

UNBLOCKING THE PATH TO ACHIEVING TRANSPARENCY OF PUBLIC FINANCE:

The Case Of Sierra Leone

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Introduction

1. Public Financial Management (PFM)

- All over the world the ability of governments to effectively manage the public financial resources available to the State for goods and service delivery often a measure of good governance.
- Rigorous PFM ensures aggregate control, prioritization, accountability and efficiency in the management of public resources and delivery of services to achieve development objectives

2. Transparency of Public Finances

- Not limited to just publishing information on Public Finances
- Information must be reliable, relevant and timely (World Bank 2015)
- Disclosure must be comprehensive , systematic and user friendly manner (Pattanayak 2011)

3. Why Transparency of Public Finances

- Promotes good Governance ;
- Helps with assessing the financial position of governments ;
- Helps with cost/benefit analysis of Government activities (World Bank 2017) ;
- Promotes access to donor funds

4. Global governance framework for public finance transparency and accountability

- (i) The Public Expenditure and Financial Accountability (PEFA) Framework (ii) The International Budget Partnership's Open Budget Initiative/Open Budget Index, (iii)The OECD's Best Practices for Budget Transparency, (iv) The Global Initiative for Fiscal Transparency (GIFT) , (v)) the IMF's Code and Manual on Fiscal Transparency etc.

The Transparency Challenge



A third of resources earmarked to fight the Ebola epidemic could not be properly accounted for



Use of £11m of government funds to upgrade private residence

All these issues, have sparked public interest from various facets of the global governance arena and more importantly the citizens of these countries are demanding answers on how such failures in public financial management are allowed to manifest.

Despite ongoing PFM reforms across the continent, the public perception that high levels of corruption exist in government remains as well as the perception that governments do not manage their economies effectively.



Research also find there is a challenge (Prakash and Cabezon (2008), Basheka and Phago (2014))



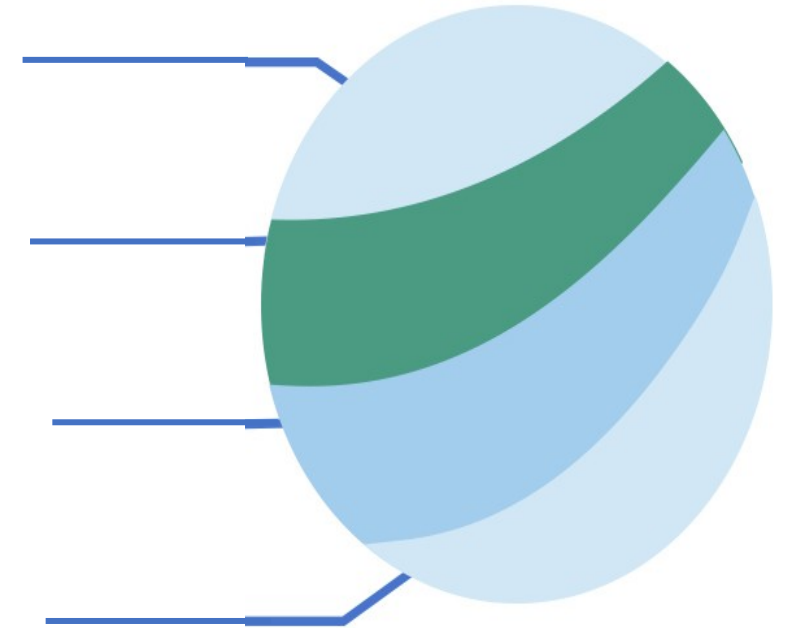
Disappearance of ship load of \$60m newly printed cash



Embezzlement of public funds and fraud in relation to Angola's \$5bn (£3.8bn) sovereign wealth fund

