure and originally budgeted expenditures in the previous assessment was a B score (2017-2019), in the current assessment (2020-2022), aggregate expenditure outturn also scored an average of B. This implies there has neither been an improvement or deterioration in the expenditure credibility score over the two assessments. A score of B is a good score for budget reliability, but this implies government should make every effort to provide disaggregated donor funding data for the next assessment to avoid a D score.

HIGHLIGHTS OF GENERAL FINDINGS

08

> **The outbreak of the COVID-19 pandemic and the war in Ukraine hurt the credibility of the budget. These exogenous shocks adversely impact domestic revenue mobilization and as such government had to rationalize expenditures towards sectors that are heavily affected.**

The budget preparatory process must be improved upon and the Medium-Term Expenditure Framework (MTEF) should be implemented correctly, especially in relation to how MDAs execute their previous year's budget and how that is linked to the budget of the current year.

The Ministry of Finance has to improve the process of releasing allocations to MDAs. In some instances, allocations are not received on time and this can impact the execution of their budgets. In other instances, procurement processes are delayed when allocations are not released on time and can affect contract implementation especially where prices were quoted in foreign currencies.

The government needs to endeavour to reduce extra-budgetary expenditure to the minimum, as this takes away resources that have already been approved by Parliament in the Appropriation Act.

The electronic Public Expenditure Tracking Survey (PETS) forms should be rolled out to all MDAs to ease the process of accessing budget allocations.

CONCLUSION AND SUGGESTED POLICY ACTIONS ON HIGHLIGHTED BUDGET CREDIBILITY ISSUES

This study has assessed the macroeconomic credibility of the government in Sierra Leone from 2020 to 2022 with a special focus on budget credibility. Compared to the previous assessment in between 2017-2019 and the current assessment (2020-2022), key budget credibility indicators have neither significantly improved nor deteriorated. For government to improve the scores, there is need to provide more data on donor funding to the budget and also report social contributions to the aggregate revenue report. Besides data availability issues, the advent of COVID-19 and the Ukraine war over the current assessment period has prevented the government from making significant gains budget credibility scores both on the side of aggregate revenue outturn as well as aggregate expenditure outturn.

Specifically, to address the budget credibility issues that have been highlighted in the report, the following recommendations are made.

- Implement provisions in the Public Financial Management Act, 2016, relating to the release of allocation to Ministries, Departments and Agencies (MDAs).

- Minimise extra-budgetary expenditures to MDAs. This can be done by improving the expenditure forecasts.

- The Ministry of Finance should prepare a plan to ensure the revenue compilation is done by the GFS manual 2014.

- Roll out of the electronic Public Expenditure and Tracking Survey (PETS) form to all MDAs to improve efficiency in accessing quarterly allocations from the Ministry of Finance

- Ensure transparency in the execution of the Medium-Term Expenditure Framework (MTEF) by making it mandatory for MDAs to establish a link between the previous budget and the current budget.

- The National Social Security and Insurance Trust (NASSIT) should be urged to provide information on social security contributions. This will ensure the assessment of revenue outturn is done accurately and contribute towards the overall improvement in the PEFA assessment.

- Consolidate the automation and integration of domestic revenue mobilization systems to ensure the suitability of revenue collection even in periods of economic shocks.
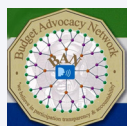
ANNEXES

