



Evaluation of Budget Support to Sierra Leone 2002 - 2015

Final Report Volume One

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The opinions expressed in this document represent the authors' point of view, which are not necessarily shared by the Authorities of Sierra Leone or by the UK Department for International Development, the European Commission, the African Development Bank or the World Bank.

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Acronyms and Abbreviations

AfDB	African Development Bank
ACC-SL	Anti-Corruption Commission of Sierra Leone
AFRODAD	African Forum and Network on Debt and Development
A4P	Agenda for Prosperity
AOAV	Action on Armed Violence
APC	All People's Congress (political party)
APRM	African Peer Review Mechanism
ASSL	Audit Service Sierra Leone
BECE	Basic Education Certificate Examination (equivalent to UK GCSE "O" Levels)
BoSL	Bank of Sierra Leone
BS	Budget Support
CPI	Corruption Perception Index
CRC	Constitutional Review Committee
CREPS	Complementary Rapid Education Programme
CSO	Civil Society Organisation
DACO	Development Assistance Coordination Office
DBR	District Block Representation
DFID	UK Department for International Development
DHMT	District Health Management Team
DHS	Demographic & Health Survey
ECOWAS	Economic Community of West African States
EEZ	Exclusive Economic Zone
EMIS	Education Management Information System
EPA	Environmental Protection Agency
EQ	Evaluation Question
ESP	Education Sector Plan
EU	European Union
FHCI	Free Health Care Initiative
FOI	Freedom of Information
GBAA	Government Budgeting & Accountability Act
GBS	General Budget Support
GDP	Gross Domestic Product
GoSL	Government of Sierra Leone
GPE	Global Partnership for Education
GPI	Global Peace Index
GST	Goods and Services Tax
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries (initiative)
IDI	INTOSAI Development Initiative
IEG	Independent Evaluation Group (World Bank)
IEP	Institute for Economics & Peace
IFES	International Foundation for Electoral Systems
IFMIS	Integrated Financial Management Information System
IHS	Integrated Household Survey
IL	Intervention Logic
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPRSP	Interim Poverty Reduction Strategy Paper
IRCB	Institutional Reform and Capacity Building

JC	Judgement Criterion
JSS	Junior Secondary School
MDAs	Ministries, Departments and Agencies
MDBS	Multi-Donor Budget Support
MDRI	Multilateral Debt Relief Initiative
MEST	Ministry of Education Science & Technology
MoFED	Ministry of Finance and Economic Development
MoFEP	Ministry of Finance and Economic Planning
MoHS	Ministry of Health & Sanitation
MoU	Memorandum of Understanding
NACS	National Anti-Corruption Strategy
NCD	National Commission for Democracy
NCDDR	National Committee for Disarmament, Demobilization and Reintegration
NGC	National Governing Council
NMA	National Minerals Agency
NPOA	National Programme of Action
NPSE	National Primary School Examination
NRA	National Revenue Authority
OAG	Office of the Auditor General
ODA	Official Development Assistance
OECD-DAC	Development Assistance Committee of the Organisation for Economic Cooperation & Development
OGI	Open Government Initiative
OGP	Open Government Partnership
ORS	Oral Rehydration Salts (for treatment of diarrhoea)
PAF	Progress Assessment Framework (for Budget Support)
PEFA	Public Expenditure & Financial Accountability
PETS	Public Expenditure Tracking Survey
PER	Public Expenditure Review
PFM	Public Finance Management
PPRC	Political Parties Registration Commission
PR	Proportional Representation
PRSP	Poverty Reduction Strategy Paper
PRSC	Poverty Reduction Credit Support
PRSP	Poverty Reduction Strategy Paper
RHS	Recommended Home Solution (for treatment of diarrhoea)
SAP	Structural Adjustment Programme
SBS	Sector Budget Support
SLIHS	Sierra Leone Integrated Household Survey
SLPP	Sierra Leone People's Party (political party)
SO	Standing Order (Parliamentary)
SSS	Senior Secondary School
SSS	Statistics Sierra Leone
TRMIP	Teacher Records Management Improvement Programme
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
WAEC	West Africa Examinations Council
WB	World Bank

Executive Summary

This is the report of an independent evaluation undertaken on behalf of the Government of Sierra Leone and 4 Development Partners, which have provided General or Sector Budget Support (GBS or SBS) over 2002-2015. It covers all GBS and SBS operations undertaken in this period by the African Development Bank (AfDB), the UK Department for International Development (DFID), the European Union (EU) and the World Bank (WB). The evaluation has applied the OECD-DAC methodological approach to the evaluation of budget support.

Budget Support inputs and their significance

Over the 13 year period of the evaluation, 2002 - 2014, Sierra Leone has received a total of US \$ 886 million in direct budget support, equivalent to an average of \$ 68 million per year, some \$12 per head of population per year. In terms of its relative significance, over 2002 – 2014, Budget Support comprised an average of 3.5 % of GDP, 15.1% of total public spending and 13.6% of total ODA.

The most significant input of Budget Support has been to provide counter-cyclical stabilization funding, in periods of low aggregate demand and low domestic revenue. This funding was especially important in the early post-conflict years (2002-2006), and then again in 2014, at the time of the drop in iron ore prices, when it had a major importance both as a stimulus to aggregate demand and as a source of discretionary financing for government.

The 2006 MoU for joint Budget Support outlined the framework for the harmonised management of Budget Support and detailed the institutional set-up for dialogue at both the technical and political levels, including the role of the joint Progress Assessment Framework (PAF). One of its principal aims was to harmonise disbursement processes and reduce transaction costs but this objective was never fully achieved as a result of the partial implementation of the provisions of the MoU and the maintenance by the AfDB, DFID and the World Bank of bi-lateral assessment processes alongside the joint PAF. In practise, the transaction costs for the Government of assessing the eligibility for disbursements proved to be high and the policy dialogue process remained relatively fragmented.

Arguably, the PAF introduced a useful process for setting national reform targets and measuring annual progress in a transparent manner. Such a process had not previously existed. However, the PAF process proved unable to address the existing “sectoral strategy gap”, that is the relative absence of frameworks and processes to analyse, formulate and implement effective sectoral policies.

The Technical Assistance (TA) provided through Budget Support helped to address important capacity needs in respect of PFM functions and core governance areas. The longer-term TA provided on an institutionally embedded basis tended to have more success in creating sustainable capacity improvements, than short-term TA inputs linked to narrower project-specific reform objectives. However, the focus of TA on Public Finance Management (PFM) and governance issues again led to some neglect of the needs at the sectoral level, particularly in the education sector.

The modest scale of Budget Support as a component of Official Development Assistance (ODA) and the absence of clear mechanisms to promote greater aid effectiveness meant that no significant effects were discernible with regard to improving the efficiency of Development Cooperation. GBS/ SBS never came close to representing the dominant modality and in 2013 comprised only 9% of total ODA, having been on a declining trend since its peak of 24% in 2005.

Overview of conclusions and their implications

The experience of Budget Support in Sierra Leone provides an unusually complex conundrum, combining strong evidence of development benefits and a potential for still greater benefits, alongside some significant weaknesses and vulnerabilities. On the one hand, genuine and important results were achieved through Budget Support in Sierra Leone:

- helping to kick-start the growth process and to stabilise the post-war security situation;
- stabilising the public finance situation in 2009 during the global financial crisis and in 2014, during the Ebola/ Iron Ore crisis;
- enabling higher investment in the roads sector and recurrent and investment spending in the education and health sectors;
- thereby contributing to the growth of primary and secondary school enrolments, which grew by 33 % and 157 % respectively between 2002 and 2012, increased exam pass rates for all school exams¹ and reduced gender disparities in education, with gender parity achieved in 2014 for primary education;
- alongside marked improvements in the utilisation of health services and in nutrition and maternal mortality rates.

Economic growth was high throughout the evaluation period, with real GDP growth averaging 10 % per year over 2002 to 2014. As a result, poverty declined sharply with the poverty headcount falling from 66.4% in 2003 to 52.9% in 2011. Growth was pro-poor with the annualised growth rate for per capita expenditure rising at 6 % per annum for the lowest decile of the population and only 0.5 % for the highest decile. The available evidence is not sufficient to demonstrate conclusively a causal relation between Budget Support, growth and poverty reduction but three separate studies undertaken in 2007 and 2008 point to the importance of its growth-boosting effects in the post-conflict period, generated by the demand stimulus it provided, its confidence-boosting effects on private investment and its support to the re-establishment of law & order and public services. More recently, the expansion of the road network facilitated by GBS finance and the stabilisation of the fiscal deficit in 2009 and 2014 would certainly have had positive effects on economic growth.

¹ Over 2002 to 2014, there was a 193% increase in candidates for the NPSE (national primary school exam) with a pass rate rising from 71 % to 76 %, an 88 % increase in candidates for the BECE (junior secondary school) exam with a pass rate rising from 40 % to 58 % and from 2002 to 2012 a 25 % increase in candidates for the WASSCE (senior secondary school) exam.

In addition, PFM has undoubtedly been strengthened since 2002, even if significant weaknesses persist. Important governance institutions have been created or re-established since 2002, including the National Revenue Agency, the Office of the Auditor General and the Anti-Corruption Commission, and access to public finance information has improved. This, in itself, adds up to a strong assets column on the Budget Support balance sheet. Moreover, there are grounds for arguing that greater benefits could have been achieved with more attention to the predictability of Budget Support disbursements and to the efficiency and quality of the processes of policy dialogue (more harmonised frameworks, lower transaction costs, greater focus on sector policies and strategies).

On the other hand, the Budget Support process in Sierra Leone has exhibited persistent weaknesses, which undermine the sustainability of the development benefits achieved:

- Although some improvement was recorded in 2014, the poor record on mobilisation of domestic revenues is the most salient weakness: if Sierra Leone is unable to achieve revenue collection levels of 15% of GDP or more, then its ability to finance the recurrent cost implications of expanded infrastructure and services will be severely constrained and the development benefits of Budget Support-financed public spending will not be sustainable;
- The poor quality of public procurement processes is the second key weakness. The 2013 PAF reported that 72% by value of public contracts were sole sourced and the Auditor General has regularly identified irregularities in public procurement and concerns over the low value for money being achieved.
- Significant problems in budget credibility have also emerged since 2010, with the 2014 PEFA assessment reporting deviations between the actual and budgeted levels of aggregate expenditure averaging 21% per year over 2010-2013, as compared with 8% over 2006-2009. While the volatility of iron ore prices has complicated the budget management process, there is evidence of politically motivated, 'last minute' changes to the budget during the process of execution, although these were better controlled in 2014 and 2015.

The persistence of these weaknesses means that, notwithstanding the genuine benefits achieved with Budget Support, the fiduciary risks remain high, while the sustainability of the benefits is uncertain. The recommendations of the evaluation focus on ways to address these persistent weaknesses, while maximising the potential benefits that Budget Support can bring.

Reconfirming the commitment to a joint model of Budget Support

The design and implementation arrangements for Budget Support in Sierra Leone have fallen short both of the objectives presented in the 2006 Memorandum of Understanding and of internationally recognised good practices for the design and management of Budget Support, as laid down in OECD-DAC, 2006. These shortcomings undermined the effectiveness of Budget Support in Sierra Leone. If Budget Support or similar modalities of financial aid are to continue, it is important that there should be a firm, joint commitment to correcting these shortcomings.

It is therefore recommended that the Government of Sierra Leone and its Development Partners should re-confirm their commitment to a joint model of Budget Support. This should be a formal process of reviewing Budget Support objectives and management modalities, resulting either in a new Memorandum of Understanding or in some sort of communiqué to reconfirm the commitments in the existing MoU and to outline a planned programme of future operations. We recommend the following six principles for the future management of Budget Support:

- **Budget Support should be partnership-based, serving to reinforce country ownership and responsibility for results.** In order to meet this principle, it is essential that Budget Support should be based upon a high-level political commitment to a shared set of objectives. Political engagement in the Budget Support “pact” has often been lacking and this must change.
- **Budget Support should help to enhance the performance and accountability of PFM systems.** In general, this principle has been respected: the key change needed here is that there must be a high-level political commitment by the Government to a modern, effective PFM system and to an efficient and fair revenue collection process.
- **Transaction costs incurred by Budget Support should be minimised.** Despite the commitments in the MoU, some GBS partners have continued to use bilateral processes of review and assessment of disbursement conditions, alongside the joint PAF mechanism. Some adaptation of the PAF framework is certainly needed but, whatever structure is introduced to replace it, the principle of minimising transaction costs should not be again forgotten.
- **Budget Support must enhance the predictability of resources and reduce their volatility.** Budget Support has been highly volatile over the medium term, and annual disbursements have been less predictable than desirable. A firmer commitment is required by DPs to medium term target levels of disbursement, as well as steps to simplify disbursement conditionalities and streamline processes so as to ensure within-year predictability.
- **Budget Support should focus on poverty reduction as its main objective.** In principle, Budget Support has always focused on poverty reduction but in practice the implications of this commitment have not always been given due consideration. The focus of the dialogue and TA/capacity building provided through Budget Support must be to address the detailed strategic requirements for service delivery at the sector level necessary for the achievement of the high level objectives of the Agenda for Prosperity. The balance between the poverty reduction and governance improvement objectives of the DPs needs to be re-struck to focus on service delivery for poverty reduction as the primary objective.
- **Budget Support must be big enough in scale to make a difference but not so big as to create excessive risks to sustainability.** Budget Support should be big enough in scale to take advantage of its potential but it must not reach a size where it would create a major fiscal crisis in the event of premature termination. It must also be replaceable in the medium term by increased domestic revenue collections. With these criteria in mind, **we recommend that over 2016 to**

2020 the GoSL and its partners should aim for a level of budget support between 7 and 10 per cent of public spending.

What should Government do to make Budget Support more effective?

The Government of Sierra Leone faces a real challenge in winning back the confidence of the four Budget Support partners, three of which expressed to the evaluators a degree of scepticism about whether the instrument can continue at all under current circumstances.

We therefore recommend a programme of five actions for the Government to consider:

- **Create a strong decision-making nexus between the Office of the President, the Ministry of Finance and Economic Development (MoFED) and the key sector ministries.** To date the Budget Support dialogue has been closely focused on the senior technical level within MoFED. For operational purposes, this is appropriate but it is not adequate when there is a need for a whole of government commitment to meet targets in the Agenda for Prosperity and to address fiduciary risks. If a successful framework for decision-making and follow up on national priorities is to be created, the central agencies together – that is the Office of the President and MoFED - need to become the nexus of the Government, connecting all of its parts, within a coherent decision-making framework.
- **Create a sustainable domestic revenue base.** For reasons of sustainability and self-reliance, it is essential for the Government to create a viable domestic revenue base. In our judgement, this should be equivalent to at least 15% of GDP.
- **Re-establish the credibility of the Budget as a tool of planning and expenditure control.** In order to re-establish control over the budget, measures are needed in relation to a) contingency budgeting arrangements to deal with uncertainty in revenue flows; b) controls over the extent to which new investment projects or other new activities can be introduced during budget execution; and c) steps to ensure that decisions about changes to the wage bill, due either to new recruitments or salary increases, are taken prior to the finalisation of the budget.
- **Reform the processes of Public Procurement.** Public procurement is one of the weakest aspects of the system of budgetary control and execution. Its reform is likely to require a fundamental re-think of current policies on procurement, which are modelled on a decentralised system of procurement, in which accounting officers in Ministries, Departments and Agencies (MDAs) are subject only to ex-post controls on procurement decisions. These ex-post controls are not yet sufficiently strong to ensure adequate compliance; there is also too much scope for exceptions and waivers of procurement rules. Some re-centralisation of the process seems likely to be necessary, alongside steps to strengthen the regulatory framework.
- **Strengthen policy design and implementation in key sectors.** Government should take systematic steps to address the “strategy gap” identified in the design and implementation of sector policies. This is likely to require focused technical assistance to key sectors, for example

education, energy, health, infrastructure and water, as well as concentrated support from the delivery unit in the Office of the President.

What should Development Partners do to make Budget Support more effective?

The challenge for the Development Partners is to find ways of maximising the potential of the Budget Support instrument, while minimising the fiduciary risks. We recommend actions across four areas:

- **Develop a framework for coordination of Budget Support arrangements across providers, harmonising processes wherever possible.** The key requirement here is to minimise the transaction costs to the Government and to keep the overall arrangements simple and focused. A joint review of current procedures and processes would be the starting point for such a process.
- **Enhance the predictability of Budget Support disbursements, both by reducing the volatility over the medium term and improving the timeliness and consistency of disbursements in-year.** This would entail the introduction of a joint framework for programming disbursements over the medium term between agencies, so as to respect the target of disbursements, equivalent to 7-10% of public spending. Secondly, it would require a simplification of disbursement conditionalities and a streamlining of the administrative procedures for disbursements.
- **Introduce incentives for enhanced domestic revenue mobilisation.** Technical assistance support to the achievement of this objective should be provided but the evaluation team would also recommend the introduction of a revenue-linked performance tranche, which would provide a stronger incentive to Government to vigorously pursue public revenue collection reforms. Box 7 in Chapter 10 suggests some principles for the design of such a performance tranche.
- **Provide enhanced TA and capacity building support to the Government, targeted on the key sectors, while deepening support to procurement reform and continuing support to core PFM and governance institutions.** In general, the evaluation of the TA/ capacity building support provided through or in conjunction with Budget Support has been positive. While there is always a risk of providing too much TA or of not paying sufficient attention to TA design and selection, the evaluation team believes that an extension of such arrangements to the procurement area and to key sectors is likely to be beneficial, so long as it is properly coordinated and responds clearly to demand.

I. Introduction

1. This Final Report is submitted on behalf of the e-PACT Consortium by a team led by ECORYS, working in association with Fiscus Limited, UK and staff of Fourah Bay College, Sierra Leone. Following the Inception Report and the Desk Report, it represents the principal output in the process of evaluation of the Budget Support provided to Sierra Leone by its Development Partners over the period 2002 to 2015.
2. A first formal presentation of the results took place in Freetown in January 2016 and there will be a second public presentation in May 2016 in Brussels. A dissemination leaflet summarising the results will also be produced – targeted to ordinary citizens and Civil Society Organisations in Sierra Leone and at the international level.
3. The assignment forms part of a wider process of evaluation of the effects of budget support at the international level. It builds upon 9 evaluations of budget support in different African countries undertaken from 2009 to date². In common with these 9 evaluations and with on-going evaluations in Burkina Faso and Paraguay, the Sierra Leone evaluation applies the OECD-DAC methodological approach to the evaluation of budget support³.

I.1. Scope and Objectives of the Evaluation

4. **This Final Report summarises the results of an independent evaluation undertaken on behalf of the Government of Sierra Leone and the 4 Development Partners who have provided General or Sector Budget Support over 2002-2015.** In particular, the evaluation covers all the GBS and SBS operations undertaken in this period by the African Development Bank (AfDB), the UK Department for International Development (DFID), the European Union (EU) and the World Bank (WB).
5. **The principal objective of the evaluation was to assess to what extent Budget Support in Sierra Leone had contributed to sustainable results on growth and poverty reduction.** It assessed the extent to which Budget Support contributed to the achievement of the objectives laid down in the joint Memoranda of Understanding of June, 2006 and February, 2010. In particular, it analysed the extent to which Budget Support contributed to the goals of the Government of Sierra Leone (GoSL) enshrined within the PRSP and presented in the MoU, by (i) creating additional fiscal space, (ii) minimising the transaction costs of external aid, and (iii) supporting the reform effort.

² Tunisia, Zambia, Mali, Tanzania, Mozambique, South Africa, Morocco, Burundi and Uganda. A Synthesis Analysis of the first seven of these evaluations was prepared during 2014: Lawson, A. (2014), Synthesis of Budget Support Evaluations - Volume I: Synthesis Analysis of Findings, Conclusions and Recommendations of 7 Country Evaluations, Directorate General for Cooperation & Development – Europe Aid; Brussels.

³ OECD (2012), Evaluating Budget Support, Methodological Approach, OECD DAC Network on Development Evaluation, September 2012

6. A key aspect of Budget Support is that it is not a programme in itself but rather a contribution to the achievement of a partner Government's national development programme. The evaluation team therefore structured the exercise as an evaluation of evidence, aiming to provide answers to three related questions:
- i. How successful has Budget Support been in providing new opportunities for the Government of Sierra Leone to implement its national and sectoral strategies?
 - ii. How successful has Budget Support been in facilitating improvements in the efficiency and effectiveness of these national and sectoral strategies?
 - iii. As a consequence, how successful has Budget Support been in attaining successful outcomes and impacts on growth and poverty reduction?
7. In order to answer these questions, the evaluation assessed the causal linkages between budget support and changes at the output and outcome level, considering the effects of budget support funds but also those of the related policy dialogue processes, and the associated technical assistance and capacity-building support. It considered – as a counterfactual - whether these same causal effects could have been generated as efficiently and effectively by alternative modalities (notably development projects) and, secondly, whether the potential synergies between Budget Support and other modalities were important in generating those causal effects.
8. **Given the continuing importance of Budget Support, a key objective of the evaluation has been to provide a forward-looking agenda.** Thus, in the final chapter, the report draws out lessons for the future, presenting conclusions and recommendations relating to:
- The conditions under which GBS or SBS are likely to have positive effects in Sierra Leone;
 - The improvements which should be made in the policies and practises of the Development Partners (DPs), so as to maximise the impact of future Budget Support operations in Sierra Leone and elsewhere;
 - The actions which might be taken by the Government of Sierra Leone (GoSL) to address the constraints arising from its policies, institutional structures and administrative arrangements, which limit the impact of the public policy and spending actions financed by Budget Support and by Sierra Leonean tax-payers, via the National Budget.

1.2. The Evaluation Framework and Evaluation Questions

9. **The evaluation followed the “three-step” methodology, established by the OECD-DAC’s evaluation network for the evaluation of Budget Support.** This methodology is described in the OECD-DAC’s methodological approach paper,⁴ and presented in more detail in the Revised Inception Report for this evaluation (July, 2015).