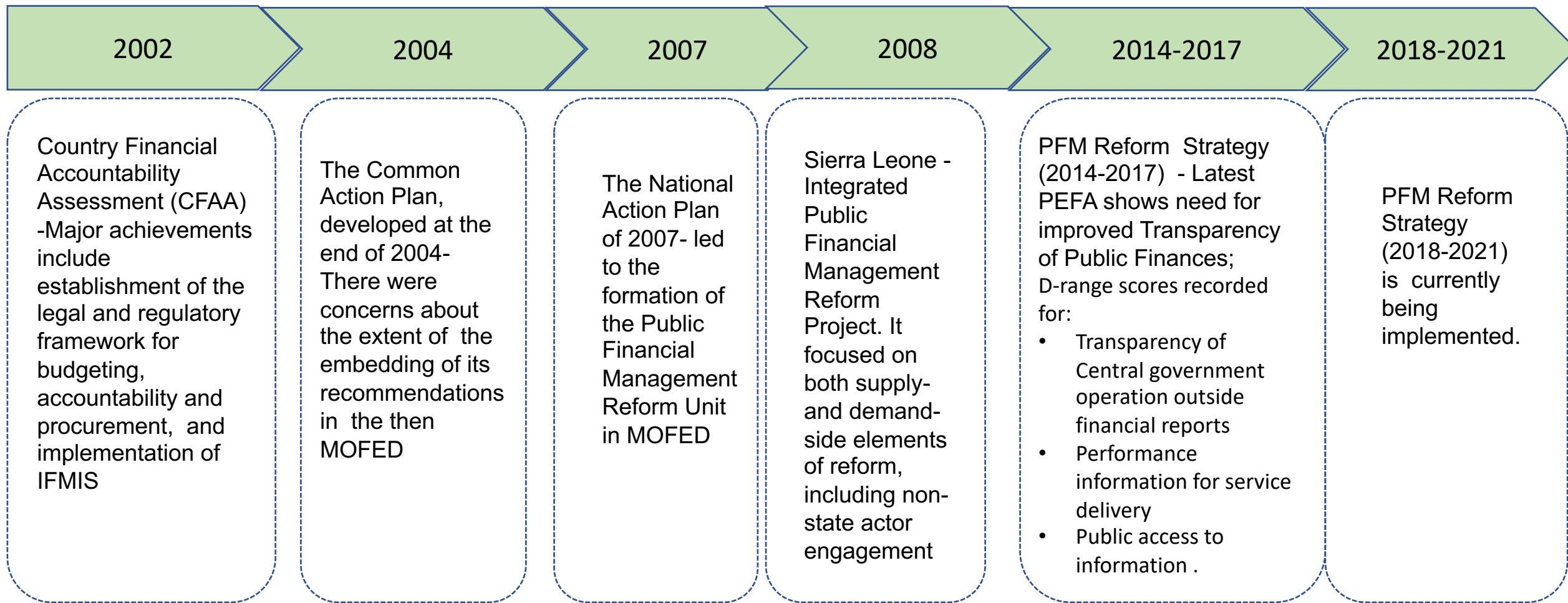
Transparency of Public Finance- Global Assessment

- ❑ The Public Expenditure and Financial Accountability (PEFA) framework, established in 2001 by the EC, IMF, World Bank, and the governments of France, Norway, Switzerland, and the UK is one of the widely accepted standard methodology and reference tool for PFM diagnostic assessments.
- ❑ In recent assessments (2015+) more than 30% of the countries globally attained D-range scores for transparency of public finances.
- ❑ Andrews (2010) analysis of PEFA assessments and content analysis of documents in 31 African countries and revealed that in African PFM systems, 'Practice lags behind the creation of processes and laws'.
- ❑ Basheka and Phago (2014) raised the concern that in African democracies resources still slip through public coffers despite the fact that public financial management is highly regulated.
- ❑ Following a survey covering 15 African countries in 2005, the United Nations' Ad Hoc Expert Group concluded that "countries need to continue propagating fiscal transparency as part of a larger policy goal of good economic governance pursued to attain development Goals (MDGs)".