10

Table 1: Fiscal years of assessment

Year 1	Year 2	Year 3
2020	2021	2023

All amounts in Le millions

Table 2 (Leones millions)
Data for year = 2020

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Eviation	Percent
Public Debt Charges	1,316,521	2,022	1,134,608.0	-1,132,586.0	1,132,586.0	99.8%
Ministry of Basic and Senior Secondary Education	984,488	800,682	848,454.3	-47,772.3	47,772.3	5.6%
Ministry of Health and Sanitation	440,964	634,266	380,032.9	254,233.1	254,233.1	66.9%
Ministry of Technical and Higher Education	377,651	313,863	325,468.3	-11,605.3	11,605.3	3.6%
Ministry of Foreign Affairs & International Co-operation	317,918	320,609	273,989.0	46,620.0	46,620.0	17.0%
Sierra Leone Police	304,440	410,332	262,373.4	147,958.6	147,958.6	56.4%
Pensions, Gratuities, and Retirement Benefits	295,292	299,482	254,489.4	44,992.6	44,992.6	17.7%
Change in Arrear	294,046	5,597	253,415.6	-247,818.6	247,818.6	97.8%
Ministry of Works, Housing and Infrastructure	246,059	605,503	212,059.3	393,443.7	393,443.7	185.5%
Ministry of Defence	233,601	319,612	201,322.7	118,289.3	118,289.3	58.8%
National Revenue Authority (NRA)	193,861	154,068	167,073.9	-13,005.9	13,005.9	7.8%
Ministry of Energy	176,687	196,181	152,272.9	43,908.1	43,908.1	28.8%
National Telecommunications Commission (NATCOM)	167,641	116,986	144,476.9	-27,490.9	27,490.9	19.0%
Ministry of Agriculture, Forestry and Food Security	162,601	214,940	140,133.3	74,806.7	74,806.7	53.4%
Ministry of Finance and Economic Development	162,443	222,985	139,997.1	82,987.9	82,987.9	59.3%
Road Maintenance Fund	153,995	24,993	132,716.4	-107,723.4	107,723.4	81.2%
Office of the President	150,039	159,761	129,307.0	30,454.0	30,454.0	23.6%
Prisons Department	80,303	105,702	69,207.0	36,495.0	36,495.0	52.7%
Ministry of Water Resources	71,500	106,553	61,620.3	44,932.7	44,932.7	72.9%
Ministry of Transport and Aviation	69,690	79,151	60,060.4	19,090.6	19,090.6	31.8%
21 (= sum of rest)	1,351,584	1,414,616	1,164,826.1	249,789.9	249,789.9	21.4%
Allocated expenditure	7,551,324	6,507,904	6,507,904.0	0.0	3,176,004.5	
Interest payment	1,225,038	1,209,277				
Contingency	2,820	502,295				
Externally financed expenditure	-	-				
total expenditure	6,323,466	4,796,332				
overall (PI-1) variance						75.8%
composition (PI-2) variance						48.8%
contingency share of the budget						7.9%

Table 3 (Leones millions)
Data for year = 2021

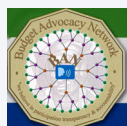| Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute deviation	Percent
Public Debt Charges	1,366,250	50,388	1,325,158.3	(1,274,770.3)	1,274,770.3	96.2%
Ministry of Basic and Senior Secondary Education	1,053,438	1,084,043	1,021,754.5	62,288.5	62,288.5	6.1%
Ministry of Health and Sanitation	513,814	679,021	498,360.4	180,660.6	180,660.6	36.3%
Ministry of Technical and Higher Education	409,922	394,238	97,593.1	(3,355.1)	3,355.1	0.8%
Sierra Leone Police	376,304	478,179	364,986.2	113,192.8	113,192.8	31.0%
Ministry of Foreign Affairs & International Co-operation	324,050	397,108	314,303.8	82,804.2	82,804.2	26.3%
Ministry of Defence	302,337	449,029	293,243.8	155,785.2	155,785.2	53.1%
Ministry of Works, Housing and Infrastructure	300,158	458,622	291,130.4	167,491.6	167,491.6	57.5%
Ministry of Energy	239,667	336,325	232,458.7	103,866.3	103,866.3	44.7%
Pensions	192,581	228,225	186,788.9	41,436.1	41,436.1	22.2%
National Revenue Authority (NRA)	188,737	188,360	183,060.5	5,299.5	5,299.5	2.9%
National Electoral Commission (NEC)	181,619	57,253	176,156.6	(118,903.6)	118,903.6	67.5%
National Revenue Authority (NRA)	188,737	188,360	183,060.5	5,299.5	5,299.5	2.9%
National Electoral Commission (NEC)	181,619	57,253	176,156.6	118,903.6)	118,903.6	67.5%
Ministry of Finance	168,462	224,343	163,395.3	60,947.7	60,947.7	37.3%
Office of the President	165,972	164,808	160,980.2	3,827.8	3,827.8	2.4%
Ministry of Agriculture, Forestry and Food Security	161,190	185,744	156,342.0	29,402.0	29,402.0	18.8%
Ministry of Water Resources	149,632	94,829	145,131.6	50,302.6)	50,302.6	34.7%
Change in Arrears	149,374	98	144,881.4	(144,783.4)	144,783.4	99.9%
Charged Emoluments	137,842	161,745	133,696.2	28,048.8	28,048.8	21.0%
21 (= sum of rest)	1,927,799	2,540,486	1,869,818.0	670,668.0	670,668.0	35.9%
Allocated expenditure	8,679,504	8,418,457	8,418,457.0	–	3,422,037.1	
Interest payment	1,277,611	1,235,557				
Contingency	19,931	78,998				
Externally financed expenditure	–	–				
total expenditure	7,381,962	7,103,902				
overall (PI-1) variance						96.2%
composition (PI-2) variance						40.6%
contingency share of the budget						1.1%

