



Budget Advocacy Network

Freetown - 23rd November 2021

BAN STATEMENT ON THE FISCAL YEAR 2022 BUDGET

BAN's statement on the FY2022 Budget is based on a quick analysis of the budget highlights of key sectors and issues presented by the Minister of Finance to Parliament on the 19th November 2021. Among other issues, domestic revenue mobilisation at national and local levels and public expenditure are key towards attaining a sustainable economic growth. Equally, we saw a good improvement in the aspect of the government having a debt areas clearance strategy and principles, which goes in line with the government having to obtain public debt under a ceiling beyond which they cannot borrow. Most importantly, the issue of social inclusion and empowering women and the marginalised category is gathering pace at last. We reached at the following:

Domestic Revenue

- a. **At the National Level** – we acknowledge the strides by the National Revenue Authority to increase the domestic revenue collection from 12.3% of GDP in 2018 to 13.3% of GDP in 2020. The NRA is on course to hit the 2021 revenue target by all indications based on BAN's monthly revenue analysis of the Ministry of Finance Monthly Fiscal reports. This increase is as a result of several policies and administrative reforms at the NRA which include the setting up of the Integrated Tax Administration System (ITAS), the Electronic Cash Register (ECR), the Electronic Single Window (ESW), the ASYCUDA World to name a few, added to the stricter enforcement of tax laws and rolling out of tax education. The 2022 projections show an increase by 2.1% of GDP in 2021 to 1.8% of GDP in 2022. Despite this success by the NRA, achieving the 20% domestic revenue to GDP by 2023 remains a challenge.

With the country having a projected overall deficit of Le 1.89 trillion (3.7% of GDP) inclusive of grants for the FY2022, the NRA needs to further improve on its domestic revenue collection drive going forward by broadening the tax base without creating extra burden on the citizen, continue with enforcement of the laws and improve on tax education.

- b. **At the Local Level**—we are concerned that the government is still not doing much towards meeting their commitment to supporting Local Councils to deepen own-source revenue mobilisation efforts. The details of paragraph 45 in the FY 2022 Budget Speech, comes in almost every other Fiscal Year as commitment since the year 2020. (2020 paragraph 62, 2021 paragraph 39, 2022 paragraph 45). Councils have potentials to generate own-source revenue, but they lack the required policies and systems to maximise revenue, which they could use to provide services at the local level. To this end, we call on government to implement those provisions set out in the FY 2022 Budget Speech which include:

- Provision of technical assistance
- Develop revenue mobilisation strategy and manual
- Automation of property cadastre system and

- Finalise Chiefdom Finance study and develop roadmap for implementation

Public Expenditure

We applaud the government's continuous investment in the human capital development, especially in the area of free quality school education. This investment is in line with the SDG 4, which talks about ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all. The 22% of national budget allocated to the free quality education is slightly above the Global Partnership for Education commitment, as it requires member state to commit 20% of their national budgets to education. However, there is a challenge in linking the desired outcomes to the investment. For instance, in the 2022 budget speech, it is stated that the Public Expenditure Review (PER) done by the World Bank reveal a weak link between amount of expenditure provided and the expected outcomes in health, education and agriculture. In other words, the level of government spending has not translated into the expected improved outcomes as key indicator still trail behind our peers in the sub-region. To improve on these, we call on the government to intensify monitoring of these investments and evaluate to ascertain the levels at which the much-needed changes are implemented to impact the interventions or inform a change of strategy to the course.

On another note, we applaud the government for their continued effort with the Public Expenditure Tracking Survey (PETS). However, we are concerned that result of the 2020 PETS was not published and the 2022 Budget Speech made no mention of publishing the PETS report any time soon. The Minister of Finance, in 2020, made it clear that PETS will provide valuable insight to policy makers on impediments to improve financial governance and fostering greater transparency and hence be a source of accountability on government spending. We are saying that without the publication of the PETS report, transparency and accountability would be difficult to achieve.

Furthermore, the Annual Statement of Government Account has not been reporting on the foreign development projects. This is a major concern as these are part of the budget for the government. We therefore call on government to include foreign development projects in the Annual Statement of Account.

Public Debt

We are concerned that public debt is on the increase. As stated in the 2022 budget, it is estimated at US\$3.1 billion as at the end of 2021 compares to US\$3billion in 2020. While we acknowledge that government debt is a part of fiscal management, we are concerned about the sustainability of rising debt levels and the shift from moderate to high risk of debt distress. We urge the government to disclose the annual debt ceiling¹ beyond which Government cannot borrow to ensure that loans taken on behalf of the people of Sierra Leone are done in a transparent and accountable manner. Additionally, the debt-servicing burden continue to make it difficult for adequate servicing of the social sectors for the poor and marginalised. Government needs to work with other AU states and other partner to lobby for debt relief/cancellation.

Health Spending

Despite government's allocation of 11% to the health sector, Sierra Leone is still below the Abuja Declaration of 15% budgetary allocation to the health sector. We call on government to increase spending on the health sector. Emergency situations such as the COVID-19, the Wellington PMB fire disaster and future emergencies require a country to be prepared to respond and be able to save lives of the citizens in time. The

¹ <https://mof.gov.sl/wp-content/uploads/2020/09/Sierra-Leone-Arrears-Clearance-Strategy-and-Principles-2020-2025.pdf>

need to expand on the current health infrastructure cannot be overemphasised as a quick remedy to the current helpless situation when caught up with emergencies is not defining a developing nation with ambition to advance in medical care and timely response to save much needed lives. The need for the country to have lifesaving medical equipment and motivation for healthcare workers justify the need for government to up her spending in the health sector. It has been long since Sierra Leone signed up to the Abuja Declaration on the 15% health spending and year in year out, we have been reminding the government to consider this aspect which has not yet been accomplished.

Social Inclusion & Women Empowerment

Government's response to the needs of the marginalised and persons with disabilities is a good move. This is the first time a budget line has been set aside to take care of the needs of these categories of citizens, especially the albinos, which goes a long way to define the social inclusion in line with the *'leave no one behind'* slogan. This is evident in the National Commission for Social Action (NaCSA) proposal to the delivery of cash transfers to 71,000 households in 2022 and the provision of micro-grants and productive skills for 500 persons with disabilities, including Albinos in communities nationwide. It continues to manifest in the empowerment of women in fisheries and establishment of the women empowerment fund. In all of these stated, we call on the government to implement these proposals to better our lots.

IMF Special Drawing Rights (SDRs)

BAN welcomes the openness regarding information put out in the 2022 budget statement regarding the SDRs of \$283 million dollars provided to the Government of Sierra Leone in August 2021 to support the government's policy and reform efforts aimed at reinforcing the country's recovery from the pandemic, preserving macroeconomic stability, and sustaining inclusive long-term growth. In the related next steps, BAN and partners look forward to deepening the relationship with the Ministry of Finance on the financing, execution and reporting on the use of SDRs to the citizen.

Conclusion/budget credibility

It should be noted that the issue of budget credibility remains a big challenge in Sierra Leone. The spending laid out in the budget is not delivered during the year. 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. In conclusion, whilst we recognize many positive aspects of the budget, we would highlight that implementation is the challenge.

Budget Advocacy Network (BAN)

Members Include: Christian Aid (CA), Campaign for Good Governance (CGG), ActionAid Sierra Leone (AASL), Search for Common Ground (SFCG), Network Movement for Justice (NMJD), Western Area Budget Education Advocacy Network (WABEAN) and Transparency International Sierra Leone