PEFA Indicators used to measure **Transparency of Public Finances** : ★ Budget classification ★ Budget documentation
★ Central government operations outside financial reports ★ Transfers to subnational governments ★ Performance information for service delivery
★ Public access to fiscal information

Transparency of Public Finance- Sierra Leone's Progress

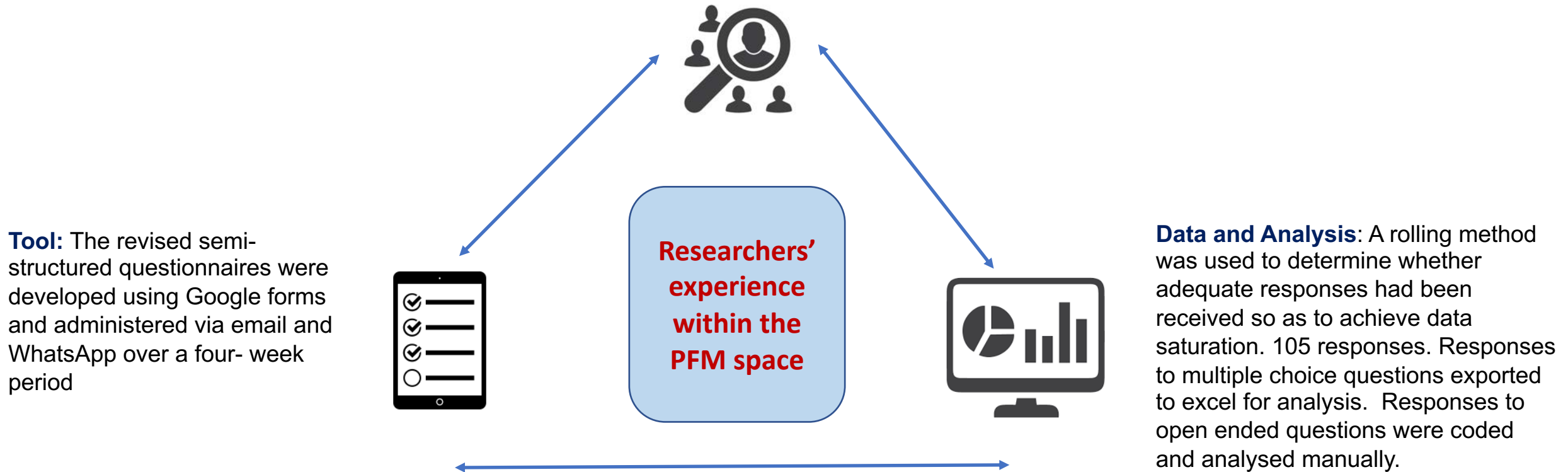


Other related PFM strategies- Payroll, Revenue Mobilisation and Fiscal Strategy Statement (FSS) . Donor funded PFM projects implemented Acts and Regulations relating to PFM- PFM Act, Procurement Act, Mines and Minerals Act, Audit Service Act etc

But Transparency of Public Finance still remains a challenge

Understanding how to unblock the path in Sierra Leone – Methodology

Sampling: Random but purposive sampling on the basis of knowledge of PFM space and technical experience. Staff of MOF, other MDA staff, CSOs in budget advocacy and service delivery M&E