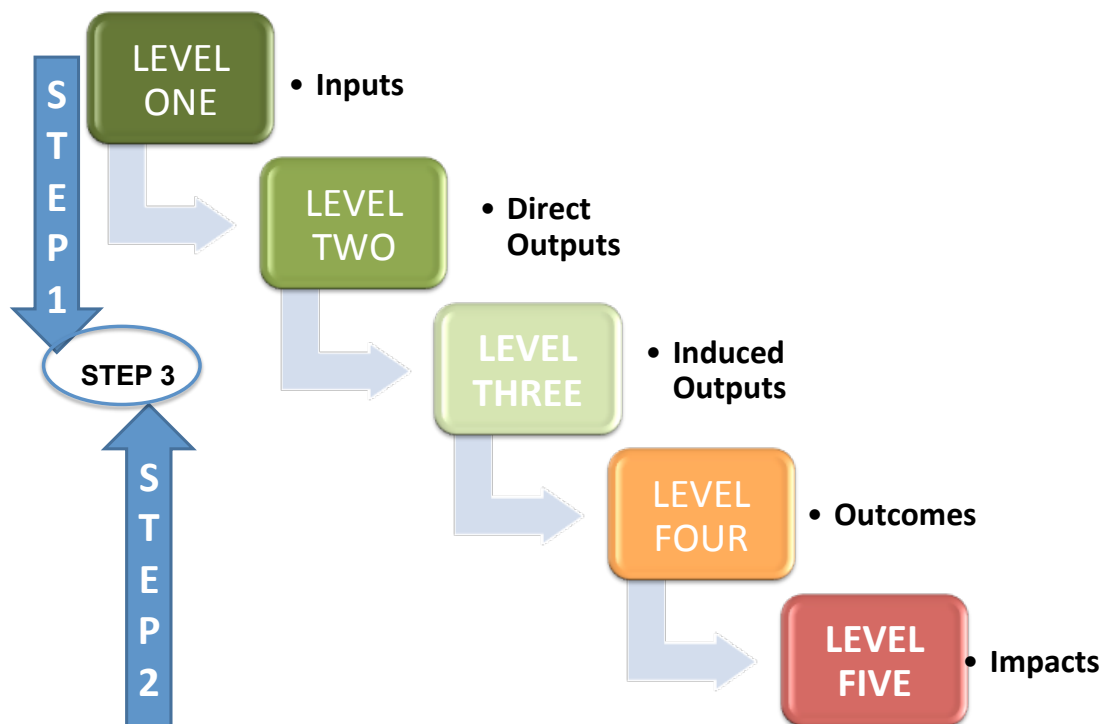
⁴ OECD-DAC Evaluation Network (2012), *Evaluating Budget Support: Methodological Approach*, OECD-DAC, Paris.

The Intervention Logic

10. The evaluation methodology is based on an Intervention Logic, in which the outputs, outcomes and impacts of Budget Support are generated via the policies, budgetary measures and institutional actions implemented by the recipient government, as a consequence of Budget Support:

'...Budget Support is not a development programme per se, but an aid modality that supports the development strategy of the beneficiary government.it produces a number of direct or immediate outputs, which, under certain conditions, contribute to changes in government policies and government budgets. The changes thus induced in government outputs should, in turn, contribute to development outcomes and impacts'.⁵

Figure 1: The 5 levels and the 3 Steps of the methodological approach



11. The Intervention Logic is thus based on a set of structured relationships at five levels as follows:

- **Level One**, which assesses the **Inputs** of GBS and SBS, including policy dialogue and capacity-building inputs as well as fund flows.
- **Level Two** represents the **Direct Outputs** generated by the interaction of budget support with other aid modalities. These direct outputs effectively represent **a set of new opportunities for the beneficiary government**, provided through increased fiscal space, the development of a strategic problem-solving dialogue, and through more predictable, aligned and efficient Development Cooperation.

⁵ Ibid.

- **Level Three**, documents the **Induced Outputs** produced by Government as a consequence of the interaction of budget support (in complement with other modalities) with the national policy, budgetary and service delivery processes. These induced outputs thus represent the response of the beneficiary government to the opportunities created by Budget Support.
 - **Level Four** records the **Outcomes** of Government policies and spending actions, in terms of changes in the utilisation of public services by the public, and changes in private sector behaviour due to government regulatory actions. At this level, government actions are interacting with wider social and economic forces.
 - **Level Five** records the wider **Impacts** of these processes, in terms of societal and economic processes, such as economic growth, reduced income poverty, reduced social exclusion and improved welfare (reduced non-income poverty).
12. In order to avoid any implicit assumption of causality between Budget Support inputs and final outcomes and impacts, the methodology separates the analysis into three steps, as illustrated in Figure 1:
- **Step One** covers levels 1-3. It provides the basis for understanding how Budget Support has been inserted into the public spending and policy making process and with what effects (outputs), given the influence of other aid modalities and internal government processes working alongside Budget Support.
 - **Step Two** begins from an identification of the most significant outcomes and impacts related to the implementation of the Government's national and sectoral development strategies (levels 4 & 5) and then examines – through a combination of econometric and qualitative analysis – what have been the primary determinants of those outcomes and impacts.
 - **Step Three** brings together the findings from Steps One and Two, identifying which of the “induced outputs” of Budget Support identified in Step One also feature amongst the primary determinants of outcomes and impacts identified through Step Two. In this way, it permits an assessment of the contribution of Budget Support to final outcomes and impacts and an identification of the key points of weakness in the Intervention Logic. For example, is it the case that Budget Support is failing to induce the expected outputs or is it rather that those induced outputs have failed to generate positive changes in outcomes and impacts?
13. In adapting the Intervention Logic (IL), the evaluation team considered the relevance to the Sierra Leone case of the range of inputs, direct outputs, induced outputs, outcomes and impacts identified in the standardised IL. The results of these considerations are summarised in Figure 2, at the end of this chapter, which presents the adapted version of the IL, showing the proposed Evaluation Questions (EQs) and their position within the Intervention Logic for Sierra Leone. The Evaluation Questions are presented in Box 1 below and in more detail in Volume Two, Annex 2., together with the Judgement Criteria applied to respond to these Evaluation Questions.

Box 1: Evaluation Questions adopted for the evaluation of Budget Support in Sierra Leone**A. Step One**

EQ 1.1: To what extent did the design of Budget Support remain relevant to the evolving political, economic, social & institutional context of Sierra Leone and consistent with the policy priorities of the Government?

EQ 2.1: To what extent have the financial and non-financial inputs of Budget Support generated new opportunities for the Government of Sierra Leone, in terms of fiscal space, more predictable funding, a strategic problem-solving dialogue, strategic Technical Assistance and more predictable, aligned and efficient Development Cooperation?

EQ 3.1: To what extent has Budget Support contributed to improvements in the quality of macroeconomic management, in the effectiveness of domestic revenue mobilisation and in the strategic allocation of budget resources?

EQ 3.2: To what extent has Budget Support contributed to improvements in the quality of Public Finance Management (PFM) and in the quality of public procurement processes?

EQ 3.3: To what extent has Budget Support contributed to positive changes in the design of sector policies and in the implementation of planned expenditure programmes in the two study sectors (education and health)?

EQ 3.4: To what extent has Budget Support contributed to improvements in the quality of governance and accountability, particularly with regard to the roles of Parliament, Civil Society, the Office of the Auditor General, and the Anti-Corruption Commission (ACC-SL) as “watch-dogs” of the Executive?

B. Step Two

EQ 4.1: How have the key outcome indicators evolved in the Education sector in aggregate, by gender and by district? What factors have been the main determinants of the changes identified?

EQ 5.1: How has the economy performed in terms of investment and growth and what have been the effects on income poverty, income distribution, peace and security? What factors have been the main determinants of such changes?

C. Step Three

EQ 5.2: To what extent have the direct or induced outputs of Budget Support contributed to the results identified at the outcome and impact levels? To what extent have Budget Support operations in Sierra Leone over 2002 to 2015 been effective and have they generated sustainable impacts?

Methods of data collection and analysis and their potential limitations

14. A detailed statement of the sources of information used to answer each Evaluation Question is included in Annex II of Volume 2, along with an assessment of the quality of evidence used to arrive at these responses. The ranking of the quality of evidence is based on the criteria presented in Box 2 below.

15. There have been five principal sources of data:

- Documents and official reports, in particular (i) documentation on the Budget Support

operations, and on the annual reviews of the Progress Assessment Framework (PAF); (ii) Government documentation, notably budgets, public accounts and audit reports; (iii) independent evaluations and reports, such as the PEFA assessments.

- Stakeholder interviews;
- Two Focus group discussions with i) Senior government representatives, including especially the senior staff of the Ministry of Finance & Economic Development; and ii) A select group of CSOs/NGOs, working on governance and public finance issues.
- Quantitative analysis of survey data from the Sierra Leone Integrated Household Surveys, the Demographic and Health Surveys and the Education Management Information System, as well as of exam data from the West Africa Examinations Council (WAEC), all undertaken in the context of the “Step Two” analysis.
- Qualitative analysis of education and health care provision, based on district visits to Bo and Kenema, involving interviews with Local Council officials, district health and education staff, as well as staff of schools and aid posts and parental associations.

16. This evidence base was sufficient for the evaluation team to reach robust conclusions for the majority of the Evaluation Questions. On the other hand, there were significant limitations on the range and quality of data, which meant that some of the detailed analyses initially envisaged in the Inception Report did not prove possible. Moreover, as the field mission took place in July-August 2015 when the Ebola epidemic was under control but still on-going, a number of relevant stakeholders were not available for interview either because they had been evacuated or because, especially on the government-side, they were heavily engaged in the management of the Ebola crisis, or in the formulation of the post-Ebola response.

Box 2: Criteria for ranking of quality of Evidence for Evaluation Questions

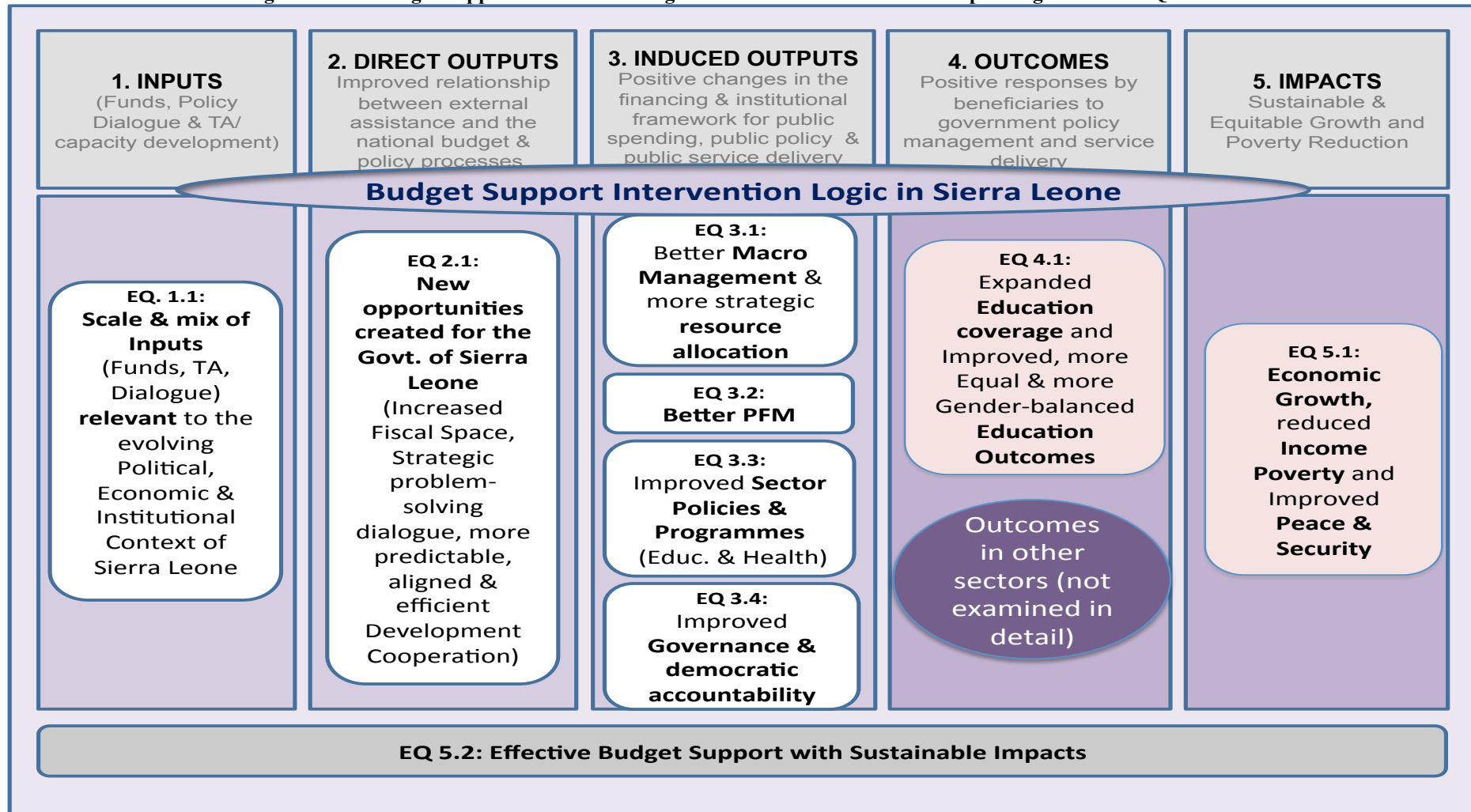
Ranking of Evidence	Explanation of ranking of quality of evidence
<i>Strong</i>	The finding is consistently supported by a range of evidence sources, including documentary sources, quantitative analysis and qualitative evidence (i.e. there is very good triangulation); or the evidence sources, while not comprehensive, are of high quality and reliable to draw a conclusion (e.g. strong quantitative evidence with adequate sample sizes and no major data quality or reliability issues; or a wide range of reliable qualitative sources, across which there is good triangulation).
<i>More than satisfactory</i>	There are at least two different sources of evidence with good triangulation, but the coverage of the evidence is not complete.
<i>Indicative but not conclusive</i>	There is one evidence source of good quality but no triangulation with other sources of evidence.
<i>Weak</i>	There is no triangulation and/ or evidence is limited to a single source of low quality.

1.3. Structure of the Report

17. This introductory chapter has provided essential background information on the objectives and methodology of the evaluation. Subsequent chapters follow the structure of the Intervention Logic underlying the evaluation framework:

- **Chapter Two** examines the scope and the design parameters of the Budget Support inputs and considers the extent to which they have been adequately adapted to the context for Budget Support in Sierra Leone (EQ 1.1). It considers the economic and political situation in the post war period and as it has evolved over the period of the evaluation, assessing the implications for the design of Budget Support. It also addresses the political economy of budget support, from the perspective of the Development Partners, making reference to a detailed annex on this issue presented in Volume Two.
- **Chapter Three** addresses level 2 of the evaluation framework, asking how successful Budget Support has been in providing new opportunities for the Government of Sierra Leone to implement its national and sectoral strategies. (EQ 2.1.)
- **Chapters Four, Five, Six, Seven and Eight** complete Step One of the analysis, considering how far Budget Support has facilitated improvements in Government policies and practices. It thus assesses the “induced outputs” of Budget Support, which comprise level 3 of the framework (EQs 3.1, 3.2, 3.3, and 3.4). These relate to: macroeconomic management, expenditure allocations and revenue generation (Ch.4); Public Finance Management (Ch. 5), Governance & Accountability (Ch.6); and sector policies and public expenditures in health (Ch.7) and education (Ch.8).
- **Chapters Eight and Nine** report on Step Two of the analysis, addressing EQ 4.1 and 5.1. In addition to reporting on Evaluation Question 3.3 in regard to education policy and spending, Chapter Eight considers the relationship of education sector outcomes to corresponding sector outputs, drawing on a detailed econometric analysis. Chapter Nine examines the potential impacts of Budget Support, in terms of growth, income poverty and non-income poverty, as well as impacts on peace and security.
- **Chapter Ten** then reports on Step Three of the analysis, summarising the overall conclusions on the contribution of Budget Support within the period, including an assessment of the sustainability of the impacts (EQ. 5.2). It also presents the recommendations of the evaluation team.
- **The Annexes contained in Volume Two** provide complementary information, including notably the Terms of Reference, the matrix of Evaluation Questions and Answers (including an assessment of the quality of evidence for each answer), a report of the Field Visit undertaken during the Main Mission, a note on the political economy of Budget Support, as well as a summary of the econometric analysis, statistical tables, a bibliography, and a list of persons met.

Figure 2: The Budget Support Intervention Logic in Sierra Leone and the corresponding Evaluation Questions



2. Budget Support Inputs and their suitability to the Context of Sierra Leone

EQ 1.1 To what extent did the design of Budget Support remain relevant to the evolving political, economic, social and institutional context of Sierra Leone and consistent with the policy priorities of the Government?

18. **Evaluation Question 1.1 examines the linkages between the scope and design of Budget Support to Sierra Leone and the underlying context.** Specifically, it addresses the question whether the design of Budget Support operations was appropriate to the Sierra Leonean context and whether it took adequate account both of the risks and obstacles, which it presented, and of the potential benefits of Budget Support. Secondly, it asks whether the Budget Support design has remained relevant to the evolving political, economic and social context. These questions are addressed through three sub-sections, as follows:

- The key features of the context for Budget Support, which is addressed in fuller detail in Annex 5 of Volume Two;
- The scale and objectives of Budget Support;
- The appropriateness and relevance of the Budget Support package.

2.1. The Context for Budget Support in Sierra Leone, 2002-2014

19. Sierra Leone graduated from a fratricidal civil conflict in January 2002. Since then, three free, fair and transparent elections have been conducted (2002, 2007 and 2012). The 2002 elections were won by the ruling Sierra Leone Peoples Party (SLPP) under the second term leadership of Alhaji Ahmad Tejan Kabbah. The 2007 elections were won by the opposition All Peoples Congress (APC) and there was a peaceful transfer of power from the SLPP to the APC Presidential candidate, Ernest Bai Koroma. The APC again won the 2012 elections. These two political parties, (APC and SLPP) have since independence, dominated the political scene in the country.



20. In close working partnership with Development Partners, Presidents Ahmad Tejan Kabbah (2002- 2007) and Ernest Bai Koroma (2007 - 2012 and 2012 to date) have overseen Sierra Leone's transition from recovery to development. They were confronted with the challenging tasks of re-establishing state authority, reactivating a ruined economy and putting together a traumatized population. Both leaders prepared Poverty Reduction Strategy Papers (PRSPs) and implemented a number of legal, institutional and economic reforms. Tejan Kabbah prepared the first PRSP (2005 -2007). Ernest Bai Koroma developed and implemented two PRSPs- Agenda for Change (2008- 2012) and the Agenda for Prosperity (2013- 2017).
21. Annex 5 of Volume Two 2 examines the evolving political, institutional and economic context of the post-war regimes of Presidents Tejan Kabbah and Ernest Bai Koroma. It provides a brief historical and political economy background and identifies the key features of the context for Budget Support. Within Volume One, we do not dwell on these details, important as they are, and have chosen instead to focus directly on the Evaluation Questions. However, our analysis has been informed by an appreciation of the wider historical and political context and readers less familiar with this are strongly encouraged to read Annex 5 of Volume Two as an introduction to the main analysis and, if possible, to also consult the extensive bibliography referenced there.

2.2. The scale of Budget Support and its key Design features

Table 1: Budget Support disbursements by agency, 2002 – 2014

(in millions of USD 1/)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
UK - DFID	16.7	16.5	18.3	26.9	34.6	26.7	18.2	18.4	19.7	23.9	18.9	20.8	24.7
EU	-	-	21.9	26.0	19.0	15.6	7.5	57.9	27.8	13.9	15.4	15.5	27.1
AfDB	31.4	0.2	14.1	9.7	23.3	-	-	8.7	7.2	9.1	7.0	-	30.2
World Bank	13.6	16.2	16.9	18.2	-	-	13.0	-	-	2.4	23.6	6.4	50.5
Others	-	0.1	-	-	-	-	-	-	7.0	0.4	5.0	3.0	36.7
Total	61.7	33.1	71.1	80.8	76.9	42.3	38.7	85.0	61.6	49.7	70.0	45.6	169.2

Source: MoFED, Budget Department

1/ Exchange rate used: 1,949 (2002), 2,295 (2003), 2,800 (2004), 2,350 (2005), 2,350 (2006), 2,970 (2007), 2,984 (2008), 3,410 (2009), 3,988 (2010), 4,417 (2011), 4,400 (2012), 4,334 (2013), 4,953 (2014)

22. **Over the 13 year period of the evaluation, 2002 - 2014, Sierra Leone has received a total of US \$ 886 million in direct budget support, equivalent to an average of \$ 68 million per year, some \$12 per head of population per year.** UK DFID have been the principal contributors of budget support over the period, with disbursements amounting to approximately US \$ 284 million, followed by the EU (\$ 248 m.), the World Bank (\$ 161 m.) and the African Development Bank (\$141m.). In addition, some US \$ 52 million has been provided by the IMF (for stabilisation purposes) and the Global Fund (to finance part of the salaries budget in

the Ministry of Health in support of the Free Health Care Initiative). Details are provided in Table I, which includes both GBS and SBS disbursements⁶.

Disbursement mechanisms, policy dialogue and the PAF

23. Budget Support involved a mix of disbursement mechanisms decided upon by the providing agencies:

- The GBS provided by DFID comprised what was effectively an annual fixed tranche (GBP 10 million per year) tied to basic eligibility conditions relating to sound macro management, steady improvements in PFM systems and a commitment to poverty reduction, with an additional “performance tranche” (GBP 5 million per year), which might be disbursed in full or in part dependent upon progress against the governance and transparency commitments⁷ laid down in the 10-year GoSL-UK Government MoU, signed in 2002;
- The EU also provided a mix of “fixed” and “variable” tranches against a similar (but more explicitly defined) set of eligibility criteria for the fixed tranche, and against specific performance indicators relating to PFM improvements and to the coverage of health and education services for the variable tranches⁸.
- The Sector Budget Support provided by DFID and the Global Fund in support of the Free Health Care Initiative (FHCI) from 2010 onwards was disbursed by each agency as a single tranche, following confirmation of conditions relating to the cleaning of the payroll and the introduction of measures to reduce absenteeism. It was nominally earmarked to cover a declining proportion (initially 50%) of the health sector salary increments introduced alongside the FHCI but it was disbursed into the central treasury account and managed through normal budget procedures in the same way as GBS.
- The African Development Bank initially disbursed its Budget Support, as Balance of Payments support, whose objectives were solely related to economic stabilization objectives and thus linked to performance against the IMF programme. Over time, “trigger conditions” linked to structural and institutional reforms were also introduced, in some years managed as joint PRSC operations together with the World Bank and in

⁶ The data kept by the Budget Department of MoFED does not distinguish disbursements by type of operation, only by donor. Thus, the data for DFID include from 2010 onwards both SBS and GBS disbursements. Disbursements by the Global Fund (under ‘Others’) are also categorized as SBS.

⁷ In addition to respect for human rights and democratic processes, these included commitments relating to the establishment and strengthening of the Anti-Corruption Commission, the processing of judiciary cases by the ACC, the improvement of external audit processes and the publication of external audit reports, the undertaking of annual Public Expenditure Tracking Surveys and pursuit of the Extractive Industries Transparency Initiative (EITI).

⁸ The EU variable tranche and the DFID performance tranche differ in particular by the extent to which the calculation of the amount to be disbursed is pre-defined. With regard to the EU, the calculation is based on a pre-defined formula relating actual performance against quantified performance indicators to pre-defined targets. The DFID performance tranche is based upon a more qualitative assessment of performance against pre-defined targets linked to the commitments in the 10-year GoSL-UK MoU.

other years as stand-alone AfDB operations. In contrast to the variable/ performance tranches of the EU and DFID, assessment of performance against these trigger conditions led to an “all or nothing” disbursement decision, with a partial disbursement not being an option under the AfDB legal arrangements.

- The World Bank disbursed through Poverty Reduction Support Credits (PRSCs), involving some 10-20 “trigger conditions” based upon “prior actions” relating both to macroeconomic management and to structural and institutional reforms. In common with the AfDB, the WB legal conditions also required an annual submission to the Board, which would result in an “all or nothing” disbursement decision.