Table 4 (Leones millions)
Data for year = 2022

Administrative or Functional Head	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Public Debt Charges	1,260,249	15,279	1,240,249.3	(1,224,970.3)	1,224,970.3	98.8%
Ministry of Basic and Senior Secondary Education	1,189,185	1,067,091	1,170,313.1	(103,222.1)	103,222.1	8.8%
Public Debt Charges – External	918,682	–	904,102.9	(904,102.9)	904,102.9	100.0%
Ministry of Health and Sanitation	542,545	751,748	533,935.0	217,813.0	217,813.0	40.8%
Ministry of Technical and Higher Education	451,249	360,918	444,087.8	(83,169.8)	83,169.8	18.7%
Ministry of Foreign Affairs & International Co-operation	400,414	533,182	394,059.6	139,122.4	139,122.4	35.3%
Sierra Leone Police	396,259	654,822	389,970.5	264,851.5	264,851.5	67.9%
Ministry of Works, Housing and Infrastructure	368,818	718,564	362,965.0	355,599.0	355,599.0	98.0%
Ministry of Defence	341,274	602,133	335,858.1	266,274.9	266,274.9	79.3%
National Electoral Commission (NEC)	336,817	22,895	331,471.8	(308,576.8)	308,576.8	93.1%
National Revenue Authority (NRA)	207,721	204,210	204,424.5	(214.5)	214.5	0.1%
National Telecommunications Commission (NATCOM)	201,628	176,277	198,428.2	(22,151.2)	22,151.2	11.2%
Ministry of Finance and Economic Development	199,651	264,593	196,482.6	68,110.4	68,110.4	34.7%
Pensions	190,811	310,475	187,782.9	122,692.1	122,692.1	65.3%
Office of the President	180,498	360,736	177,633.6	183,102.4	183,102.4	103.1%
Ministry of Energy	169,451	469,754	166,761.9	302,992.1	302,992.1	181.7%
Road Maintenance Fund	163,212	30,383	160,621.9	(130,238.9)	130,238.9	81.1%
Ministry of Agriculture, Forestry and Food Security	150,143	246,216	147,760.3	98,455.7	98,455.7	66.6%
Ministry of Water Resources	118,747	177,630	116,862.5	60,767.5	60,767.5	52.0%
Prisons Department	102,603	126,899	100,974.7	25,924.3	25,924.3	25.7%
21 (= sum of rest)	1,729,868	2,373,357	1,702,415.6	670,941.4	670,941.4	39.4%
Allocated expenditure	9,619,825	9,467,162	9,467,162.0	–	5,553,293.3	
Interest payment	1,438,973	1,878,668				
Contingency	20,877	24,419				
Externally financed expenditure	–	–				
total expenditure	8,159,975	7,564,075				
overall (PI-1) variance						92.7%
composition (PI-2) variance						58.7%
contingency share of the budget						0.3%

Table 5

Year	For Pi-1. Total Exp Deviation	For Pi-2(I) Composition Variance	For Pi-2(Ii) Contingency Share
2020	75.5%	48.8%	
2021	96.2%	40.6%	3.1%
2022	92.7%	58.7%	

Table 6

Particulars	Original Budget	Adjusted Budget	Actual	Variance	Absolute Variance
Income Tax Revenue	2,274,303	2,006,493	1,998,200	(8,293)	(8,293)
Goods and Services Tax	1,235,200	1,089,749	1,021,400	(68,349)	68,349
Customs and Excise Department	1,541,563	1,360,037	1,503,888	143,851	143,851
Mines Department	322,125	284,193	258,041	(26,152)	26,152
Other Departments	900,164	794,166	1,079,412	285,246	285,246
Road User Charges & Vehical Licences	105,149	92,767	112,595	19,828	19,828
Grants	735,160	648,591	302,461	(346,130)	346,130
Total Revenue	7,113,664	6,275,997	6,275,997	–	897,851
PI – 3.1 Actual revenue/budget %	88.2				
PI – 3.2 Variance in revenue composition %					14.3