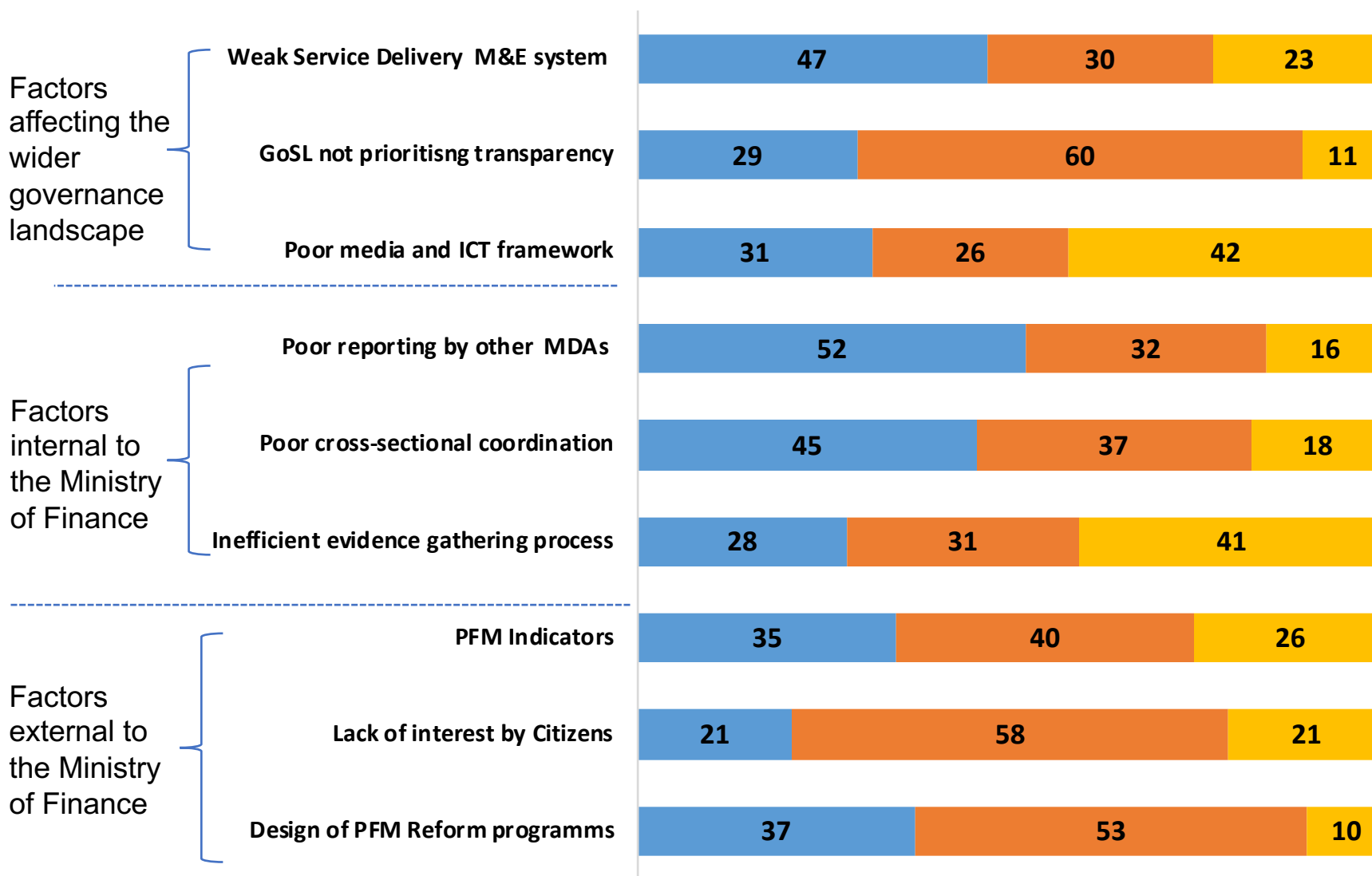


A Practice -Oriented study: The goal is to ensure that the research has an audience beyond the academic community. Hence, the focus is on policy makers, professionals and practitioners within the PFM space in Sierra Leone

Understanding how to unblock the path in Sierra Leone- Findings

Factors Affecting Transparency of Public Finances-General Picture

Rank-1 Rank-2 Rank3



Top five reasons for the weak performance of transparency of public finances in S/L Leone is as a result of :

1. Poor reporting by MDAs of their activities to the Ministry of Finance;
2. Weak systems for the monitoring and evaluation of service delivery
3. Poor cross-sectoral coordination
4. The design of PFM Reform programmes
5. The nature of the PFM indicators

Understanding how to unblock the path in Sierra Leone- Key Disaggregated Findings (1/2)

1. MoF Practitioners

- 100% awareness of PFM Act contents. 92.9% believe that the provisions of the Act will contribute towards improving transparency of public finances.
- 42.9% are very confident of the current government's willingness to implement the Act fully but Only 21.4% of respondents are very confident of the State's capability to implement this Act completely.
- 92.9 % of respondents are aware that GoSL's PFM performance is being assessed by international partners. Of 57.1% are in agreement with the low scores that GoSL received in relation to transparency of public finances.