24. **Until 2006, the process for assessment of disbursement conditions was based on separate assessment processes for each agency**, except for those years in which AfDB operations were managed jointly with the World Bank. In 2006, the first joint assessment was undertaken and later that year an MoU for a joint multi-donor budget support arrangement was signed between the four agencies and the Government⁹. This introduced a common calendar for the assessment and disbursement process, based upon the joint assessment of progress against a common Progress Assessment Framework (PAF), bringing together in one matrix the disbursement conditions and targets of each of the partners. Joint annual reviews have been undertaken in every year since 2006.

Technical Assistance

25. **The Budget Support arrangements have been accompanied by a substantial amount of Technical Assistance, provided by each of the four main Budget Support providers.** This has been provided either as a formal component of the financing agreements for Budget support or through parallel project arrangements introduced simultaneously with the Budget support operations.
26. Due to the diversity of the funding arrangements used and the difficulties of extracting detailed records on the levels of past expenditure on TA, it has not been possible to develop an accurate quantitative estimate of expenditure on TA. However, it has certainly been substantial, amounting to at least 10 % of the value of Budget Support disbursements, some US \$ 6-7 million per year.
27. **The focus of the TA provided has been to build up capacities in areas related to PFM and governance.** TA provisions have also been used to finance specific studies and assessments, such as the PEFA assessments of the status of PFM systems. Relatively little TA has been dedicated to support policy analysis, development and implementation at the sectoral level.

2.3. The relevance of Budget Support to the context of Sierra Leone

28. How may we judge the relevance of the Budget Support package provided to Sierra Leone? **A first point to confirm is that Budget Support was clearly the preferred modality of**

⁹ This was updated in 2010.

the Government. In particular, it is valued as a flexible method of providing discretionary budget funds in support of the Government's own development programme. Notwithstanding the concerns voiced by the Authorities, with regard to the conditionalities associated with Budget support and the unduly high transaction costs, the Authorities confirmed that it remains the preferred modality of the Government.

29. However, there is a set of more complicated issues thrown up by the particular context of Sierra Leone – a post-conflict fragile state, with a political economy dominated by patronage politics and with severe capacity constraints. We address this more complicated dimension of relevance through two sub-questions:
- Was the Budget Support package provided appropriate to the context of a post-conflict Fragile State?
 - Were the objectives and the evolving design of Budget Support internally consistent and appropriate, given the changing context, in moving from post-conflict recovery to growth and development?

Relevance to the context of a post-conflict Fragile State

30. **Budget Support had already been provided to the Government of Sierra Leone prior to the cessation of hostilities in 2002**, in the form of Programme Aid from DFID and the EU, structural adjustment credits from the World Bank (from February, 2000) and IMF Emergency Post-Conflict Assistance (from November 1999.) Thomson (2007) reports that this '*played a crucial role in funding the budget, particularly when domestic sources of revenue were scarce during the government's early years*'. He further reports that DFID's guidance on Budget Support of 2002 would have ruled out the programme aid that was provided in the early years of the Kabbah government because there was neither systematic assessment of financial systems nor a plan to improve them. '*Nonetheless, programme aid was absolutely central to the strategy for stabilizing the security situation and improving governance.*' (Ibid, p. 19.)
31. With the development of an action plan on PFM reform, the preparation of the I-PRSP and the continued satisfactory performance against the IMF programme, the three eligibility conditions of the EU were fulfilled, as well as the requirements of DFID's 2002 guidance on budget support. It therefore became possible to move to more formal modalities of budget support in 2002 and 2003, at the outset of the period covered by this evaluation. Nevertheless, stabilising the security situation and stimulating economic recovery remained important objectives.
32. **Three significant assessments undertaken in 2007 and 2008, all concluded that Budget Support made an important contribution to kick-starting economic growth and stabilising the security situation** – Thomson (2007), Lawson (2007) and Poate et al (2008). The empirical links not only between poverty and conflict but, more specifically, between economic growth and conflict have been well researched by Collier (2007). He estimates that a low income country faces a risk of conflict in any 5-year period of 14 per cent but *each percentage*

point added to the real growth rate knocks off a percentage point from this risk¹⁰. Thus, by growing in real terms at 27.5 % and 9.3 % respectively in 2002 and 2003 and thereafter at a rate in excess of 7 % per year in real terms, Sierra Leone substantially reduced its chances of returning to conflict.

33. These studies conclude that Budget Support helped to stimulate growth and stabilise security in the post-conflict years in three ways:

- By providing an immediate demand stimulus equivalent to some 5 % of GDP, through a non-inflationary source of government funding, which fed quickly through to aggregate demand and did not generate inflation because of the relatively elastic supply response for food and basic consumer goods¹¹;
- Through the confidence boosting effects on foreign and domestic investors of the early decision to provide direct budget support. By 2004, domestic investment had already grown to a level where it comprised 10.7% of GDP, rising to 17.4% in 2005 (IMF, 2007).
- By helping to re-establish the machinery of government by providing resources to finance the salaries of public servants.

34. In short, the immediate and positive results generated by Budget Support in the post conflict period strongly suggest that it was a relevant instrument at that time and in that context. Clearly, other forms of aid would also have supported these same objectives – notably the direct project support to demobilisation and to reconstruction but none of these other modalities provide the same mix of characteristics as Budget Support, notably in being fast-disbursing, in directly supporting the framework of public administration and in providing an external ‘vote of confidence’ to boost the confidence of citizens and investors.

Consistency and appropriateness of the objectives and changing design of the Budget Support package in the post recovery phase

35. Were the objectives and the evolving design of the Budget Support package structured in a way that would keep the instrument relevant, as the recovery phase concluded and the economy entered into a more normal development phase? The objectives of budget support are stated in slightly different terms in each of the relevant project memoranda/ financing agreements but the wording in DFID’s PRBS Project Memorandum for 2004/05, presents a reasonable consensus on the objectives of Budget Support; in particular, a similar wording is used in the 2006 MoU:

¹⁰ Collier (2007), pp. 18-20. In addition, the experience of having been through a civil war roughly doubles the chances of another conflict (Ibid, pp. 26-27). Hence, for Sierra Leone in 2002, the chances of another conflict within 5 years might have been as high as 28 %.

¹¹ Inflation remained well below 10 % in this period; evidence of the supply response is provided by the rates of growth in excess of 25 % registered in 2002 for production of rice, cassava and other staples and for artisanal domestic fish catches (IMF, January 2007.)

- **The purpose of Budget Support was “to improve the effectiveness of the Government Budget as the principal instrument for achieving poverty reduction and growth objectives, consistent with the Sierra Leone PRS.”**
- **Four sub-objectives were identified:**
 - The achievement of a favourable, stable macroeconomic environment;
 - Improved government service delivery, focused on the needs of the poor;
 - Development of a more effective, responsive and accountable government; and
 - Maintenance of peace and security.

36. **Thus, from 2005 onwards, Budget Support adopted a dual set of objectives.** It sought to be both a mechanism to assist in the stabilisation of the security situation and the promotion of growth and a means to strengthen the government apparatus, so as to deliver more and better services within an effective and responsive framework of accountability. Could these two sets of objectives be pursued simultaneously and did the Budget Support package provide an adequate framework for doing so?

37. **Neither the MoU nor the various financing agreements for Budget Support made clear the intervention logic by which Budget Support was to achieve its objectives.** Whereas the transmission mechanism or intervention logic for the stabilisation and growth promotion objectives was fairly self-evident, the same could not be said for the longer term service delivery and accountable government objectives.

38. In principle, the poverty reduction strategy papers should have provided the strategic framework for planning the development of service delivery and for strengthening the accountability and responsiveness of government. In practise, these strategies – in common with such documents in other countries – did not go much beyond the declaration of long-term objectives and broad priorities. They did not constitute strategies in the sense of a set of concrete, feasible actions to achieve given objectives within a defined medium term expenditure scenario: these weak poverty reduction strategy papers therefore left a “strategy gap”, regarding the policies, implementation mechanisms and financing frameworks for the scaling up of service delivery.

39. **Was the “strategy gap” addressed by other aspects of the Budget Support package?**

We conclude that there was nothing in the Budget Support design to address this need:

- As we have noted above, the primary focus of the Budget Support TA was on strengthening PFM and governance. **There was very limited attention given to sectoral policies and strategies and to service delivery processes.**
- The PAF targets, on which policy dialogue was concentrated, also had a primary focus on PFM issues (54 % of the PAF targets). The EU did introduce outcome targets for health and education within the PAF but these targeted improvements in service utilisation (enrolments, vaccination rates for children, use of health services, etc.), without defining

and tracking the institutional and policy measures which would be needed to hit those targets. **Thus, the Budget Support policy dialogue also failed to address the relevant policy and strategy questions at the sector level.**

Leveraging governance improvements and financing the PRS: a further ambiguity in objectives

40. **A further ambiguity in objectives emerged from the interest in “leveraging” improvements in governance, simultaneously with supporting implementation of the PRS and improvements in service delivery.** As we have noted, the mechanisms for supporting such improvements were never entirely clear but a natural assumption would be that the provision of a steady, predictable flow of funding to the budget so as to facilitate the scaling up of social services and the expansion of domestic investment would have been an important part of this mechanism. In terms of the design of the Budget Support package, the preservation of a relatively substantial “fixed tranche” by DFID and the EU, combined with reliable and predictable processes of disbursement of these tranches and of the AfDB/ World Bank PRSC operations should have been sufficient to secure this steady, predictable flow of budget funding.
41. With regard to the objective of promoting an effective, responsive and accountable government, the transmission mechanisms within the Budget Support package were clearer. Essentially, these comprised extensive technical assistance, an agreed set of progress targets embedded in the PAF and the incorporation of these governance and accountability targets as disbursement conditions for the DFID performance tranche¹². Some PFM targets were also incorporated as indicators for disbursement within the EU variable tranche. Thus, it was explicitly intended to provide additional financial incentives for faster implementation of these governance and accountability targets by tying them to performance and variable tranche disbursements.
42. **The simultaneous achievement of the “governance improvement” and “PRS funding objectives” would therefore have to rely on keeping the assessment of fixed and variable tranches strictly separate.** In practice, this did not prove possible for DFID because of the reputational risk created by a situation in which a significant proportion of the performance tranche was required to be withheld due to non-compliance with governance conditions.
43. In 2004/05, 60 % of the performance tranche was withheld due to concerns over the manipulation of the May 2004 election results. In 2005/06, governance concerns again led to withholding part of the performance tranche, due to a failure to hit the agreed target for ACC prosecutions, and due to the failure to publish the report of the OAG due to an interpretation of Parliamentary Standing Order No. 75, under which publication was withheld until after

¹² These targets were drawn primarily from the commitments in the 10-year GoSL-UK MoU. Thus, DFID’s performance tranche conditions focused on i) the establishment and strengthening of the Anti-Corruption Commission; ii) Streamlining the legal procedures for selection of ACC cases for prosecution; iii) Increasing the transparency of information on accountability issues, by ensuring prompt publication of the annual accounts and the Auditor General’s annual report; iv) Improvements to information on service delivery at the local level, through annual PETS surveys and related actions; and v) pursuit of the EITI initiative.

consideration of the Report by the Public Accounts Committee¹³. In early 2007, Parliament again insisted on retaining this interpretation of SO 75, and DFID therefore decided to also suspend disbursement of the “fixed tranche” of Budget Support, which was not released until after the August 2007 elections, when the new Parliament agreed to waive the application of SO 75. This created significant treasury management problems in the first six months of the year¹⁴.

44. **Therefore, the combination of a “PRS funding” and “governance improvement” objectives based respectively on fixed and performance tranches led to a GBS design which could not guarantee predictable disbursements** and which on frequent occasions generated tension in policy dialogue¹⁵. More significantly, an independent review of the GoSL-UK partnership agreement (Balogun and Gberie, 2005) concluded that it *‘provided a useful framework for dialogue on issues of concern to DFID but largely failed to prompt faster progress (in governance)’*. The reviewers compared the approach taken with that laid out in the 2005 DFID guidance on the use of aid conditions, which emphasised the importance of local ownership, whereas by contrast the detailed targets in the GoSL-UK agreement brought into the Budget Support performance tranche were largely externally devised.
45. **The experience of Sierra Leone with governance-related disbursement conditions reinforces the validity of earlier assessments of structural adjustment operations concerning the limited impact of policy conditionality.** Evaluations of structural adjustment lending are unanimous in observing a) that policy reforms were only introduced and sustained where there was a domestic political constituency in support of those reforms, and b) that these domestic political constituencies had proven impervious to the influence of policy conditionality¹⁶. While it is laudable for external agencies to wish to accelerate improvements in governance, history suggests that there are strict limits to how much can be achieved by applying disbursement conditionalities. The context of Sierra Leone was also subject to these same limits, as Thomson (2007) emphasised in reviewing the experience of the period up to 2007:

*‘...the reality of politics in Sierra Leone made itself felt as the security issues were overcome and vested interests resisted reform. Donors became increasingly frustrated by slow progress on the more difficult governance issues, particularly corruption, public financial management and service delivery. The conduct of the local elections also became an issue in 2004/05. Donors tried a range of methods to accelerate progress including private diplomacy, public statements and conditional aid **but the fundamental problem remains weak capacity and weak ownership of some of the reforms.**’¹⁷*

¹³ As a result of this interpretation of SO 75, the latest Audit Report publicly available in 2007 was that of 2002.

¹⁴ This prompted accusations by the outgoing SLPP government that DFID had deliberately favoured the APC.

¹⁵ See Lawson (2007), pp.25-26.

¹⁶ See Collier (1997), Killick (1998), Dijkstra (1999), Dollar & Svensson (2000), Tarp & Hjertholm (2000), Svensson (2003), Koeberle et al (2005) and Morissey (2005).

¹⁷ Thomson (2007), p. 30. (Bold highlighting is ours.)

2.4. Conclusions on the Relevance of the Budget Support design

46. Our assessment on the relevance of the Budget Support design is that **it was appropriate to the immediate post-conflict context but did not adequately address the “strategy gap” within the PRSP, and developed some inherent contradictions as the Budget Support design and its objectives evolved:**
- The Budget Support design proved highly appropriate to the immediate needs of the post-conflict recovery period. Indeed, three significant assessments undertaken in 2007 and 2008, all concluded that Budget Support made an important contribution to kick-starting economic growth and stabilising the security situation in the post-war period.
 - As Budget Support evolved in the post recovery period, it adopted a dual set of objectives, seeking to be both a mechanism to promote growth and a means to deliver more and better services within an effective and responsive framework of accountability. However, the mechanisms by which it would strengthen service delivery were not clear, nor did the Government’s PRSP provide an appropriate strategy for this process, leaving a “strategy gap”, which was not satisfactorily addressed either within the framework for policy dialogue or in the Budget Support technical assistance provisions, both of which focused on PFM and governance issues, rather than on sectoral policies and strategies.
 - A further ambiguity emerged from the interest of DPs in “leveraging” improvements in governance, in parallel with supporting implementation of the PRS and improvements in service delivery. The simultaneous achievement of the “governance improvement” and “PRS funding” objectives would have required keeping the assessment of fixed and variable tranches strictly separate. In practice, this proved impossible.
 - As a result, the combination of “PRS funding” and “governance improvement” objectives led to a GBS design which could not guarantee predictable disbursements and which on frequent occasions generated negative tensions in policy dialogue.
47. **The evolution of the Budget Support design was not exclusively, or even predominantly, a response to the changing context within Sierra Leone.** It was also the result of policy changes at the headquarters of the Budget Support providers. These changes increasingly favoured the use of Budget Support as a mechanism to “leverage” improvements in governance, despite the lack of evidence for the success of this approach in the absence of a strong domestic constituency supporting such governance improvements. In Volume Two, Annex 12, we provide an overview of the changes in the ‘political economy’ of Budget Support from the perspective of the providers, drawing heavily on Faust, J. & S. Koch (2014).

3. Providing new opportunities for Sierra Leone: The Direct Outputs of Budget Support

EQ 2.1 To what extent have the financial and non-financial inputs of Budget Support generated new opportunities for the Government of Sierra Leone, in terms of fiscal space, more predictable funding, a strategic problem-solving dialogue and more predictable aligned and efficient Development Cooperation?

48. Evaluation Question (EQ) 2.1 examines the extent to which the Direct Outputs of Budget Support have generated new opportunities for the Government of Sierra Leone to accelerate implementation of its poverty reduction strategy, to refine its policies or to deepen institutional reforms. Chapters 4,5,6, 7 and 8 consider whether and how such new opportunities may have been taken up by the Government, thus generating the “induced” outputs of Budget Support. Here, we first examine whether Budget Support has actually succeeded in creating those opportunities, and with what degree of efficiency. Four elements are considered:

- The volume of Budget Support funds provided over the period, their relative significance and their degree of predictability;
- The relevance, efficiency and effectiveness of the dialogue structures created through the Budget Support process;
- The relevance, quality and timeliness of the Technical Assistance provided as part of the Budget Support process;
- The wider effects, if any, of Budget Support on the alignment and harmonisation of Development Cooperation as a whole, and its relative transaction costs.

3.1. Budget Support funds – their significance and predictability

Table 2: The significance of Budget Support disbursements, 2002 – 2014

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Budget Support (\$m)	61.7	33.1	71.1	80.8	76.9	42.3	38.7	85.0	61.6	49.7	70.0	45.6	169.2
Budget Support as % GDP	6.1	3.3	6.9	5.4	4.3	2.5	2.0	3.5	2.4	1.7	2.0	1.1	4.2
BS as % Public Spending	21.4	12.2	27.8	22.1	18.9	15.0	9.5	15.5	8.8	8.0	9.2	5.9	22.1
BS as % ODA	17.2	9.9	19.0	23.6	10.1	4.0	10.0	19.7	13.6	12.1	15.7	8.6	N/A

Source: Budget Department. ODA figures from OECD-DAC

49. **In terms of its relative significance, over 2002 – 2014, Budget Support comprised an average of 3.5 % of GDP, 15.1% of total public spending and 13.6% of total ODA.** (See

Table 2). Thus, as a proportion of overall aid to Sierra Leone, Budget Support has never come close to representing the dominant modality.

50. **The real significance of Budget Support has been as a source of funding for discretionary spending¹⁸ by government and as a source of ‘stabilisation funds’ in years of low revenue.** We can see this more clearly by breaking the 13 year period into four phases, as illustrated in Table 3:

- The ‘recovery’ period immediately post-war, 2002 – 2006;
- The ‘election nerves’ period immediately before and after the August 2007 national elections, when concerns over governance caused both significant cuts in budget support in the last 6 months of the SLPP government, and delays in building up budget support flows while trust in the incoming APC government was established;
- The ‘steady growth’ period of 2009 to 2013, as the economy recovered from the slowdown due to the global financial crisis and picked up as a result of mining investments; and
- The ‘crisis’ year of 2014 due to the sharp drop in international iron ore prices and the onset of the Ebola crisis.

Table 3: Relative significance of Budget Support in different phases of the evaluation period

NB. Data refer to annual averages within each period.	2002- 2006	2007 - 2008	2009 - 2013	2014
	‘recovery’	‘election nerves’	‘steady growth’	‘crisis’
Total Budget Support (\$m)	\$64.7m	\$40.5m	\$62.4m	\$169.2m
Budget Support as % GDP	5.2%	2.3%	2.1%	4.2%
BS as % Public Spending	20.5%	12.3%	9.5%	22.1%

51. **Budget Support comprised an average of 15.1% of total public spending over the period and more than 10% of public spending in 8 out of the 13 years.** Thus, it was an important source of discretionary budget funds in most years. However, Budget Support was especially important during the recovery period immediately after the civil war, when domestic revenues were still low, and in the crisis year of 2014, when Budget Support played an important counter-cyclical stabilisation role¹⁹.

¹⁸ We use the phrase ‘discretionary spending’ to refer to those areas of spending over which government has a genuine degree of discretion or choice. Thus, by contrast with external project funds, which can only be used on pre-designated projects, budget support may be used on whatever is considered a priority by government.

¹⁹ The peak in disbursements from the EU in 2009 was also largely motivated by counter-cyclical stabilization objectives – specifically a desire to compensate for the slow-down in global demand, resulting from the global financial crisis.

Importance of Budget Support in bringing more aid on budget

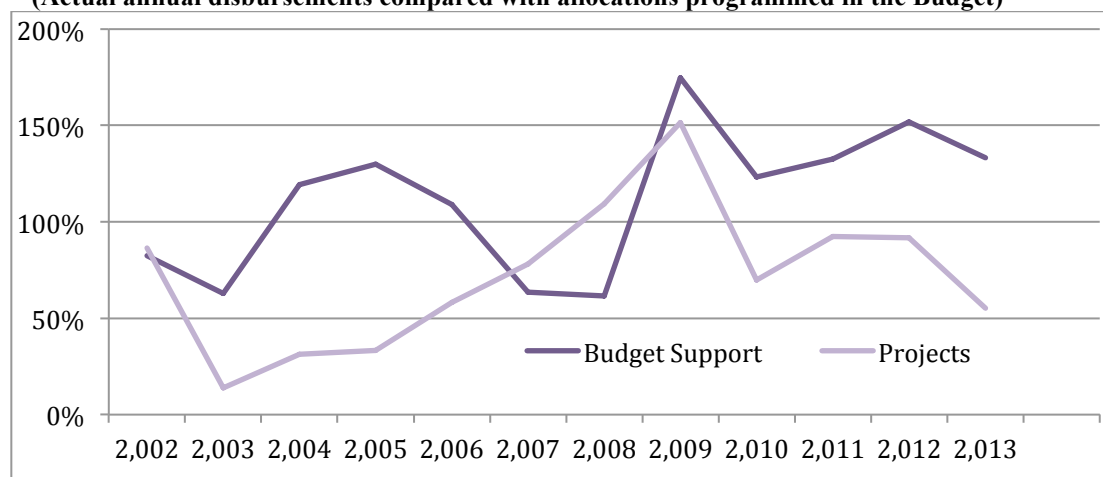
52. **In terms of its relative significance, over 2002 – 2014, Budget Support comprised an average of only 13.6% of total ODA.** (See Table 2 above). Project grants and loans have been the dominant aid modality through most of the period. As a proportion of overall aid to Sierra Leone, Budget Support has never come close to representing the dominant modality and in 2013 comprised only 9% of total ODA, having been on a declining trend since its peak of 24% in 2005.
53. With regard to the use of national procedures by other modalities, indicator D-3 which measures precisely this issue within the PEFA framework has been consistently scored as a “D” in the three PEFA assessments undertaken in Sierra Leone. **Thus, neither through its scale nor through its influence on other modalities has Budget Support had a noticeable effect on the use of national procedures for aid disbursement.**

The Predictability of Budget Support disbursements

54. Budget Support has represented on average 15.1% of total public spending over the period of the evaluation. It has thus been an important source of funding. To the extent that that volume of funding can be provided on a predictable basis, it serves both to strengthen the quality of budget programming (and hence its credibility) and also to facilitate cash and treasury management. We examine this question from the perspective of the volatility (or stability) of Budget Support over the medium term, its annual predictability and its in-year predictability or timeliness.
55. **With regard to the medium term perspective, it is clear that Budget Support has been highly volatile.** Its annual value has fluctuated from as low as US 33 million (in 2003) to a maximum of 169 million in 2014. (See table 2.) The assessment of annual values is distorted to a degree by inflation levels and the volatility of the exchange rate but ideally one would wish a regular source of budget funding to represent a relatively consistent proportion of total spending. With regard to Budget Support in Sierra Leone, this is not the case. Its importance declined - in an erratic pattern - from nearly 28% of public spending in 2004 to just under 6% in 2013, before jumping again to 22% in 2014. (Table 2.) Even considering 2014 as an exceptional year because of the deliberate use of Budget Support for counter-cyclical stabilisation during the crisis, there is an unusually high level of volatility in the pattern of disbursements over the evaluation period.
56. **The pattern of volatility in year-to-year disbursements is also reflected in the variance between the projected and actual disbursements.** (See Figure 3.) Actual budget support disbursements have varied from as low as 60 % of projected disbursements programmed in the annual budget, to as high as 170 %.
57. Nevertheless, **annual Budget Support disbursements have been more predictable than project disbursements, with annual disbursements averaging slightly more than 100% of budgeted disbursements.** (Figure 3.) In part, this reflects the fact that decisions on disbursements of the larger tranches of budget support (PRSC disbursements by the AfDB and the World Bank and ‘fixed’ tranche disbursements by DFID and the EU) have generally been

communicated in advance of the finalisation of the annual budget. In part, this reflects the prudent approach of the Ministry of Finance towards the budgeting of potential disbursements from variable and performance tranches of Budget Support: these are not included as part of the budget envelope because their assessment is generally undertaken in the same year as disbursement and has generally been subject to a high level of variability.