Table 7

Particulars	Original Budget	Adjusted Budget	Actual	Variance	Absolute Variance
Income Tax Revenue	2,405,901	2,492,909	2,430,663	(62,246)	62,246
Goods and Services Tax	1,218,064	1,262,115	1,213,032	(49,083)	49,083
Customs and Excise Department	1,450,563	1,503,022	1,564,036	61,014	61,014
Mines Department	275,448	285,409	523,254	237,845	237,845
Other Departments	941,272	975,313	1,451,665	476,352	476,352
Road User Charges & Vehical Licences	124,947	129,466	211,839	82,373	82,373
Grants	1,721,837	1,784,106	1,037,851	(746,255)	746,255
Total Revenue	8,138,032	8,432,340	3,832,340	–	1,715,169
PI – 3.1 Actual revenue/budget %	103.6				
PI – 3.2 Variance in revenue composition %					20.3

Table 8

Particulars	Original Budget	Adjusted Budget	Actual	Variance	Absolute Variance
Income Tax Revenue	2,709,000	2,750,162	3,028,107	277,945	277,945
Goods and Services Tax	1,464,000	1,486,245	1,213,941	(272,304)	272,304
Customs and Excise Department	1,737,100	1,763,495	1,184,692	(578,803)	578,803
Mines Department	316,000	320,802	400,102	79,300	79,300
Other Departments	1,1301140	1,147,312	2,085,100	937,788	937,788
Road User Charges & Vehical Licences	286,260	290,610	176,434	(114,176)	114,176
Grants	2,300,473	2,335,428	2,005,677	(329,751)	329,751
Total Revenue	9,942,973	10,094,053	10,094,053	–	2,590,066
PI – 3.1 Actual revenue/budget %	101.5				
PI – 3.2 Variance in revenue composition %					25.7

Table 9

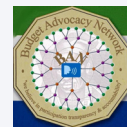| 2020	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Wages and Salaries	3,174,476	3,102,675	3,647,487.8	-544,812.8	544,812.8	14.9%
Goods and Services	1,057,970	2,901,125	1,2151612.5	1,685,512.5	1,685,512.5	138.7%
Transfers	320,228	254,305	367,943.5	-113,638.5	113,638.5	30.9%
Interest	1,225,038	1,209,277	1,407,574.4	-198,297.4	198,297.4	14.1%
Other Recurrent	–	58,640	0.0	58,640.0	58,640.0	
Capital Expenditure and Net lending	1,795,191	1,175,279	2,062,682.9	-887,403.9	887,403.9	43.0%
Total Expenditure	7,572,903	8,701,301	8,701,301	–	3,488,305	46%

Table 10

2021	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Wages and Salaries	3,510,275	3,769,446	4,342,795.8	–573,349.8	573,349.8	13.2%
Goods and Services	1,164,192	3,092,591	1,440,288.7	1,652,291.3	1,652,291.3	114.7%
Transfers	413,220	525,436	511,222.1	14,213.9	14,213.9	2.8%
Interest	1,277,611	1,132,678	1,580,618.0	–44,940.0	44,940.0	28.3%
Other Recurrent	–	33,467	0.0	33,467.0	33,467.0	
Capital Expenditure and Net lending	1,749,403	1,485,621	2,164,303.4	–678,682.4	678,682.4	31.4%
Total Expenditure	8,114,701	10,039,239	10,039,239	–	3,399,944	42%

Table 11

2022	Budget	Actual	Adjusted Budget	Deviation	Absolute Deviation	Percent
Wages and Salaries	3,174,476	3,102,675	3,339,760.2	–237,085.2	237,085.2	7.1%
Goods and Services	1,057,970	2,901,125	1,113,054.9	1,788,070.1	1,788,070.1	160.6%
Transfers	1,018,000	284,305	1,071,003.8	–816,689.8	816,689.8	76.3%
Interest	1,225,038	1,209,277	1,288,821.6	–79,544.6	79,544.6	6.2%
Other Recurrent	–	58,640	0.0	58,640	58,640	
Capital Expenditure and Net lending	1,795,191	1,175,279	1,888,660.5	–713,381.5	–713,381.5	37.8%
Total Expenditure	8,270,675	8,701,301	8,701,301	–	3,693,420	45%