- Internal to MOF:** Poor reporting by other MDAs to the Ministry of Finance to facilitate assessments such as PEFA
- External to MOF:** Poor design of PFM Projects; do not target reforms aimed at improving transparency
- General Governance Landscape:** Weak monitoring and evaluation systems to efficiently measure service delivery

* Other Reasons :

- Lack of staff capacity and motivation to publish information in a usable format
- Current Civil Service culture of exclusion and lack of disclosure.
- Lack of frequent education of the public of PFM activities.
- Inadequate automation of the processing of government finances.
- Limited range of economic and financial information being shared with the public e.g. procurement contracts

2. Practitioners in other MDAs

- ❑ 100% awareness but 83.3% believe that the provisions of the Act will contribute towards improving transparency of public finances,
- ❑ Only 33.3% very confident in the willingness of the current government to implement the Act fully and only 16.7 % are very confident of the State's capability to implement this Act completely
- ❑ Of those that are aware, 66.7% (higher than 57.1% for MOF) are in agreement with the low scores that GoSL received in relation to transparency of public finances
- ❑ **Factors (ranked)** : Non-prioritisation of transparency by the Government ; Coordination, Reporting and PFM reform program design issues
- ❑ It is worth noting that lack of effective reporting by these other MDAs were acknowledged by both the Ministry of Finance and the MDAs themselves a negative contribution to the country's PFM performance in terms of transparency.

3. Civil Society Organisations

- ❑ 100% of respondents were aware of some of the contents of the PFM Act of 2016 and 75% of them consider its existence and implementation very necessary.
- ❑ 50% very confident in the willingness of the current government to implement the Act fully and 50% are very confident of the State's capability to implement this Act completely
- ❑ 75% of CSOs are also in complete agreement with the low scores that GoSL received in relation to transparency of public finances
- ❑ **Factors (ranked)** : Non-prioritisation of transparency by the Government; Design of PFM reform programs; Weak service delivery monitoring and evaluation systems, Poor reporting by other MDAs, Poor cross-sectoral coordination

Understanding how to unblock the path in Sierra Leone- Recommendations

- ❖ Prioritisation of transparency issues- Transparency must be made a priority by the Government. The States needs to communicate this prioritisation to its development partners so that in can targeted actions or strategies can be included in the design for PFM programmes. Prioritise not just to pass PEFA Assessments- reforms must be sequenced
- ❖ Legal and Regulatory Framework- The Ministry of Finance should thus enforce the provisions of the Act and task the Budget Bureau and Public Finance Management Reform Unit to monitor the day-to-day implementation.
- ❖ Coordination-MoF to improve on its role as the main coordinating entity for public financial management. It needs to institutionalise systems and processes that would simplify and enhance the evidence gathering process relating to not only transparency indicators but overall PFM performance.
- ❖ Information Sharing and wider engagement-most information already available but GoSL needs to institute systems and process to ensure their publication in user friendly formats e.g. “Citizens Guide to the Budget’. The Government should also provide a platform through which even those in academia, the media, and the private sector can become part of the PFM system. Parliamentarians, Councillors and other Local Government stakeholders should continue to be part of the PFM system.
- ❖ Monitoring and Evaluation of Service Delivery: Revive Public Expenditure Tracking Surveys & involve a wide range of stakeholders in not only the data collection process but also the result dissemination and other research uptake activities.
- ❖ Information Technology: investment to develop and implement the IT strategy that supports public financial management and alternative methods of information dissemination

Conclusion

1

The Government must note that 'Transparency of Public Finance is not just an issue of prioritisation. Hughes (2003) explained, there is the tendency for the gains from financial management reforms to 'plateau'.

2

Researchers like Hughes (2003) and Andrews (2010) also stress that 'international best practice' should not always be chosen over basic systems and their execution must be appropriate to existing domestic situation.

3

Therefore, more clearly, the reform process should not simplistically focus on progressively implementing activities aimed at improving ratings from one indicator to another. Reforms should be properly sequenced.

5

The authors cannot adequately comment on possible routes by which reforms can be sequenced at this moment as it is beyond the scope of this study.

6

However, the Government must pay particular attention to appropriately sequencing reforms going forward.