Figure 3: The relative predictability of Budget Support and Projects, 2002 – 2013
(Actual annual disbursements compared with allocations programmed in the Budget)



Source: Annual Public Accounts 2002-2014 - Accountant General for Budget Support; OECD-DAC for projects

58. In-year predictability of disbursements – the value and timing of disbursements by quarter as compared with the projected disbursements included in the annual cash-flow plan – is also of importance for Budget Support, given its scale. Unfortunately, consistent and reliable data by which to assess within year predictability is not available, although OPM (2006) identified this as a significant problem in the period 2002 – 2006. MoFED advised that the record had improved to a certain extent, as part of a general upgrading of cash-flow management procedures. Nevertheless, **we must judge overall that the relative performance of Budget Support in terms of volatility and predictability has been poor.**

3.2. The Policy Dialogue structures created through Budget Support

59. How far has Budget Support contributed to sustainable improvements in the quality of policy dialogue structures in Sierra Leone, in terms of institutionalising efficient frameworks, which involve relevant stakeholders, focus on strategy and results and help to address policy challenges? Here we consider the nature of the policy dialogue frameworks created through Budget Support and their influence on the national frameworks for dialogue.
60. The basic structure of policy dialogue created for Budget Support has been described in Chapter 2, section 2.2. We focus here on one key aspect of that policy dialogue structure, namely the joint Progress Assessment Framework, or PAF, which has been in place since 2006. We assess that framework in detail before presenting our overall conclusions on the influence of Budget Support upon national frameworks for policy dialogue.

The effectiveness of the Progress Assessment Framework (PAF)

61. The PAF was created as part of the architecture for the management of Multi-Donor Budget Support (MDBS), established in the 2006 Memorandum of Understanding²⁰. As stated in the MoU, the PAF was intended to be used 'to review progress towards key PRS objectives and make decisions regarding the disbursement of funds for budget support'. As the centrepiece of the joint Budget Support process, it was also expected to contribute to the core objectives of the MoU in respect of:

- Higher ownership by Government of the policy reform benchmarks used by the Development Partners;
- Supporting implementation of the PRS, notably through better PFM;
- Improving the effectiveness of Government policy and external aid;
- Making Budget Support more predictable and less volatile;
- Enhancing coordination between the Development Partners;
- Minimising transaction costs to Government; and
- Harmonising progress assessment processes.

Table 4: Total numbers of PAF indicators per year by Sector/ Thematic Area

	2006	2008	2009	2010	2011	2012	2013	Total	
PFM	Budget Credibility	8	1	9	3	3	4	4	32
	Procurement	2	3	6	2	1	2	2	18
	Payroll		1	5	2	2	2	2	14
	Revenue Administration			1	2	2	2	2	9
	External Oversight	2	1	1	2	2	2	2	12
	Internal Audit	1	1	1					3
	Decentralization	1	1						2
	Education	4	1	1	1	1	1		9
Non-PFM	Health	3	1	1	1	2	3	2	13
	Energy		1	3	3	3	1		11
	Roads	1					1	1	3
	Investment climate	2		1					3
	Good Governance	1		1					2
	Mineral Resources								
	transparency	2			1	3	2	2	10
	Aid partners		1	2					3
Total	31	16	37	18	19	20	17	158	

Source: Annual Review Reports 2006 and 2008-2013.

²⁰ The full title was the 'Partnership Framework between the Government of Sierra Leone and its Development Partners for joint Budget Support for the Poverty Reduction Strategy.'

62. The evaluation team were able to obtain documentation on seven of the ten annual reviews²¹ of the MDBS PAF undertaken since its introduction in 2006²². This gives a good sample from which to reach conclusions on the overall quality of the PAF. Table 4 shows the total number of indicators by year and by sector/ thematic area, while Figure 4 shows the number of indicators assessed as met, not met, 'not met but with some progress' and not measured. Figure 5 shows the same statistics for those indicators relating to PFM, and Figure 6 for the non-PFM indicators.

63. Based on these data, we make the following observations of the PAF in Sierra Leone:

- **The overall number of indicators in the PAF appears reasonable**, varying from a maximum of 37 to a minimum of 16. Since the review undertaken in 2009 – leading to the revision of the MoU in 2010 - the number has been 20 or less. This compares favourably with countries, such as Mozambique or Tanzania, where the average number of indicators has been more than 40.
- **Indicators are for the most part measureable**, as may be seen from the relatively small number, which it has not been possible to assess (3%). Moreover, since 2011, it has been possible to assess all of the indicators, so clearly there has been a positive learning process, with regard to the definition of indicators.
- **There has been a reasonable degree of consistency in the performance indicators maintained from year to year.** Some 70 % of indicators were repeated from one year to another, albeit with minor changes in their formulation. This suggests a consistent approach to the selection of indicators, in that most issues considered important to measure in one year were still considered important in the subsequent year, but at the same time there was space to introduce new reform priorities.
- **Indicators are focused on PFM issues and cannot be said to be properly representative of the objectives of the PRS.** 54% of the indicators are focused on PFM and only a quarter on sectoral issues. The EU introduced outcome targets for health and education but these targeted improvements in service utilisation (enrolments, vaccination rates, etc.), without laying out a set of milestones (increases in funding levels for particular programmes, specific policy actions, etc.), which might show progress in implementing the measures needed to hit those targets. The focus on the Free Health Care Initiative from 2010 onwards is an exception to this general observation but dialogue on this was led at the sector level through the DFID/ Global Fund SBS. There was nothing equivalent within the MDBS PAF, either in education or roads, while agriculture was altogether absent from the PAF matrix.

²¹ The 2015 review had just been completed at the time of the main mission and the corresponding annual report was not yet publicly available. Documentation for the 2007 and 2014 reviews was not available but there are indications that neither of these reviews took place as normal, if at all: - 2007 being an election year and 2014 being heavily influenced by the crisis due to the crash of iron ore prices and the onset of Ebola.

²² The reviews have been dated by the year in which they took place but they refer to performance in the previous year, i.e the 2006 review assessed performance in calendar year 2005.

Figure 4: Aggregate assessment of PAF performance indicators, 2005-2012

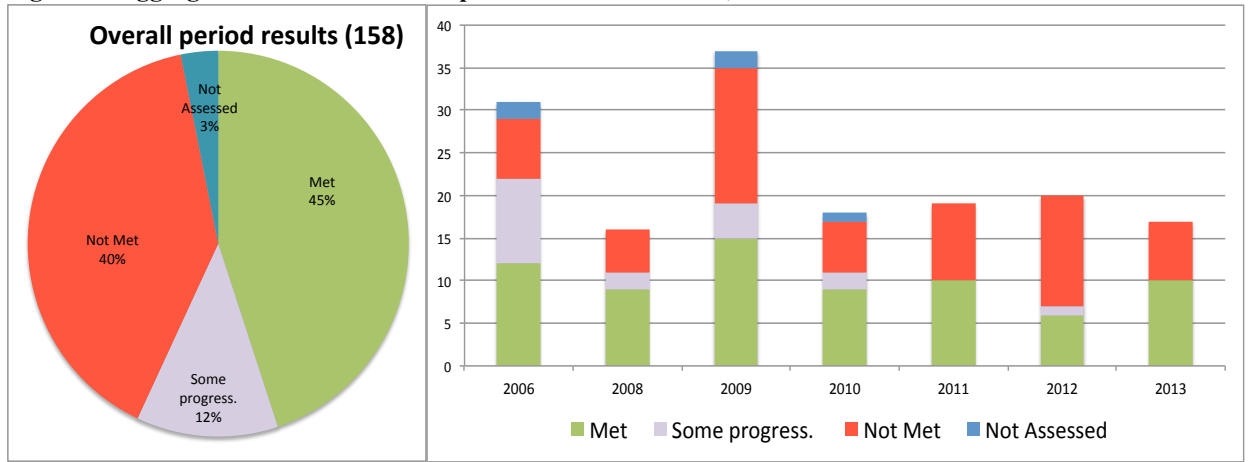


Figure 5: Assessment of PAF performance indicators for PFM issues, 2005-2012

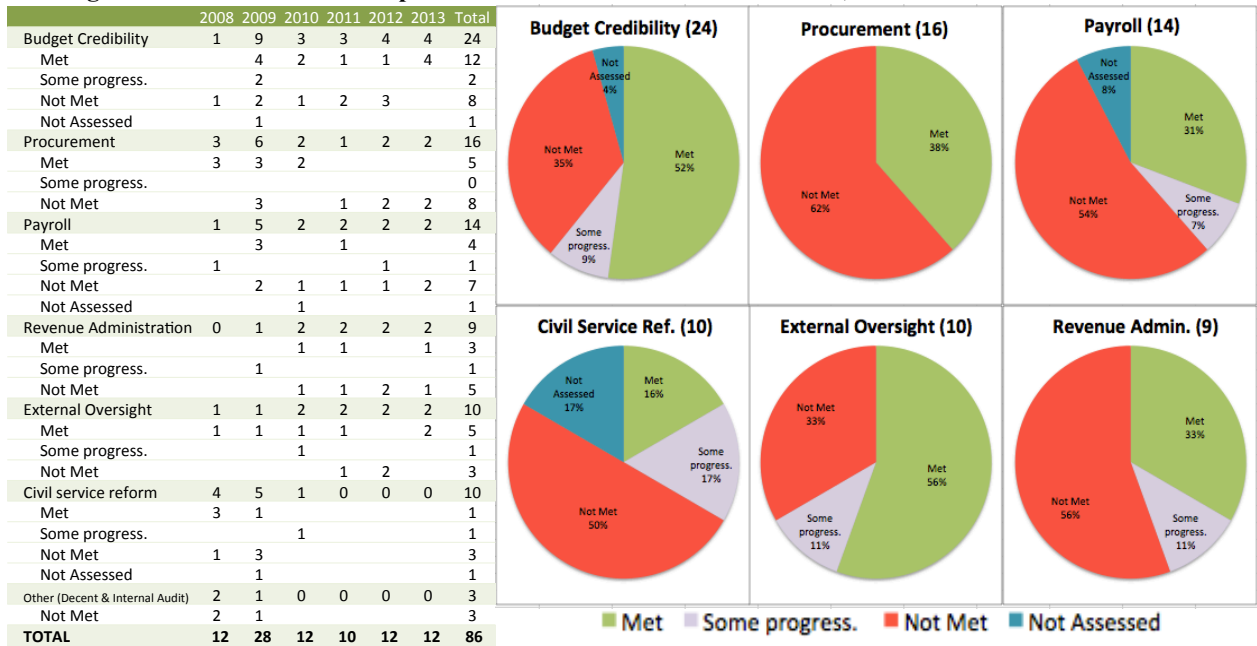
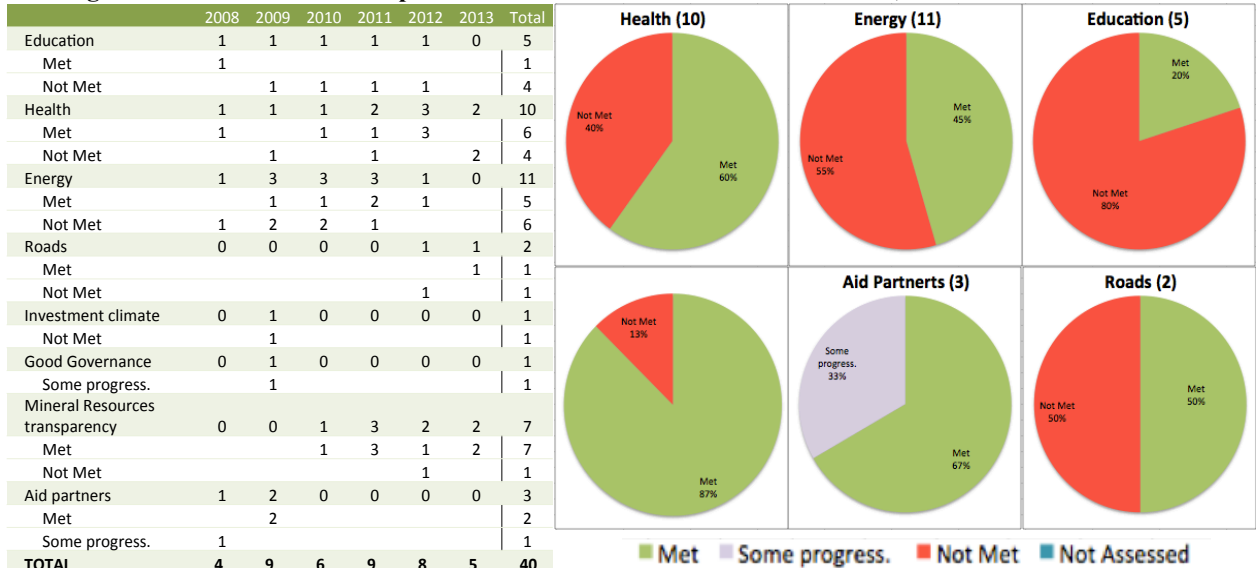


Figure 6: Assessment of PAF performance indicators for non-PFM issues, 2005-2012



64. **The final question to consider is whether the PAF targets represented the right level of ambition for a programme of this kind.** In other words, were the reform targets in the PAF sufficiently challenging, without being unrealistic? As may be seen from Figure 4, 45 % of the targets were met in aggregate, with a further 12% indicating some progress. 40 % of the targets were not met. This performance is lower than normal for a Budget Support programme²³.
65. Comparing the PAF performance between PFM and non-PFM related issues, it is interesting to note that performance against non-PFM issues is better, with 55 % of indicators met whereas only 34 % of PFM indicators were met. Amongst the PFM issues, performance was poor with regard to civil service reform, revenue administration, payroll and procurement and rather stronger with regard to external oversight and budget credibility. (Figure 5.) With regard to the non-PFM issues (Figure 6), performance was good with regard to mineral resources transparency (7 out of 8 indicators were met) and health (6 out of 9) and poorer in education (1 out of 5 indicators met), where the targets for reform of the teachers' payroll system were repeatedly missed.
66. **The question is whether performance was less than average because of a lack of commitment to reform or because the targets were unrealistic?** Considering first the realism or feasibility of the PAF reform targets, at first sight, the PAF targets taken individually do not appear unrealistic; nor does the overall number of targets or the range of sectors/ thematic areas covered appear excessive – as we have noted above. Moreover, neither GoSL nor donor stakeholders expressed the view that the PAF targets were unrealistic. **It therefore does not appear that the problem of poor performance derived from a lack of realism in the PAF targets, nor from technical weaknesses in the construction of the PAF.**
67. **Our conclusion is that the lack of faster progress against the PAF was primarily the result of the absence of an underlying process of reform design and implementation.** We identified in Chapter 2 (Section 2.3) the existence of a “strategy gap” – the absence of a structured process for diagnosing what would be required to meet PRS objectives, and for defining a set of milestones – specific policy decisions, budgetary measures or institutional actions, which together might comprise a feasible medium term strategy. The PAF cannot itself fill this gap: it must rely on other processes to create the policy framework for defining targets and the implementation structures to achieve them. In this sense, the PAF is simply the tip of a “policy iceberg”: in the case of Sierra Leone, there has been a distinct lack of the strategic action “below the waterline” necessary for the achievement of progress in the iceberg tip, i.e. the PAF.
68. **However, a framework for policy design and implementation should also include an in-built process of “buying-in” political and wider administrative support.** Again this would appear to have been significantly absent in Sierra Leone. Diagnosing problems and defining corrective measures within a feasible, medium term strategy is a first step towards reform

²³ For example, in Mozambique over 2005 – 2012, slightly over 50 % of the PAF targets were assessed as achieved and a further 30 % assessed as 'not achieved but with progress'. In Tanzania, over 2004/05 to 2011/12, the number of indicators assessed as achieved averaged 57%, without counting those considered partially met. (See ITAD, 2014 and ITAD, 2013.)

implementation. In relation to PFM, a comprehensive National Action Plan for PFM had been put in place, based on structured diagnostic work²⁴ but, with regard to the education sector and other sectors relevant to the PRS objectives, even this first step was largely absent.

69. **The lack of progress in the PFM targets included in the PAF would seem to reflect a lack of political and wider administrative commitment to reform.** For example, the four poor performing areas – civil service reform, payroll, procurement and revenue administration – are all areas, which threaten the scope for political patronage within the public administration system. (Figure 5) They are also areas, which demand corrective actions and improvements across a wide number of stakeholders – by contrast with external oversight or budget credibility, which can be improved through actions by the Office of the Auditor General or the Ministry of Finance. Yet, the PFM reform plan was largely developed and implemented by a small team of technicians within MoFED: it was largely lacking in consultation and ‘outreach’ processes to communicate upwards to political leaders and outwards to civil service colleagues.
70. **By contrast, the two most prominent areas of success within the PAF, namely the reforms relating to mineral resources transparency and to health care provision built on strong political commitments to the EITI process and to the Free Health Care Initiative.** Both of these were areas where there had been active political dialogue within Sierra Leonean society and between the Development Partners and President Bai Koroma and his senior ministers. There has not been a similar level of political engagement with regard to the improvement of revenue administration and the reform of public procurement processes.

The Transaction Costs of Policy Dialogue

71. Minimising transaction costs to Government and harmonising progress assessment processes were explicit objectives of the 2006 MoU for joint budget support. How effectively have they been fulfilled?
72. **With regard to the PAF itself, the indications are that it was a relatively efficient process in terms of transaction costs:**
- The number of PAF targets was not excessive;
 - The vast majority of the targets were measureable, indicating some attention to the quality of definition of indicators and related sources of information, in line with the S.M.A.R.T mnemonic²⁵.
 - The annual review reports were generally concise, never exceeding 25 pages.

²⁴ We discuss the quality of the PFM reform strategy in Chapter 5. Although we do identify certain weaknesses, there is no doubt that it was a coherent and structured plan.

²⁵ The criteria of “SMART-ness” require that indicators should be specific, measureable, affordable, relevant and time-bound. Only 3% of the PAF indicators in Sierra Leone were unmeasureable (Figure 4), as compared for example with over 12 % in Tanzania and 3-8 % in Mozambique. (ITAD, 2013 & 2014.)

- The only indicator that suggests higher transaction costs is the fact that stakeholders reported the time taken to complete annual reviews and produce the final agreed Review Report was between 3 and 6 months.

73. In Sierra Leone, high transaction costs result from the fact that the PAF and the related Joint Annual Review are not the sole system of assessment of progress. In practise, the joint annual reviews have not eliminated the need for additional individual assessment missions by each agency. The AfDB, DFID and the World Bank reported that bi-lateral assessment missions had to be undertaken in virtually every year over 2006 – 2014, in addition to the annual joint review of the PAF²⁶; the EU was generally able to organise its assessments within the framework of the joint reviews but did occasionally require additional missions, in particular to assess performance against the variable tranche. There are two basic reasons for this:

- **Shortcomings in the quality of information provided at the time of the joint annual review.** In principle, the MoU for Budget Support provides for a joint assessment of performance, which then feeds into agency-by-agency decisions on disbursements. However, it has often been the case that insufficient information is made available at the time of the joint assessment in order to reach a conclusive decision on performance, necessitating further investigation and analysis, which has generally been conducted on a bi-lateral basis by the individual agencies most interested in each indicator.
- **The perceived need for 3 of the 4 agencies to introduce alternative conditions for disbursement.** This perceived need has arisen out of two separate scenarios: either it has been considered that developments during the year have rendered particular indicators in the PAF inadequate to measure performance, necessitating the introduction of new indicators or new aspects of performance – which has sometimes been the case for DFID in relation to its performance tranche. Or the performance against the indicators pre-agreed in the PAF has been considered too poor to justify disbursement, although there have been other areas or aspects of progress not initially considered in the PAF, which have been considered a justifiable basis for disbursement. This latter scenario has been a repeated concern for the AfDB and the World Bank, who have been reluctant to accept a “no disbursement” scenario within the “all or nothing” disbursement framework in which they have to work²⁷.

74. Consequently, the structure of disbursement mechanisms and the related structure of policy dialogue has not worked as a single harmonised process but rather as a two-

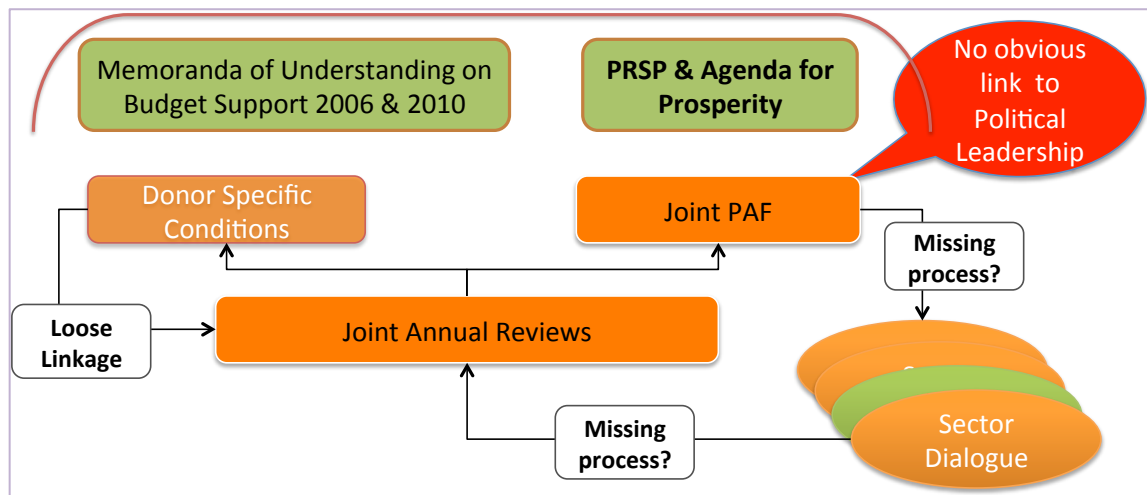
²⁶ This fact was confirmed by staff of MoFED.

²⁷ Stakeholders from the two institutions were quite candid about the motivations and interests in this respect: ‘...there is no point in going to the Board when only a minority of prior actions have been fulfilled so, where we believe progress is being made, we prefer to delay the submission to the Board until we have identified a new set of prior actions where there is evidence of progress...’

layered structure with a number of different strands. While the joint PAF has provided the first stage of assessment, it has in each year been followed by additional bi-lateral discussions aimed either at resolving issues outstanding from the joint review or at assessing additional areas of performance. This lack of harmonisation in the assessment process has resulted in an unnecessarily high level of transaction costs, as a result of the Government having to manage 3 or 4 assessment missions per year, as opposed to one joint assessment.

Conclusions on the effectiveness of mechanisms of Policy Dialogue

Figure 7: Key strengths & weaknesses of the Policy Dialogue process



75. Our conclusions on the effectiveness of the mechanisms of policy dialogue introduced through the Budget Support process are summarised in Figure 7 and in the points below:

- The 2006 & 2010 Memoranda of Understanding aimed to consolidate & align policy dialogue around a joint PAF, with the specific objectives of harmonizing the assessment process and reducing transaction costs.
- The PAF contains a reasonable number of measurable indicators and in itself is relatively efficient in terms of transaction costs.
- However, the PAF does not fulfill its intended purpose effectively because 3 of the 4 Budget Support providers (AfDB, DFID and WB) have retained their specific conditions, which in most years have been assessed through bilateral reviews outside of the PAF framework.
- Taken together, the PAF and the donor-specific matrices for assessing eligibility for disbursements have led to increased transaction costs for Budget Support.
- The PRS provides a formal point of focus for the policy dialogue but its lack of strategic content creates a void, which the PAF itself cannot fulfill: there is a “strategy gap”, due to the absence of effective frameworks for sectoral policy design, implementation and monitoring.

- Sector dialogue is largely absent from the process: there is limited MoFED – Sector interaction²⁸ and also limited engagement by Budget Support providers in sector dialogue, with the notable exception of work on the Free Health Care Initiative, which was predominantly carried out within the framework of the DFID/ Global Fund SBS arrangement and not through the MDDBS process. (See Chapter 7.)
- Political dialogue is also largely absent both in terms of interactions between the senior civil servants in MoFED and their political leaders and in terms of political dialogue between the GoSL ministers and the Heads of Cooperation/ Heads of Mission of the Budget Support providers.

3.3. Budget Support TA – its relevance, quality and timeliness

76. **Budget Support arrangements have been accompanied by a significant amount of Technical Assistance (TA)**, which has been provided by each of the four main Budget Support providers. As we noted in Chapter 2, the scale of the expenditure on TA is difficult to quantify with the available information. However, it has certainly been substantial, amounting to at least 10% of the value of Budget Support disbursements, some US \$ 6-7 million per year.

77. **The focus of the TA provided has been to build up capacities in areas related to PFM and governance**, including the following areas:

- Budget/ expenditure management functions within MoFED, including both international TA and locally hired Sierra Leonean professionals to work in senior line management positions;
- Revenue management (NRA)
- Anti-corruption (ACC-SL)
- External audit (ASSL)
- Support to EITI accession
- Support to Health Payroll reforms
- Support to Teacher records management
- Support to the National Public Procurement Agency (NPPA).

78. TA provisions have also been used to finance specific studies and assessments, such as the PEFA assessments of the status of PFM systems. Relatively little TA has been dedicated to support policy analysis, development and implementation at the sectoral level.

79. In terms of the relevance and the strategic focus of the areas chosen for support through TA, clearly it was important at the outset of the Budget Support process to focus on PFM and core

²⁸ These facts were confirmed in interviews with MoFED and with the Budget Support providers. In particular, there is very limited engagement between senior staff of the sector ministries and senior MoFED staff: only junior sectoral staff attend MDDBS PAF meetings, if at all.

governance areas. However, as we have noted above in the discussion on policy dialogue, systems of management and accountability are only a means to an end: good public finance results require effective mechanisms for policy analysis, formulation and implementation. **These were largely missing at the sector level and this capacity gap was not addressed through the TA provided in the Budget Support package.**

80. In terms of the appreciation of the quality of TA, government and DP stakeholders agree that TA provision generally responded to a demand from Government, usually articulated through the policy dialogue around the PAF. (It is perhaps for this reason that the scope of TA largely mirrored the scope of coverage of the PAF.) In addition, TA needs in Health were identified through the discussions relating to the SBS arrangements for the FHCI.
81. The evaluation team were only able to obtain documentation for the TA provided in the PFM and anti-corruption areas (some ToR, some documented outputs and some review reports). For this same area, it was possible to have a degree of triangulation of stakeholder interviews, through discussions with the relevant institutional stakeholders (MoFED, NRA, OAG/ ASSL, ACC-SL), in most cases with the relevant DPs and in some cases with the actual technical assistants. We present below our assessment of the quality of TA outputs in these areas.
82. Within Education and Health, it proved possible to undertake some comparison of the effectiveness of TA provided to support payroll reforms in each of these sectors. The fact that most of the SBS targets for payroll reform were met, whereas the MDBS PAF targets on teacher payroll reform were largely missed gives a clear indication of where some success was attained; this perception was supported by our interviews with MoFED, the sector ministries and the relevant DPs. However, in the absence of direct interviews with the TA staff themselves and with limited relevant documentation available, we are unable to bring a judgement to bear on the quality of the TA itself. These experiences are analysed in more depth in Chapters 7 and 8, where we conclude that the primary driving factor behind the success of the payroll reforms in health was the political commitment to the FHCI, and to the related pay and payroll reforms.
83. Within the PFM area, most stakeholders agree that the use of locally hired TA in the early years of the evaluation period to take senior positions within MoFED and the other accountability institutions was crucial in re-establishing core capabilities in these agencies and in driving the process of PFM reform in the early years. There are different opinions about how effectively the process of subsequent integration of these staff into the civil service structure was handled. Certainly, this process created tensions at the time but several of these staff have been integrated into the civil service and continue to play influential roles both as managers and policy analysts.
84. Locally hired TA are a good example of what may be described as “institutionally-embedded TA”, that is technical assistance whose primary role is to strengthen a given institution rather than to pursue a particular programme of reform. The evaluation team were able to undertake a comparative analysis of the TA to PFM reform and to anti-corruption provided as institutionally embedded TA and that provided through integrated projects. Systems reform and capacity

building in the PFM and governance areas remains a work in progress, as we note in Chapter 5, and there are indeed signs of some stalling of progress in recent years. Nevertheless, progress has certainly been made since the early post-war years in most areas and to a significant extent this may be attributed to the TA support provided. **In particular, in Sierra Leone, it is the institutionally embedded TA that have performed better**, as explained in Box 3.

Box 3: Effects of BS-related TA for PFM – Integrated projects vs. Institutionally embedded TA

Comparing integrated and institutionally embedded budget support-related TA

A large share of PFM TA has been provided through World Bank integrated projects covering numerous PFM components and bodies (e.g. the Integrated Public Finance Management Reform Project), with other budget support providers providing co-financing. Smaller, stand-alone TA projects were also provided to individual PFM bodies (most notably DFID-supported interventions to ASSL, NRA and the Anti-corruption Commission). A number of comparisons can be drawn about the relative effectiveness of these respective TA modalities, based on donor reviews of such interventions and on our interviews with the relevant stakeholders. These suggest that **institutionally embedded TA has been more effective than integrated project TA in addressing PFM weaknesses**.

Integrated project TA:

- Has aimed to support strategic, sequenced reforms across PFM areas but capacity and planning weaknesses have limited effective sequencing in practice.
- Has tended to prioritize large, complex interventions (e.g. IFMS) as opposed to small, more incremental steps that may sometimes have been more effective in addressing implementation and functionality gaps, especially given the fragile context.
- Has encountered significant programme management/ coordination challenges, both on the Government and donor sides, that have affected implementation.

Institutionally embedded TA:

- Has focused on more modest objectives related to capacity and institutional building (with most of these objectives having been met).
- Its success has been largely dependent on the quality of the long-term TA, which has been the main intervention input.
- Has been relatively adaptive and flexible in addressing needs in rapidly changing contexts (such as the recent Ebola outbreak).

3.4. Conclusions on the Direct Outputs of Budget Support

85. The most significant input of Budget Support has been to provide counter-cyclical stabilization funding, in periods of low aggregate demand and low domestic revenue.

This funding was especially important in the post-conflict years (2002-2006), when it amounted to

5.2% of GDP and over 20 % of public spending, and again in 2014, when it comprised 22 % of public spending, 4.2 % of GDP. In both periods, it had a major importance as a stimulus to aggregate demand and as a source of discretionary financing for government.

86. Budget Support was also a source of discretionary financing for government in the intervening years **but its value was undermined by the high level of volatility and the relatively low predictability of disbursements.** This volatility reflected an ambiguity in objectives: whilst Budget Support aimed to support the implementation of the PRS, in practise it did not provide the steady, predictable flow of funding, which would have constituted the most effective support to scaling up social services and expanding investment in line with the PRS. The reasons for this are not well documented but it may be that for some agencies (such as DFID over 2006-2008), the desire to use Budget Support as a mechanism of leverage to accelerate governance improvements held primacy over the PRS funding objective; for other agencies, (the AfDB and the World Bank, 2007-2010), the decline in the scale of disbursements appears to reflect concerns over fiduciary risks and a dissatisfaction with the slow pace of reforms.
87. **The 2006 MoU for joint Budget Support was aimed at harmonising disbursement processes and reducing transaction costs but this objective was never truly achieved due to the maintenance of bi-lateral assessment processes alongside the joint PAF.** In practise, the transaction costs of assessing the eligibility for disbursements proved high and the policy dialogue process remained relatively fragmented.
88. **Arguably, the PAF introduced a useful process for setting national reform targets and measuring annual progress in a transparent manner.** Such a process had not previously existed. However, the PAF process proved unable to address the existing “strategy gap”, that is the relative absence of frameworks and processes to analyse, formulate and implement effective sectoral policies. It also largely failed to create effective linkages between the senior civil servants and their political leaders and also between MoFED and the sector ministries.
89. **The Technical Assistance provided through Budget Support helped to address important capacity needs in respect of PFM functions and core governance areas.** The TA provided on an institutionally embedded basis tended to have the most success in creating sustainable capacity improvements. However, the relatively narrow focus of TA on PFM and governance issues again led to some neglect of the needs at the sectoral level.
90. **The modest scale of Budget Support as a component of ODA and the absence of any clear mechanism by which to promote improvements in aid effectiveness meant that no clear effects were discernible with regard to improving the efficiency of Development Cooperation.** Budget Support comprised an average of only 13.6% of total ODA. It never came close to representing the dominant modality and in 2013 represented only 9% of total ODA, having been on a declining trend since its peak of 24% in 2005.

4. Macroeconomic management, expenditure allocation and domestic revenue generation

EQ 3.1 To what extent has Budget Support contributed to improvements in the quality of macroeconomic management, in the effectiveness of domestic revenue mobilisation and in the strategic allocation of budget resources?

91. Evaluation Question (EQ) 3.1 considers the first of the potential induced outputs. It examines the extent to which there have been improvements in the quality of domestic revenue mobilisation, macroeconomic management and in the strategic allocation of resources. Secondly, it assesses how far such improvements can be attributed to Budget Support and, if so, to which mechanisms of influence. It should be read together with Annexes 6, 7 and 8 of Volume Two.

4.1. Domestic Revenue Generation

Figure 8: Domestic Revenue collection as a % GDP 2001-2015

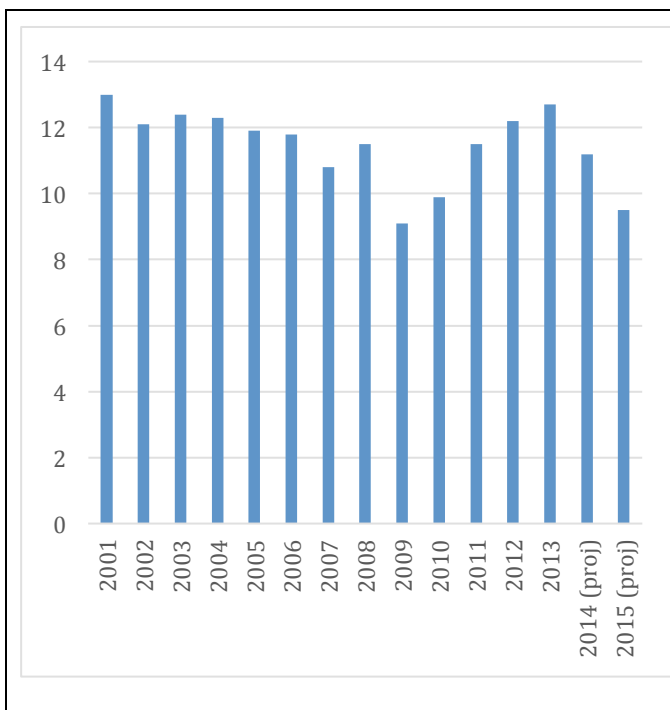
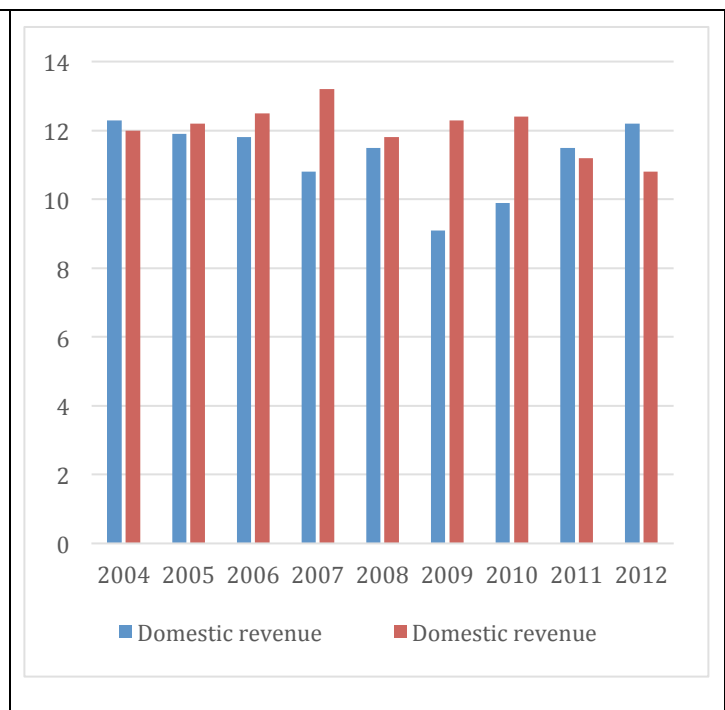


Figure 9: Domestic Revenue performance against IMF targets



Source: IMF Article IV reports

92. Domestic revenue mobilisation has been weak throughout the evaluation period.

Domestic revenue (i.e. excluding grants) as a per cent of GDP has remained virtually unchanged at around 12 per cent from 2002 to 2014 (see Figure 8). Whilst it has increased significantly in absolute terms (by around 10 per cent) this is consistent with the high levels of economic growth during this period, suggesting a fairly limited impact from specific revenue reforms (See Box 4). Continued problems include low compliance, with weak audit and enforcement systems for collecting taxes (e.g. full pass through of the fuel levy), issues in transferring off-budget funds to consolidated revenue (e.g. telecom licenses), and lower than expected customs revenue. Revenue mobilisation also underperformed against IMF Programme targets in 6 out of 9 years, and over 2007 – 2010 by a substantial margin. (See Figure 9).

Box 4: Selected revenue mobilisation and management reforms**2002-07**

- i. The transfer of the administration of tax and duty waivers to the National Revenue Authority (NRA)
- ii. Additional staff and collaboration with police and navy to step up the fight against smuggling
- iii. Creation of a Large Taxpayer Unit.

2007-12

- iv. Introduction of the GST
- v. Process to join the Extractive Industries Transparency Initiative (EITI)

2012-14

- vi. Extractive Industries Revenue Bill
- vii. Natural Resource Revenue Fund sub-account
- viii. Development of the Public Investment Program (PIP) Unit and plan
- ix. Development of a medium-term debt management strategy
- x. Introduction of a small taxpayer regime

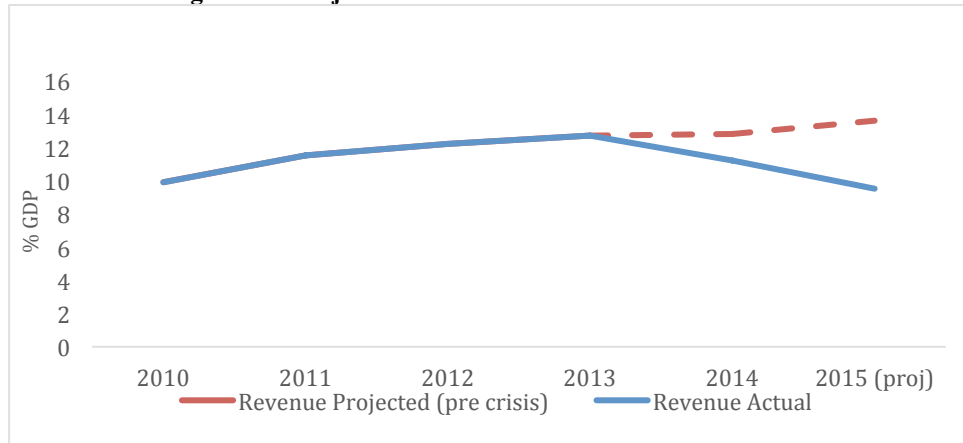
Source: Various IMF reports

93. Sierra Leone's revenue performance also compares poorly with other countries in the region. Domestic revenue collection as a per cent of GDP is significantly higher in Liberia (9 per cent points higher in 2012) and Cote D'Ivoire (3 percentage points in 2012) and Sub-Saharan Africa more generally (by some 2 percentage points). Furthermore, over the evaluation period, the gap between Sierra Leone and these comparators has not closed. (World Development Indicators, 2005 and 2012).

94. However, there were signs that revenue performance was improving in the years preceding the collapse of Iron Ore prices (and subsequent closing of Sierra Leone's mines) and the Ebola crisis.²⁹ Figure 10 shows that revenue mobilisation was predicted to reach the SSA average before the crisis hit, owing to both increased mining receipts and administrative and enforcement improvements in the NRA.

²⁹ In relation to macroeconomic performance the decline in mining activity was more significant than the Ebola crisis, which largely affected informal trading activity.

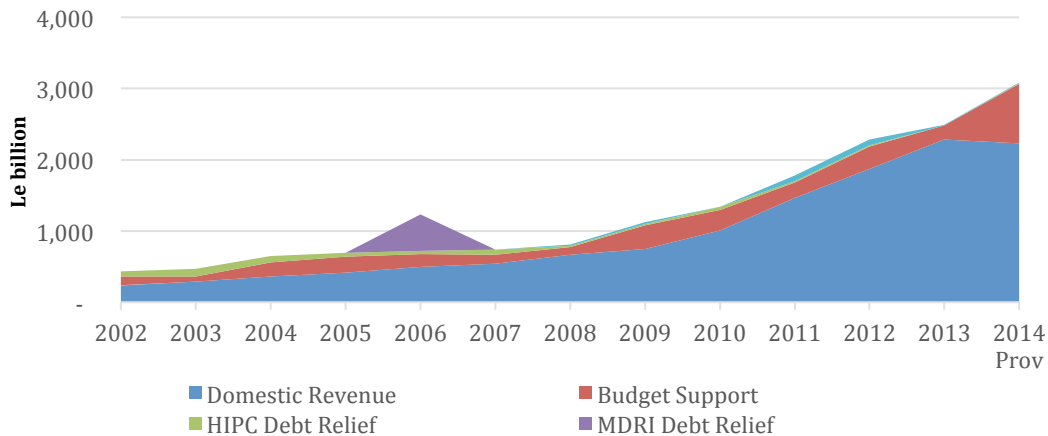
Figure 10: Projected Domestic Revenue Trends Pre-crisis



Source: IMF reports

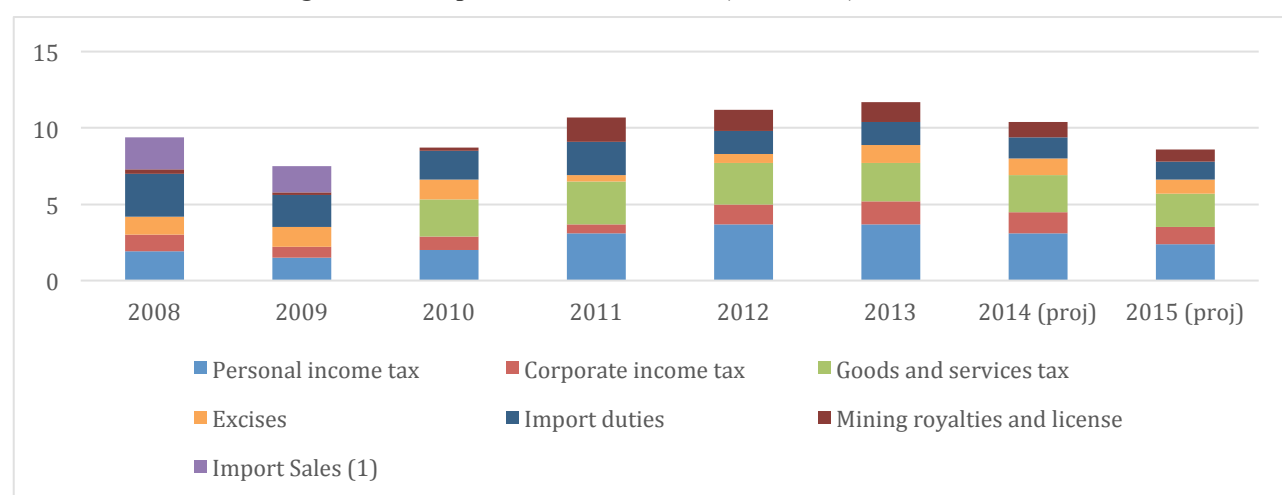
95. Budget support and debt relief have played an important, albeit declining, role (Figure 11) in supplementing domestic revenue. From 2002-2006 this external assistance combined added over 10 percentage points (of GDP) to resource flows, almost doubling inflows from domestically generated revenue (more so in 2006). This then moderated to around 5 percentage points from 2007, under half that generated domestically.

Figure 11: GOSL Direct Resource Flows - 2002-2014



Source: IMF reports

96. In the latter part of the evaluation period there has been a shift in the composition of revenues (Figure 12): personal tax, which suffers from low compliance, increased significantly from 2008, from 1.9 per cent of GDP to 3.7 per cent in 2013. Similarly, the iron ore boom led to increases in mining royalties and licences. These are forecast to reduce as depressed iron ore prices continue to affect the industry. In 2010, the introduction of a goods and services tax (GST) replaced previous sales taxes. Although this has not led to increases in revenue collection, it is likely to have improved the efficiency of the tax system.

Figure 12: Composition of tax revenue (% of GDP)

Source: IMF reports

4.2. Management of Public Spending

97. **In relative terms, total expenditure decreased over the evaluation period, by 10 percentage points of GDP** (See Volume Two, Annex 6 for a table of key fiscal indicators). In part, this simply reflects the fast growth in GDP in the post war period but it is also the result of improved expenditure control and a planned decline in relative levels of spending from the initially high levels in the recovery period. Recurrent expenditure dropped from 24.8 per cent of GDP in 2002 to an estimated 13.3 per cent in 2014. Nevertheless, with the exception of 2013, this level of spending has been above that which could be sustained by domestic resources alone.
98. **Development (capital) expenditure has increased over the same period reflecting a significant shift away from recurrent expenditure.** Capital expenditure, rose from 4.4 per cent of GDP in 2002 to a high of 9 per cent in 2011, before moderating somewhat in recent years. Two thirds of this expenditure has been foreign financed – through project grants and concessional loans. However, domestically financed expenditure - mainly invested in energy and roads - also increased from 2010, up to around 3 per cent from an average of 1 per cent over 2002 to 2009. This still remains below that of its neighbours: for example, in Liberia and Cote d'Ivoire, domestically financed capital expenditure comprised 3.4 and 3.7 per cent of GDP respectively in 2012.
99. **There has been an upward trend in the wage bill, over the evaluation period, with significant increases in recent years** (Figure 13), despite the worsening fiscal situation. Wages to GDP has returned to its post war high, having declined from 9 to 6 per cent GDP in the first half of the evaluation period. It now accounts for over 50 per cent of recurrent expenditure, and 60 per cent of domestic revenue (Figure 14). A number of reforms focused on pay have been supported by GBS providers, including a Medium Term Pay Reform Strategy commenced in 2011, and support for pay and performance, civil service reform and biometric registration.

100. A significant part of the increase in salary spending has been due to the expansion of staff in priority sectors, notably health and education, for example, the hiring of around 1600 teachers, and health workers (as part of the Free Health Care Initiative). The minimum wage increases of 2014 and 2015 were also significant.³⁰

Figure 13 Wage expenditure, 2001-15

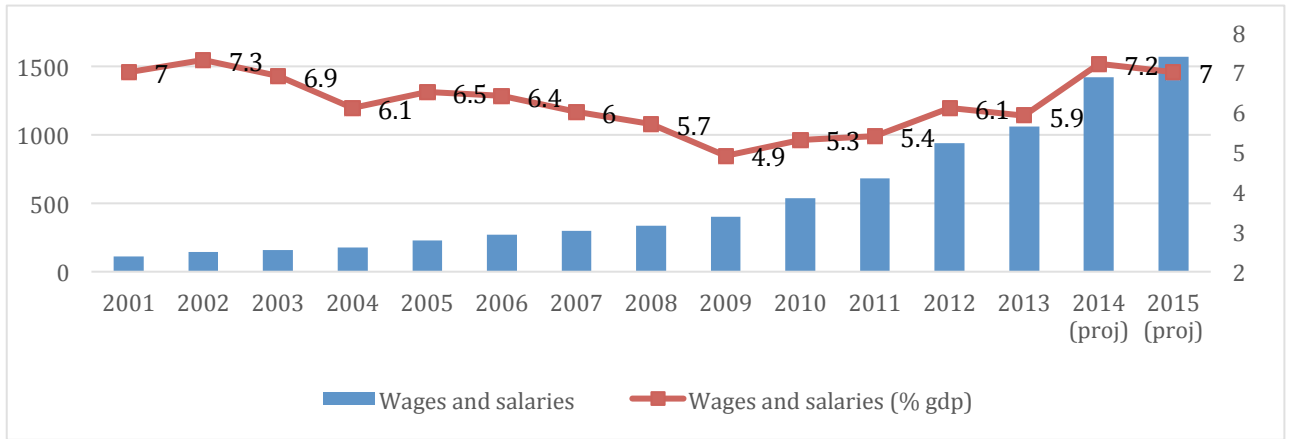
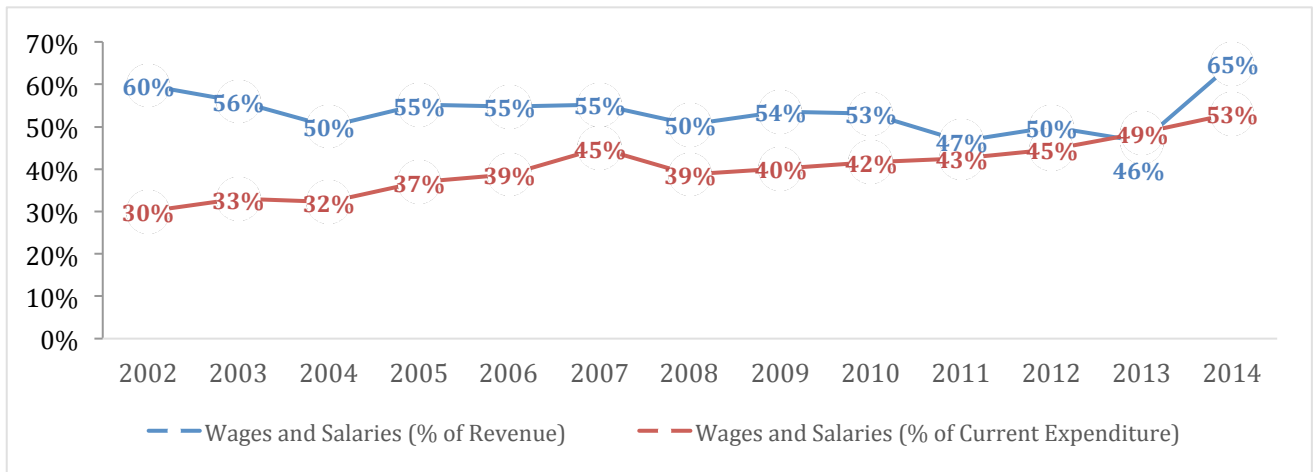


Figure 14 Wage expenditure, 2002-14 as percentage of revenue and expenditure



Source: IMF reports

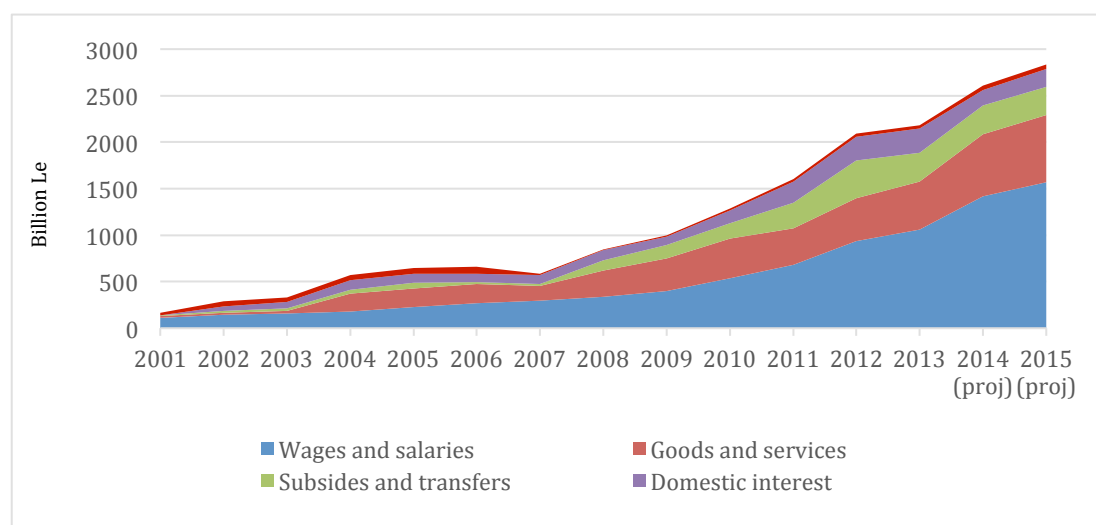
101. There has been a significant decline in annual interest payments from 5 per cent of GDP at the start of the evaluation period to less than 2 per cent more recently, freeing up fiscal space for productive expenditure. The nature of interest payments has also changed with interest on foreign debt at a significant level until the MDRI debt relief of 2006 and 2007. On the other hand, domestic interest payments have increased in the last decade as Governments have used local borrowing (mainly in the form of Treasury Bills) to fund recurring deficits³¹. Increased domestic borrowing was associated with high Treasury Bill rates in 2011 and 2012 (over 20 per cent), but

³⁰ In 2014 the official minimum wage was increased by 114 per cent for teachers and 71 per cent for police and military personnel. An additional increase of 15 percent above this was also provided in 2015.

³¹ This has involved the frequent issuing of Treasury Bills, as well as Government borrowing from the Central Bank 'ways and means' account - subsequently capped at 5% of the previous years' domestic revenue.

interest rates have reduced more recently as the scale of borrowing has fallen through better expenditure control.³² External borrowing, including from non-concessional sources is again likely to grow over time to replace Budget and project support for the financing of capital spending, as investment needs remain large (IMF 2013).

Figure 15: Composition of recurrent expenditure, 2001-15



Source: IMF reports

102. Declining overall expenditure has improved the overall fiscal balance, although a budget deficit has been run throughout the period. The overall deficit before grants improved from 16.5 per cent in 2002 to around 10 per cent from 2008 to 2012. It fell to a much more sustainable 5 per cent in 2013 largely reflecting significant decreases in both current and capital expenditure, although it is forecast to worsen again in 2014 and 2015.

103. This deficit would have been far larger without grant financing although these receipts have decreased (as % of GDP) over the evaluation period. Grant and highly concessional funding (project loans) have been the main options for financing over the evaluation period although more recently this has shifted somewhat as these grants have dropped from around 8 per cent of GDP in 2002 to 3 per cent in 2013.

The sectoral composition of public spending

104. Expenditure on the main priority sectors linked to the poverty reduction strategies has multiplied ten times in nominal terms over the evaluation period, remaining close to 7.2 per cent of GDP (Table 5). As a percentage of total expenditure, these six priority sectors have increased in prominence, representing 28 per cent of spending in 2002, and almost 40 per cent in 2014. Most of this increase (78 per cent) is linked to the expansion of road infrastructure particularly during the period 2009 – 2014.³³ Thus, budgetary allocations – supported by Budget

³² This reflected a conscious decision by Government to undertake less domestic borrowing in recent years.

³³ Expenditure on energy also increased sharply during the early part of Koroma's Presidency, with the 'turning on the lights of Freetown' a major policy platform.

Support disbursements – have been consistent with the expansion of priority sectors outlined in the different poverty reduction strategies.

Table 5: Evolution of Spending within Priority Sectors during evaluation period

Priority sectors as % of nominal GDP (excluding local council spending on health & education)

	2002	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	2014
Education	4.60	4.63	4.00	3.72	3.55	3.06	2.85	2.52	2.33	2.48	2.88	2.64	2.92
Health	1.72	1.94	1.01	1.09	0.96	0.51	0.47	0.67	1.02	1.03	0.92	0.81	1.21
Agriculture	0.54	0.75	0.59	0.60	0.53	0.40	0.43	0.39	0.43	0.32	0.31	0.31	0.39
Energy	0.26	0.32	0.50	0.29	0.36	0.50	1.87	1.30	1.54	0.60	0.76	0.69	0.44
Roads	0.88	0.86	0.86	0.81	1.19	0.86	1.04	1.13	1.90	1.32	1.77	1.28	2.30
Decentralization	-	-	-	0.37	0.71	0.44	0.76	0.77	0.94	0.71	0.66	0.54	0.37
Total Priority Sectors	8.00	8.50	6.96	6.89	7.30	5.78	7.43	6.79	8.16	6.46	7.30	6.26	7.63

Priority sectors as % of total expenditure (excluding local council spending on health & education)

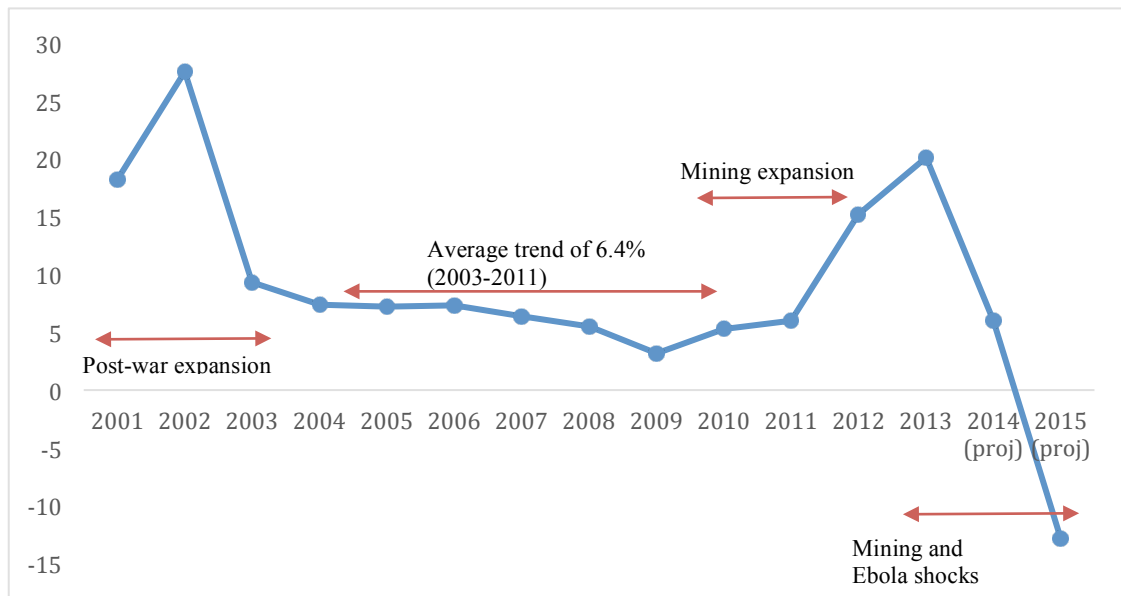
	2002	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	2014
Education	16.1	17.2	16.1	15.1	15.6	17.3	13.8	14.2	16.2	11.5	13.2	14.9	14.9
Health	6.0	7.2	4.1	4.4	4.2	2.9	2.3	3.8	7.1	4.8	4.2	4.6	6.2
Agriculture	1.9	2.8	2.4	2.4	2.3	2.3	2.1	2.2	3.0	1.5	1.4	1.7	2.0
Energy	0.9	1.2	2.0	1.2	1.6	2.9	9.0	7.4	10.7	2.8	3.5	3.9	2.2
Roads	3.1	3.2	3.5	3.3	5.2	4.9	5.0	6.4	13.2	6.1	8.1	7.2	11.7
Decentralization	-	-	-	1.5	3.1	2.5	3.7	4.4	6.6	3.3	3.0	3.0	1.9
Total Priority Sectors	28.0	31.5	28.1	27.9	32.1	32.7	35.9	38.3	56.7	29.8	33.3	35.4	39.0

Source: Ministry of Finance, Accountant General's Department.

4.3. Macroeconomic stability and the business climate

105. **GDP growth remained high throughout the evaluation period, averaging close to 10 per cent from 2002 to 2014.** Following strong economic growth after the war, the economy experienced high and stable growth conditions from 2003 to 2011, with a small dip in 2009 resulting from falling global demand during the global financial crisis. More recently, growth has been volatile due to the lumpy investments associated with development of the large-scale mines in Tonkolili and Bombali, although the collapse of iron ore prices and (to a lesser extent) the impact of Ebola is projected to lead to a sharp contraction in 2014 and 2015. (Figure 16).

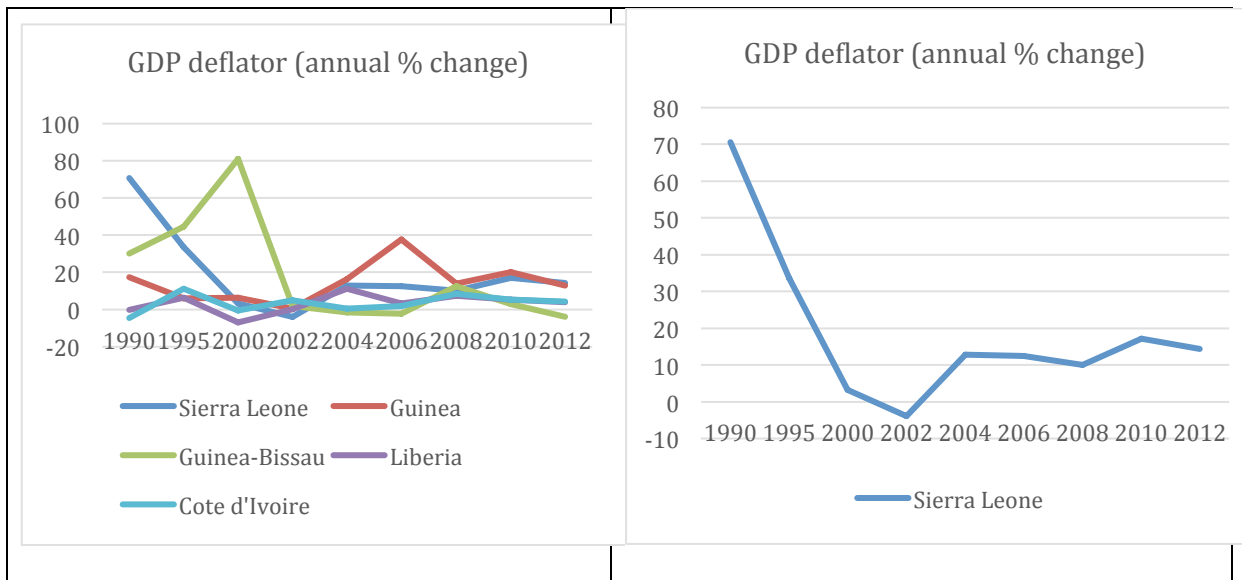
Figure 16: Real GDP Growth, 2001-2015



Source: IMF reports

106. Year on year inflation in Sierra Leone has been relatively high, often over 10 per cent throughout the evaluation period. This has also tended to be higher than its regional neighbours (Figure 19). After a period of low inflation during 2001–02, reflecting in part the normalization of the economy and improvements in the domestic supply situation, inflation rose during 2003– 04 due largely to higher fuel costs, expansionary fiscal and monetary policies, and a depreciation of the currency. This moderated somewhat towards the end of the decade as import prices on fuel and food reduced, but climbed again in recent years, before again moderating as the exchange rate has become more stable.

Figure 17: Inflation in Sierra Leone and neighbouring countries (GDP deflators)



Source: World Development Indicators

107. **Progress has been made to improve private sector competitiveness although it still remains a significant constraint to economic growth.** There have been improvements in the regulatory environment (See Figure 18) with reforms such as a new credit registry (2009) and the introduction of a more efficient GST (2010) – see Volume Two, Annex 7 for a comprehensive list of ‘Doing Business’ reforms. Over the evaluation period the time to start a business has fallen from 26 to 12 days, registering a property from 236 to 56 days, and getting electricity from 489 to 82 days. Sierra Leone also performs relatively well comparatively (Figure 18). However, in some indicators, such as enforcing contracts and ease of the tax system, progress has been more limited. (See Figure 19.)

Figure 18: Doing Business (Comparative ranking) and Constraints to Enterprise

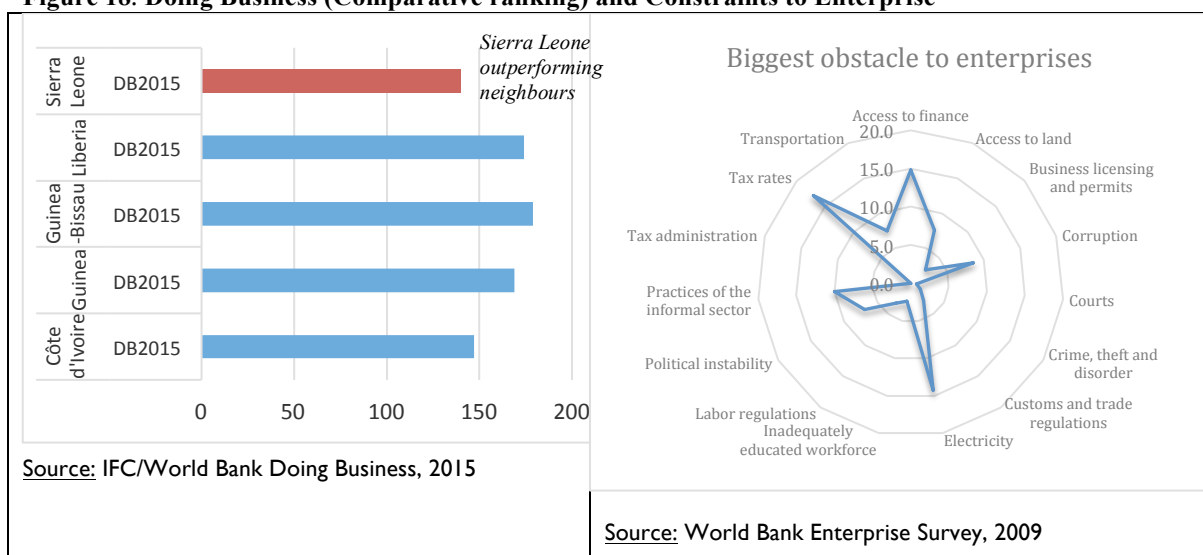
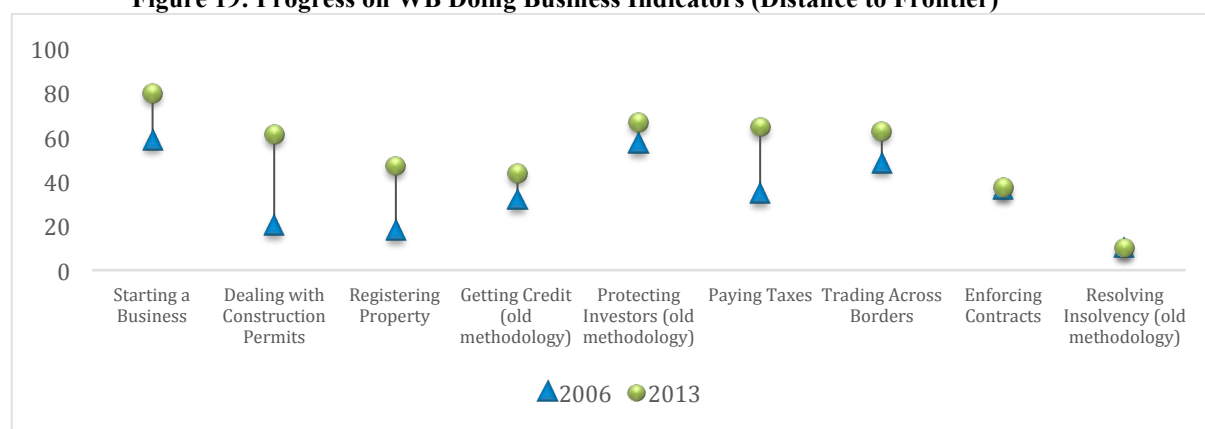


Figure 19: Progress on WB Doing Business Indicators (Distance to Frontier)



Source: IFC/World Bank Doing Business ³⁴

³⁴ The distance to frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. It shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. This allows users both to see the gap between a particular economy’s performance and the best performance and to assess the absolute change in the economy’s regulatory environment over time as measured by Doing Business. An economy’s distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier.

108. **There has been investment in infrastructure, consistent with increases in capital expenditure.** In particular investments have been made in roads and energy production (see Table 5 above). This responds to the major constraints in these sectors reported by the private sector (IMF 2007; World Bank 2009).

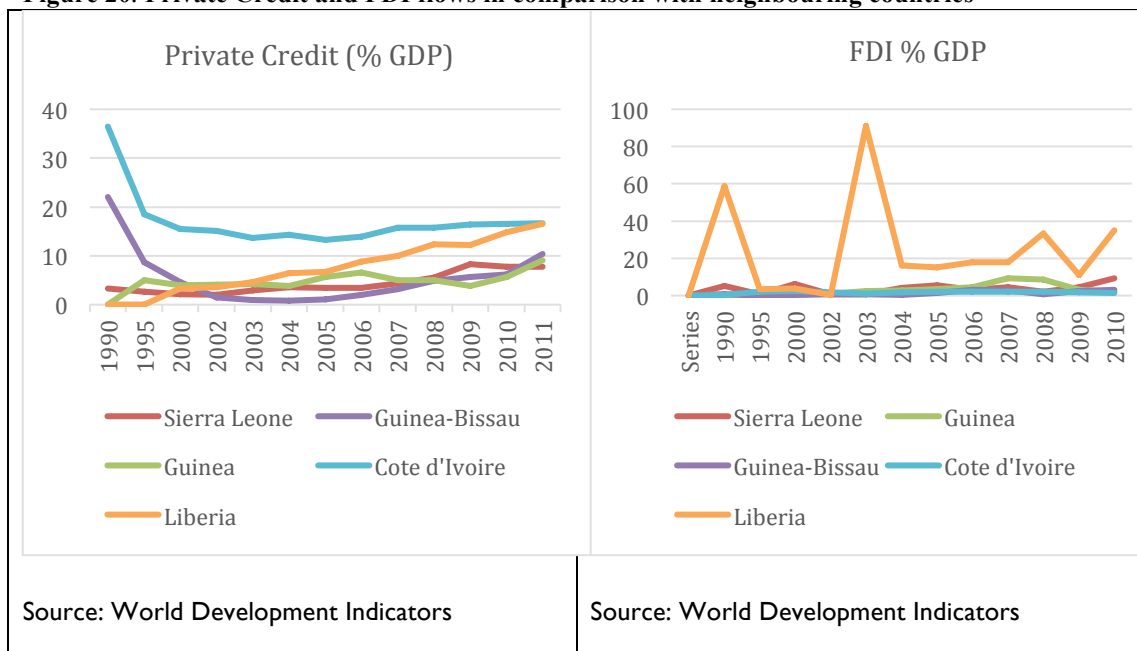
109. **Private sector actors, and global indicators (see Chapter 6) continue to suggest high levels of corruption** (including patrimonial relationships between elites and business), as a constraint to broad based private sector development. This includes in areas of the PAF dialogue such as Government procurement.

110. **Private sector credit to GDP has increased (Table 6) but remains low comparatively (Figure 20).** Moreover, the financial sector remains small with limited outreach beyond corporate financing of large businesses. Outside of the recent mining block, foreign direct investment has also been limited and far below its neighbour, Liberia (Figure 20).

Table 6: Credit to the Private Sector in Sierra Leone, 2002 – 2013

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Private credit (% GDP)	2.0	2.9	3.5	3.4	3.4	4.3	5.6	8.2	7.8	7.7	6.7	5.7

Figure 20: Private Credit and FDI flows in comparison with neighbouring countries



111. **Sierra Leone has largely adhered to IMF Programme requirements throughout this period,** with slippages tending to relate to weak performance of revenue mobilisation noted above. Structural reforms have been slow in some cases but tended to be met. However fiscal deficits, largely reflecting weak revenues, have on occasions led to greater than planned domestic borrowing.

4.4. The influence of GBS on macroeconomic management

I12. The Intervention Logic for Budget Support posits that Budget Support should positively influence fiscal and macro performance, by enhancing government funding, improving the timeliness of funding and/ or through the influence of policy dialogue or TA inputs. The counterfactual theory would be that performance was driven predominantly by factors other than Budget Support.

Did Budget Support serve to strengthen revenue collection efforts?

I13. **As noted above, revenue mobilisation performance has been disappointing throughout this period, hence the relationship to budget support looks a priori to be weak.** However, revenue collections did improve in absolute terms and it might be the case that in the absence of policy dialogue and disbursement triggers linked to domestic revenue, mobilisation efforts may have been weaker.

I14. **Technical Assistance to NRA has been the most influential part of the Budget Support package of inputs in relation to revenue mobilisation.** In particular, improved performance on compliance in regard to personal tax is likely to have benefited from TA to the NRA. Moreover, some of the more recent reforms and capacity developments within NRA, - positively influenced by the Budget Support-related TA, do seem to have been having a positive effect pre-crisis (raising domestic revenue collections to 12.7 % GDP in 2013), and during the recent crisis - through supporting improved collection of tax arrears in 2014.

I15. Recent gains in revenue (pre-crisis) largely resulted from the expansion of the mining sector (licenses and associated import duties on mining expansion). A number of PAF indicators related to mining transparency were met during the evaluation period³⁵. Whilst these were less directly focused on revenue mobilisation, aims to improve tax transparency in the PAF, for example disclosing fifty of the largest firms' turnover have improved the enabling environment for revenue collection (See 2012 MDBS Review). However, improved revenue performance, (see Figure 9 showing revenues for 2012 in excess of IMF targets), was largely the result of exceptional signature bonuses, reflecting external conditions.

I16. **Overall, revenue administration received relatively limited attention in the PAF dialogue, with expenditure control a more consistent focus.** For example, only nine out of the eighty-six indicators since 2007 focused on revenue administration compared to forty focused on payroll, procurement and oversight. Moreover, over half of such revenue indicators were missed.

I17. **We conclude that, overall, revenue mobilisation was not significantly enhanced by the Budget Support process.** Although parts of the Budget Support process have supported reforms in NRA and the extractive sector, in general, revenue performance has been

³⁵ For example, statement prepared on mining revenues (licences, royalties, income tax, PAYE, GST, etc.); MOFED to disclose publicly the revenue collected from the top extractive industries; submission to Parliament of the National Minerals Authority Bill; finalisation of the EITI Bill etc.

disappointing, and where significant increases occurred, this was in largely a result of global conditions. We explore below if there is evidence that Budget Support instead acted as a disincentive to revenue mobilisation.

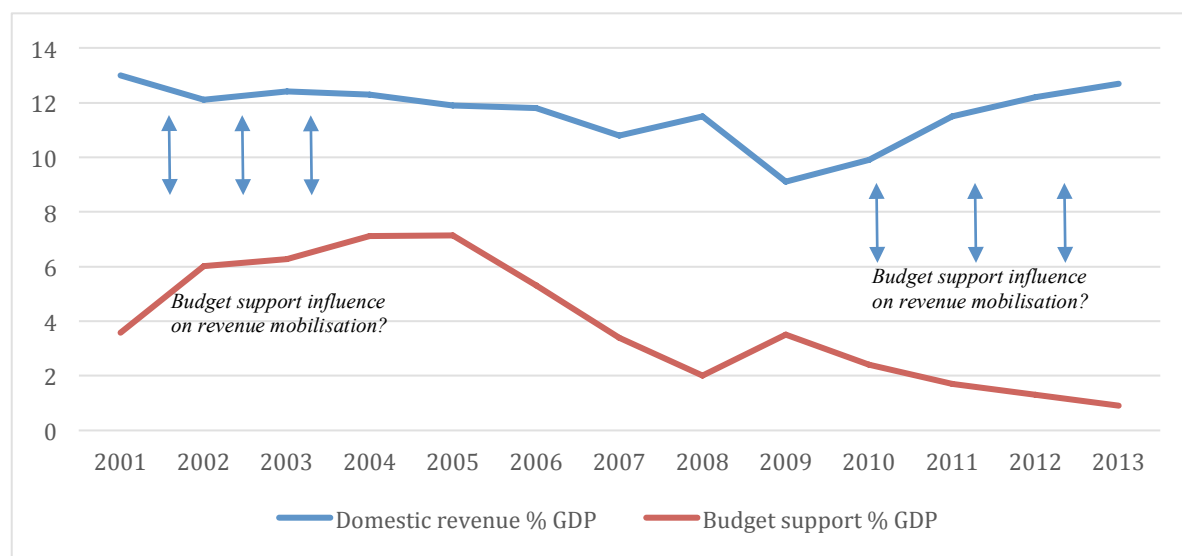
Potential disincentive effects of Budget Support on revenue collection

- I18. Three potential unintended macroeconomic effects of Budget Support have been explored during the evaluation: **disincentive effects on domestic revenue collection**, **“Dutch disease” effects**, and the inflationary effects of large monetary inflows or **the costs of the monetary sterilisation measures** taken to avoid these inflationary effects. No significant effects on Dutch disease or monetary policy were identified and the corresponding analysis is presented in Volume Two, Annex 8. The potential disincentive effects on revenue are the focus here.
- I19. The hypothesis is that Budget Support provides a source of budget funding, which does not carry the political costs of increased taxation, and therefore acts as a disincentive to revenue mobilisation. **Given that revenue collection has been relatively stagnant, there are at least a priori grounds to hypothesise that Budget Support has acted as a disincentive to revenue mobilisation.** This hypothesis is difficult to test in a robust manner with the effects of budget support flows on revenue decisions being difficult to distinguish from the effects of external economic factors, internal capacity constraints, and the mixed motivation of authorities.³⁶
- I20. Although revenue in absolute terms has been rising, consistent with a growing economy, it has remained fairly constant as a percentage of GDP and well below its regional peers. Moreover budget support, particularly in the early part of the evaluation was a significant revenue resource, allowing for a consistent spend on poverty related expenditure without the need for greatly increasing the tax base or accessing alternative sources of financing.
- I21. **Despite some fluctuations, the relative trajectories of domestic revenue growth and budget support funding suggest an inverse relationship.** (Figure 21.) During the early part of the evaluation period (2002-2005) revenue mobilisation was declining as budget support funding rose, with the reverse occurring in the latter period. Since 2009 budget support funding as a percentage of GDP has dropped almost in line with an increase in revenue mobilisation. Even where the relationship is less apparent (with both low revenue and low budget support), this can be explained by the availability of other external financing (in the form of MDRI debt relief).
- I22. **There is also evidence that difficult revenue mobilisation decisions have been delayed.** An evaluation of the DFID Country Programme (Poate et. al. 2008) notes that there were concerns both among donors and the NRA, that the reliance on budget support may have reduced the commitment to revenue raising actions, such as increased control over the granting

³⁶ In the first place, it is not clear which counterfactual ought to form the point of comparison: Is it the case that in the absence of budget support, the incentives to accelerate domestic revenue mobilisation would be greater? Or is it rather that the incentives of a Government, anxious to expand development spending, are so strong that they would be unaffected by the parallel growth of an alternative funding source, i.e Budget Support?

of exemptions. Indeed, various IMF reports call for the need to reduce discretionary exemptions (especially around duty waivers), and express particular worries around foreign mining licenses signed in 2010 (IMF, 2010). Introduction of an automatic tax pass-through mechanism for fuel pricing has also been problematic, coming into practice in 2011 (after much pressure) before quickly being suspended over fears of negative reactions from the electorate.

Figure 21: Relationship between Budget Support and revenue mobilisation



Source: IMF reports

123. **There is an alternative explanation for the inverse relationship seen in Figure 21, which is simply that it reflects the deliberate use of Budget Support in a counter-cyclical manner.** In the years immediately following the civil war (2001-2004), and the global financial crisis (2009), as well as in 2014 following the Ebola/ iron-ore crisis, budget support was deliberately utilised to stabilise budget funding (and thus spending). This stabilising aspect of Budget Support was important for the maintenance of government functions and represents a rational response to exogenous shocks.

124. **To conclude, it has not proven possible to show causation with regards to the potential disincentives of budget support on revenue mobilisation, although we do not rule out this hypothesis.** Whilst the inverse relationship at specific points (post war, financial crisis, Ebola) points to Budget Support providing a required stabilising role, politically difficult decisions have been delayed (e.g. exemptions and fuel price pass through), and the poor performance of revenue mobilisation over the whole evaluation period, coupled with consistent budget support provision, provide cause for concern over possible disincentive effects.

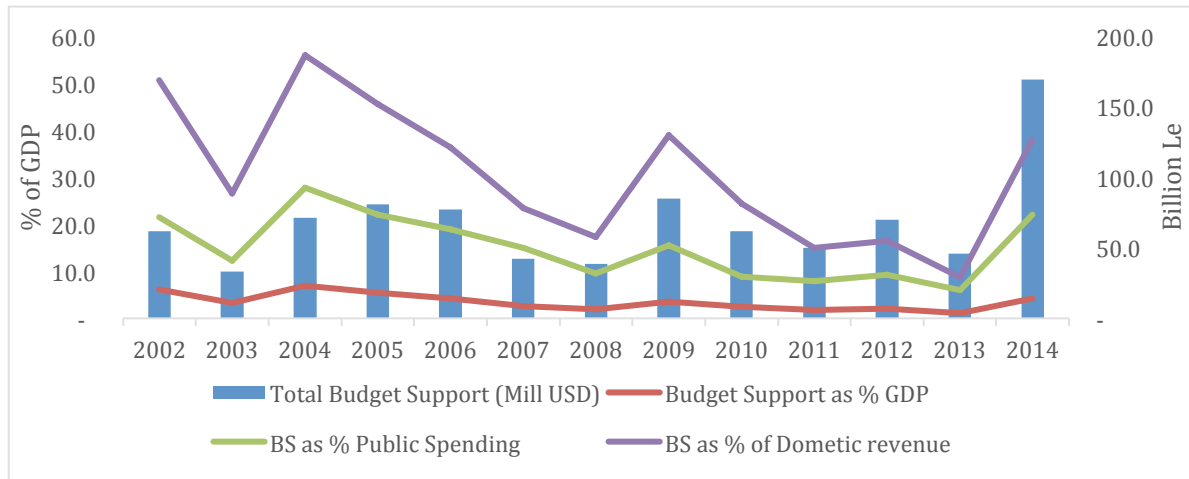
Did Budget Support serve to enhance macroeconomic management and improve the business climate?

125. **Some gains have been made in macroeconomic management, particularly economic growth, but there is no evidence that Budget Support dialogue or the PAF indicators were a significant influence.** The IMF programmes are likely to have been more important in

this regard, with a more in-depth and more consistent focus on macroeconomic management than the PAF process. There is also evidence of an underlying political commitment to achieving macroeconomic stability, which is likely to have existed even in the absence of budget support. However, the Budget Support programmes did make ‘continued good macroeconomic performance, as evidenced by satisfactory progress under an IMF Program’ part of their enabling conditions, and the Budget Support donors are consistently part of IMF Programme discussions. **Budget Support can therefore be viewed as supportive of this objective, rather than being instrumental in driving the momentum on this issue.**

126. **On the other hand, the stabilising role of GBS funding was important in ensuring macro stability during periods of crisis.** Moreover, over the period being evaluated, alternative sources of stabilising fund flows would almost certainly have been prohibitively expensive. Budget support has been an important source of Government revenue, especially during the early post war period, where it provided the fiscal space to cover the essential investments and the burdensome recurrent costs of re-establishing the public administration system before revenue collections could recover (see Figure 22). Several commentators have noted the importance of these inflows in promoting peace and security and helping to sustain growth in the post-war period.³⁷

Figure 22: Budget support (% of GDP, revenue, expenditure)



Source: GoSL MoFED data and IMF reports

127. Budget Support funds have also played an important stabilising role following the global financial crisis (2009), and more recently following the impact of the iron ore collapse and of the Ebola crisis (2014), when domestic revenue receipts were depressed. Budget Support disbursements increased almost four-fold between 2013 and 2014. (Figure 22).

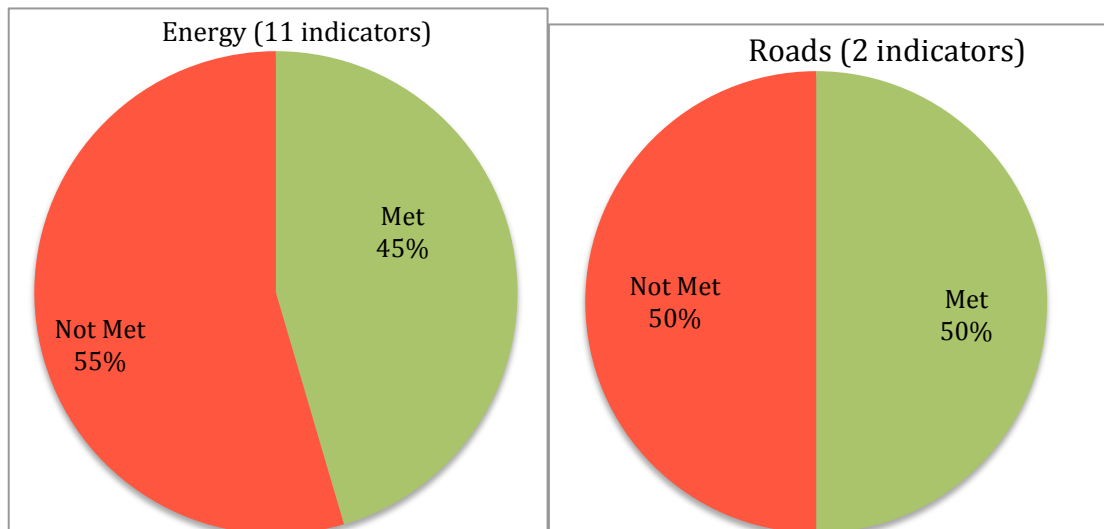
128. Despite Sierra Leone’s low ranking in global competitiveness and business environment indices, there have been some modest improvements to the enabling environment during this period. **However, Budget Support does not seem to have made a contribution in this regard**

³⁷ See, for example, Thomson (2007), Lawson (2007) and Poate et al. (2008).

(beyond assisting macro-stability). For example, there were relatively few PAF indicators related to the enabling environment,³⁸ with those few in the area of energy – including all those related to tariff reform - and roads largely not being met (see Figure 23). PAF Indicators were therefore less important than the additional flow of funds.

129. **Government policy priorities and external project finance are more convincing explanations for these improvements in the business environment.** The Government’s Agenda for Change identified energy (“reliable power supply”), and roads (“develop a national transport network”) as two of the four main priorities for the Government’s medium term strategy. This is consistent with the APC’s traditional party focus on the productive sectors. There were numerous road projects since 2007 (see Budget documents, 2007-14), both on major roads connecting hubs, as well as feeder roads, and major new power generation with Bumbuna Hydropower commencing in 2009. ‘Doing Business’ improvements such as establishing the credit registry, the Companies act, and property registration, were supported by direct technical assistance (largely by the IFC) outside of the PAF process.

Figure 23: Performance of PAF indicators, 2008-14 – Energy and Roads



Source: Evaluation team analysis of PAF indicators, 2008 – 2014.

Did Budget Support facilitate improvements in the efficiency and effectiveness of expenditure allocations?

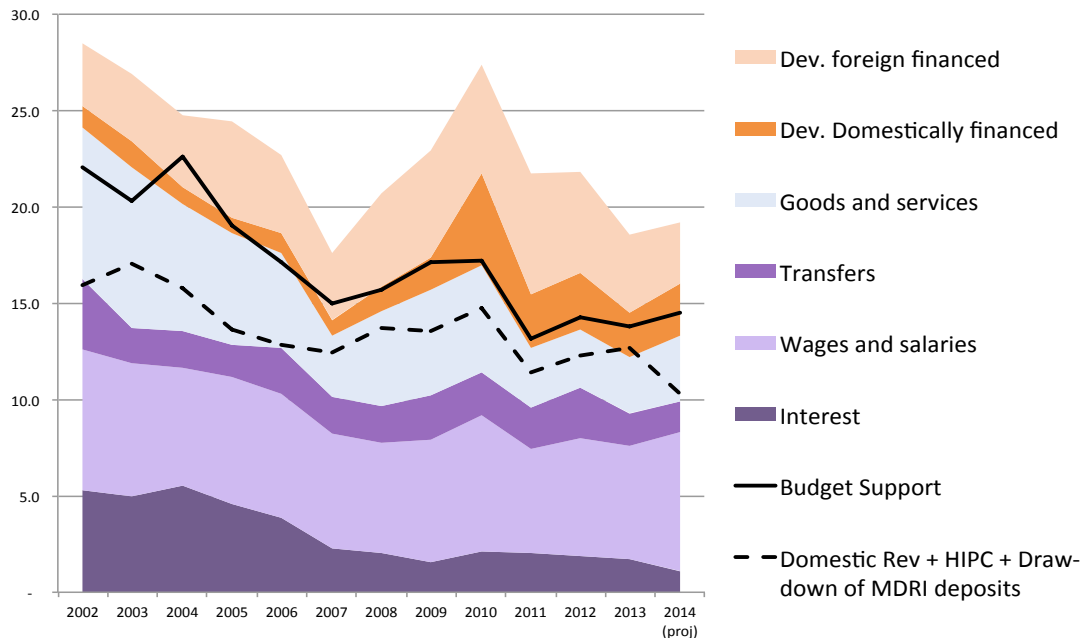
130. The economic and sectoral composition of spending does not receive a great deal of coverage in the PAF, nor in the Budget Support dialogue. The MoU for Budget Support and the individual financing agreements specify a mutual commitment by GoSL and its Partners to supporting the

³⁸ There were 27 indicators in total from 2006-2014 focused on energy (11), roads (2), investment climate (3), and mineral transparency (10). This was out of 158 indicators during this period.

poverty reduction strategies but there have only been a few specific targets on the composition of spending.³⁹

131. However, it is clear that **Budget Support in combination with HIPC and MDRI debt relief was instrumental in generating additional fiscal space for the Government.** How was that additional fiscal space used? What may we say about the effects of Budget Support funds on the composition of spending?

Figure 24: Influence of Budget Support flow of funds at Macro level



Source: Own compilation based on the IMF fiscal Tables and GBS data from Budget dept. of MoFED

132. **Our analysis suggests that Budget Support funding helped to protect essential recurrent expenditures, whilst also facilitating the growth of domestically financed investment, from 1.0% of GDP in 2002 to an average of 3.1% over 2010-14.** The special contribution of Budget Support comes through its ability to enhance discretionary resources - that is the pool of resources which are not pre-assigned to any specific expenditure and whose use is at the full discretion of government, subject to the relevant laws and regulations. In the absence of Budget Support, government would have to finance non-discretionary expenditures (including interest payments, wages, and transfers) and with low domestic revenues, there would be limited fiscal space for discretionary spending. Indeed, Figure 24 illustrates that in the absence of Budget Support, the GoSL would not have been able to directly finance any investment spending and would have struggled to meet commitments to non-salary recurrent expenditures.

133. With regard to expenditure allocations by sector, we noted (Section 4.2) that **expenditure on the priority sectors linked to the poverty reduction strategies has multiplied ten**

³⁹ Two such indicators include, ‘the percent of non-salary, non-interest recurrent expenditures of the consolidated Government budget spent on education will increase to the benchmark percentages or better’; ‘MoHS to progressively increase the share of funds to the pharmaceuticals bills financed under the Free Care Health Initiative.’

times in nominal terms over the evaluation period, with their relative share of spending increasing from 28% in 2002 to 39% in 2014. We have analysed the contribution of Budget Support funds to the growth of spending in these priority based on the methodology outlined in Box 5. The results are set out in Figure 25.

Box 5: Methodology for assessing the contribution of Budget Support to the sectoral composition of Public Spending

A simple proportionate contribution to each sector does not capture the real dynamics of budget decision-making. We have therefore constructed estimations of the relative contribution of budget support to each sector based on the following assumptions:

- All sector ministries and agencies will tend to defend their sector shares of the budget. Thus, increasing allocations to priority sectors by directly cutting other sectors is extremely difficult to do. A more likely scenario is that incremental spending for the priority sectors is sourced from new sources of discretionary spending, such as budget support.
- We have therefore assumed that each sector would continue to command the same share of domestic revenue throughout the evaluation period. Thus, we have assigned domestic revenue by sector according to the average sector shares ruling in 2002-2004.
- Then, the gap between the assumed share of available revenue (the black line based on the above assumption, which include a proportion of HIPC and MDRI draw-downs) and the actual share recorded as recurrent and internally financed development (the area below the light blue in each chart in Figure 25) can be assumed to have been financed by Budget Support.
- It is acknowledged that political priorities have changed over this evaluation period, and some reallocation of spending occurred, but without access to new discretionary funds such as Budget Support, the extent of reallocation from domestic revenue would necessarily have been constrained. For example, even a significant policy change such as Free Health Care in 2010, did not greatly alter the share of Government expenditure in the health sector.

134. From this analysis, we draw the following conclusions on the contribution of Budget Support funds to the sectoral composition of spending:

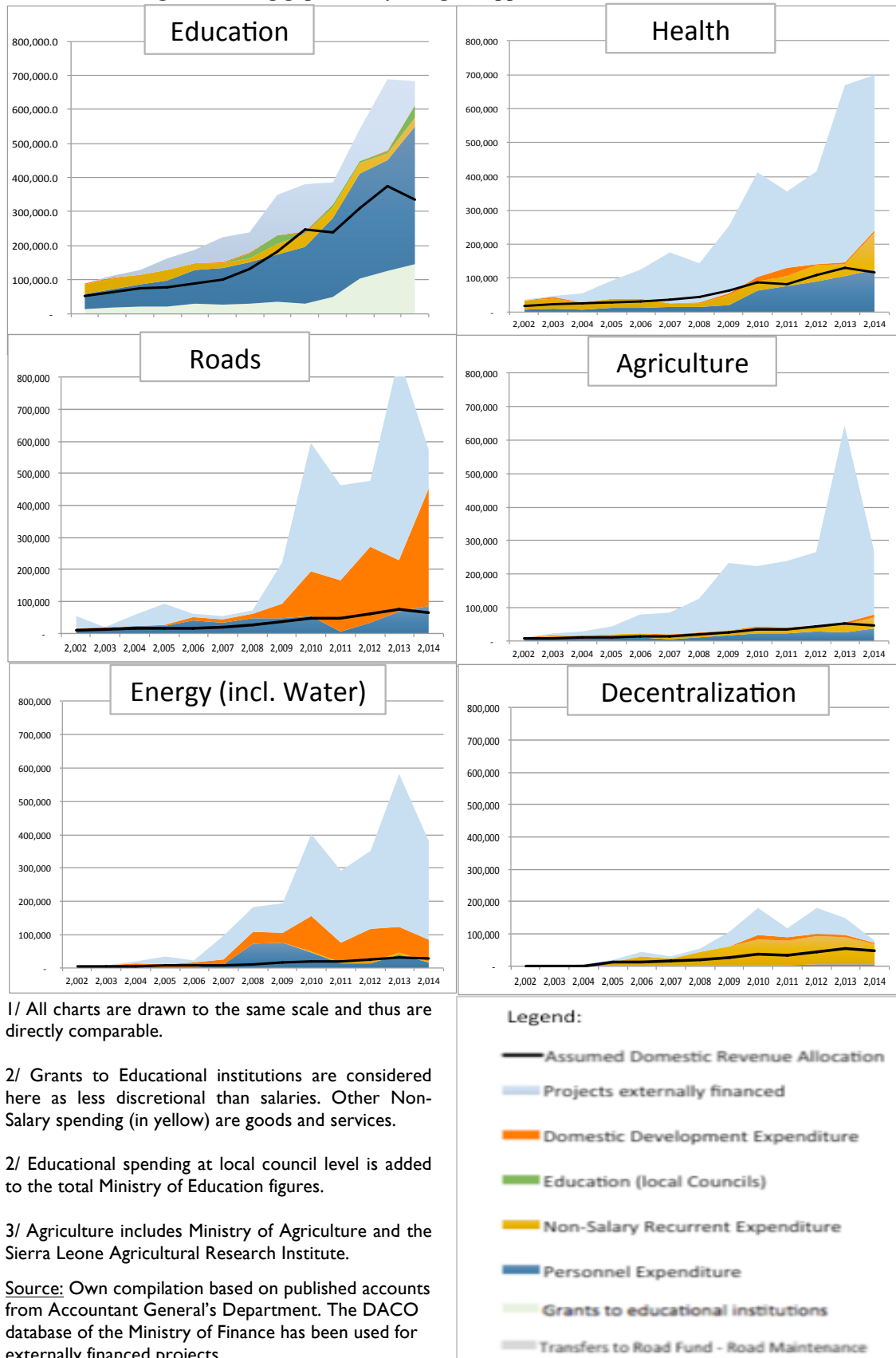
- **Education** is the sector that has commanded the largest share of the budget. However, the 2002-2004 share of domestic revenue would have fallen well short of the funding requirement for recurrent expenditure (particularly given the expanded teachers' wage bill and the increase in goods and service allocations to schools) and for internal transfers to local councils related to education (mainly for fee subsidies, training and learning materials and textbooks). Thus the funding levels provided to this sector would almost certainly not have been feasible in the absence of Budget Support.
- From 2008 onwards, **Roads** is the next most important sector in terms of publicly financed budgetary allocations. It has also received substantial external funding (light blue area on top

of the chart). However, domestically financed investment could not have been funded from domestic revenue without a major re-allocation of resources from other sectors. Thus, Budget Support has effectively financed a considerable expansion of infrastructure, by facilitating the expansion of domestically funded investment in this sector (orange area).

- To a lesser extent, **Energy** has also experienced a positive increase in the amount of budget resources allocated. The expansion of domestically financed projects from 2008 is clear and it seems to have been influenced by Budget Support.
- For most of the evaluation period, the **Health sector** has received a declining proportion of domestic budgetary allocations. This is almost certainly due to the weight of external funding in the sector, which made it possible in the period up to 2010 to reduce the share of domestic revenue allocated to the sector from that provided in the period 2002 - 2004 and to redistribute these domestic revenue shares to other sectors. Only after the launching of the Free Health Care Initiative in 2010 was a bigger proportion of budget funds allocated to health, and Budget Support contributed to this expansion, influenced in part by the fact that a proportion of DFID Budget Support was earmarked to health sector salaries.
- Within **Agriculture**, the most important contribution has been from externally financed projects, which represents roughly 80% of sector expenditure. There is no discernible contribution from Budget Support.
- Since the introduction of the new policy of devolving functions to **Local Councils** in 2005, non-salary spending has increased steadily up to 2010 in nominal terms. Some influence of Budget support to boost the transfers to Local Councils can be identified. However, this sector is decreasing in relative terms since 2010 both in terms of GDP (from 0.94% in 2010 to 0.37% in 2014) and Public Expenditure (from 6.6 % in 2010 to 1.9 % in 2014).

135. **We conclude that the major contribution of Budget Support funding has been to support the expansion of public spending in Roads (particularly for infrastructure investment), and in Education**, where it facilitated expansion of the teachers' wage bill and of the provision of goods and services. In the post 2010 period, after the FHCI, Budget Support can be seen to have contributed to Health sector funding. More modest contributions can also be identified to Energy (water infrastructure, most probably) and to Decentralization (transfers to local councils).

Figure 25 Actual allocations to priority sectors compared with estimated allocations of Domestic Revenue, showing the funding gap filled by Budget Support



1/ All charts are drawn to the same scale and thus are directly comparable.

2/ Grants to Educational institutions are considered here as less discretionary than salaries. Other Non-Salary spending (in yellow) are goods and services.

2/ Educational spending at local council level is added to the total Ministry of Education figures.

3/ Agriculture includes Ministry of Agriculture and the Sierra Leone Agricultural Research Institute.

Source: Own compilation based on published accounts from Accountant General's Department. The DACO database of the Ministry of Finance has been used for externally financed projects.

5. Influence of Budget Support on Public Finance Management (PFM) systems

EQ 3.2 To what extent has Budget Support contributed to improvements in the quality of Public Finance Management (PFM)?

136. EQ 3.2 considers the second of the potential induced outputs. It examines the extent to which there have been improvements in the quality of PFM systems. Secondly, it assesses how far such improvements can be attributed to Budget Support and, if so, to which mechanism of influence. We address this question in three parts:

- We analyse first the nature of the PFM reform process – the selected reforms, the implementation approach and the degree of political commitment to reforms;
- We then examine the evidence of the actual impact of these reforms on PFM systems and processes, drawing predominantly on the PEFA assessments of 2007, 2010 and 2014; and
- We consider how the reform process may have been influenced by the budget support process and/ or by other factors.

5.1. PFM reform design and implementation

137. As in many post-conflict countries, the PFM reform process in Sierra Leone has moved from an initial focus (from around 2002 to 2007) on rebuilding the PFM regulatory and physical infrastructure (including the Ministry of Finance Building) to a later phase (from around 2008 to 2013) focused more on reform consolidation and roll-out. In that initial post-conflict phase, a number of comprehensive, highly visible, reforms were undertaken. These included:

- The establishment of a semi-autonomous revenue agency: the National Revenue Authority (2002).
- The establishment and rolling out of the Integrated Financial Management System (IFMS) from 2004 onwards, leading to strengthened commitment and expenditure controls.
- The strengthening of the PFM legal framework, including the introduction of the new Government Budgeting and Accountability Act (GBAA) in 2005 and the Public Procurement Act (2004), which introduced a decentralized procurement regime.
- The implementation of a large programme of capacity building and hiring in PFM functions, in particular within MoFED.
- The launch of a fiscal decentralization process, accompanied by a programme to strengthen PFM at local level (2004).

138. In the second phase of reforms up to 2013, the number of comprehensive reforms was more limited, with the main interventions being as follows:

- The introduction of a Tax Identification System through a TIN (Tax Identification Number) in 2009.
- The publication of regular and timely reports by the Auditor General.
- Capacity building in all PFM areas, with a growing focus on line ministries and local government.

139. **With the finalization in 2013 of the Sierra Leone PFM Strategy 2014-2017, a new phase of reforms has been launched**, with the main priority being Revenue Management (with the introduction of an Extractive Industries Revenue Act as well as new tax legislation combining inland revenue and customs). Other priority areas include public investment planning (with the development of a Public Investment Programme), the establishment of a Single Treasury Account, the completion of the IFMS roll-out, and further financial management strengthening at local level, including through the roll-out of the Petra Accounting Package. A comprehensive upgrading of the PFM regulatory framework has also been launched (new PFM act replacing the GBAA, new audit service act, revised procurement act).

The Political Commitment to PFM Reforms in Sierra Leone

140. **Successive governments have been heavily engaged with PFM reforms.** From 2004 onwards, comprehensive PFM reform programmes at central government level have been introduced and regularly updated - the 2004 Common Plan, which developed into the National Plan, the 2008 Tax Modernization Plan, the 2008 Integrated Public Financial Management Reform and in 2013, the Government launched the new PFM Reform Strategy (2014-2017) with an associated reform plan.

141. **PFM reforms are regularly mentioned in major political statements.** Public finance management and revenue reforms have systematically been highlighted in Budget Speeches over the 2002-2013 period. They are also regularly referred to in the President's annual addresses to Parliament. PFM (and broader public sector reform) is one pillar – Pillar 7 - of the Government's Agenda for Prosperity (2013/2017). In the Agenda for Change (2008/2012), Good Governance, including public sector reform, was mentioned as the first underlying principle.

The basis of PFM reform design and its appropriateness

142. **The various PFM reform action plans have been heavily directed by diagnostic assessments, including the PEFA reports of 2007 and 2010.** The common action plan (CAP) 2004-2008 was a combination of various actions that were part of the 2002 CFAA, the 2003 HIPC-Assessment and Action Plan and an EU matrix of corrective measures. For the successor to the Common Action Plan, the 2008-2013 Integrated Public Financial Management Reform (IPFMR), part of the basis was the 2007 PEFA as well as a review by the Fiscal Affairs Department of the IMF. In formulating the 2014-2017 PFM strategy, the Government considered

the weaknesses identified in the 2010 PEFA, and incorporated observations by the Audit Service and other reviews. In its preamble to the new strategy, the Government stressed that the formulation process should not be too mechanistically directed by the PEFA.

143. Notwithstanding this attention to diagnostic tools in reform design, prioritisation of reforms towards critical weaknesses has been a challenge during implementation.

While good progress was made in early years in terms of building the regulatory framework and the basic systems, there have been numerous challenges in the subsequent period in both reform implementation and roll-out. In particular, the lack of a planning & strategic framework, the limited coordination and capacity weaknesses have proven to be obstacles to adequate sequencing and prioritisation during implementation. There has also been a subsequent realisation that there had been an excessive – and inappropriate – reliance on PEFA as a reform design tool, especially in a fragile context.

144. IMF and World Bank reviews have underscored the comprehensiveness of the reform agenda, in particular in terms of building the legal framework, but have highlighted the failure to properly implement the provisions of such a framework,

in particular the GBAA and the Public Procurement Act. The 2010 Public Expenditure Review of the World Bank raised concerns about the level of implementation of the numerous reforms launched: *“The authorities have introduced many reforms in support of better governance and public service delivery since the last Public Expenditure Review in 2003-04. Perhaps the most pressing issue with regard to the PFM legal framework is its implementation. Not all procedural requirements are being met, particularly with regard to budget execution”*⁴⁰. Similar conclusions were reached in the 2008 Review of PFM Reforms by the Fiscal Affairs Department of the IMF⁴¹.

145. PFM project reviews have pinpointed a number of these implementation bottlenecks, highlighting the challenges faced in managing comprehensive PFM reforms in a fragile environment.

In the Review of the Integrated Public Finance Management Reform Project (IPFMRP) in 2013, DFID underscored the overstretched focus of the reform interventions, as well as the lack of focus on implementation of selected interventions. Reflecting on the mixed track-record in reform implementation, the World Bank outlined in that same review the need for better GoSL/ Development Partner coordination, the importance of better sequencing of interventions, the need to strengthen linkages with public sector reforms as well as the importance of getting senior MoFED officials more engaged in the reform process.

5.2. The Impact of Reform on the Quality of PFM Systems

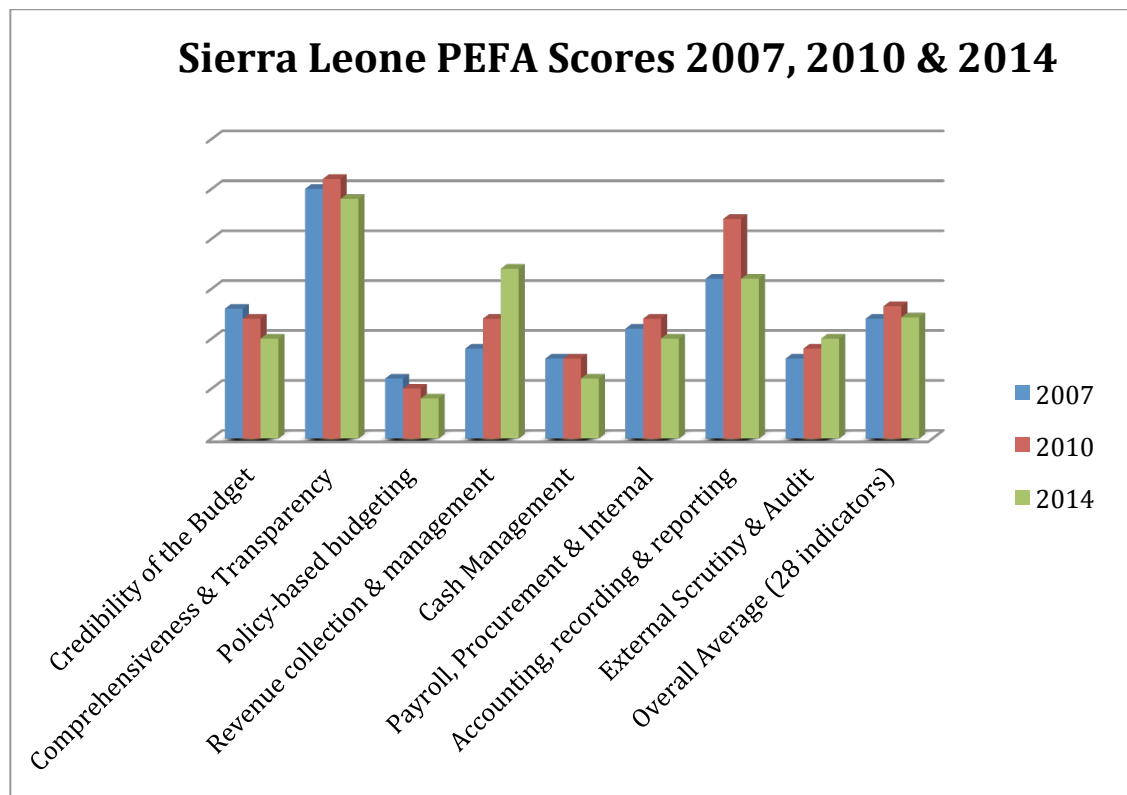
146. What impacts have these reforms had on the quality of PFM systems? The Public Expenditure and Financial Accountability (PEFA) methodology provides an internationally

⁴⁰ Public Expenditure Review, 2010, p. xii.

⁴¹ Sierra Leone, Implementing Public Financial Management Reforms, Fiscal Affairs Department, IMF, 2008

accepted approach to the assessment of PFM systems. Sierra Leone undertook its first validated PEFA assessment in 2007, two years after the methodology was launched⁴². The assessment covered fiscal years 2004 to 2006. Further assessments were carried out in 2010 and 2014. Figure 26 provides a comparison of the results of those three assessments⁴³. The full set of scores from the three assessments is presented in Table 7 at the end of this chapter.

Figure 26: Comparison of PEFA Scores for Sierra Leone, 2007, 2010 and 2014



Source: Authors’ analysis based on PEFA assessments of 2007, 2010 and 2014.

147. The comparison of the 2007 and 2014 PEFA assessments suggests mixed progress in the improvement of PFM systems over the whole evaluation period. It points to significant improvements in revenue administration and some progress in external scrutiny. At the same time, it shows stagnation in accounting, recording and reporting and a decline in PEFA indicators in all other areas. While caution should be taken in interpreting comparative PEFA results, this comparison strongly suggests a limited impact of PFM reforms over the evaluation

⁴² The GoSL conducted a PEFA self-assessment in 2004. Because the scores were not validated by the PEFA Secretariat, it is not taken on board in this analysis. In 2003, a HIPC AAP was carried out, meeting 7 out of the 16 public expenditure management benchmarks.

⁴³ Figure based on Lawson 2009. Indicators are grouped as follows: Credibility of the budget – PI 1-4; Comprehensiveness & Transparency – PI 5-10; Policy-based budgeting PI 11&12; Revenue collection & management PI 13-15; Cash management PI 16 & 17; Payroll, procurement & internal controls PI 18-21; Accounting, recording and reporting PI 22-25; External scrutiny and Audit PI 26-28. Indicators of Donor Practices have been excluded. The graphical presentation is derived by assigning a numerical value (from 1 to 7) to each possible score in the PEFA methodology and then averaging across each area of assessment.

period. It points to particular declines in the overall credibility of the budget, policy-based budgeting and significant remaining weaknesses in all areas of public finance management.

148. A simple comparison between 2007 and 2014 PEFA scores however hides a more complex, non-linear picture. **There has been an overall improvement in PEFA scores between the 2007 and 2010 assessments but a decline in scores between the last two assessments.**

The picture varies between PFM areas, but overall the assessment suggests that some of the gains achieved between 2007 and 2010 have not been consolidated or have been reversed. This is particularly the case for the credibility of the budget and accounting, recording & reporting areas. Revenue administration and external scrutiny & audit are the only PFM areas that have shown consistent improvement in both periods.

149. **The picture coming out of the 2014 PEFA is one of continued challenges across a wide range of PFM areas**, the most significant being budget planning/execution, procurement and payroll:

- **Budget planning/execution:** There is a lack of capacity and attention to budget planning within line ministries, an absence of overall medium-term budget perspective in budget preparation, and poor revenue estimation, all leading to a severe lack of overall fiscal discipline. That lack of budget discipline has significantly increased over the last few years (as reflected by a significant decline in PI-1, PI-2 and PI-3 scores between 2010 and 2014), in a context where growth and revenue forecasts have proved challenging – highly susceptible to changes in royalty payments in the extractive industry sector, and in which the Government has launched a vast multi-year domestic capital investment programme (in 2011). Against that background, budget ceilings have continued to be revised during the year following IMF missions and quarterly releases have been significantly delayed, severely affecting budget execution.
- **Procurement:** A large proportion of procurement operates under non-competitive bidding (PAF 2013: 72% by value). While a procurement cadre has been created, procurement officers within line ministries lack the skills and authority to enforce procurement regulations and procurement is subjected to many interferences. The National Public Procurement Agency (NPPA) is understaffed and has struggled to play its monitoring and oversight role effectively. Anecdotal – but wide-ranging - evidence also suggests that the quality of procured goods and services is poor.
- **Payroll control:** Challenges in the management of the payroll, which constitute the largest expenditure item in the budget, have continued, especially in the education and, to a lesser extent, health sectors. The integrity of the payroll suffers in particular from the lack of complete personnel records and of a personnel database. This is most notably the case for teachers. While some ad hoc payroll verifications have taken place over recent years to assess the number of ghost teachers, such exercises have not addressed

the structural issues within the Ministry of Education, Science and Technology (MoEST), in particular with regards to teachers' files.

- **Treasury:** Commitment controls are regularly by-passed. The Single Treasury Account is not operational, with many accounts not being reported centrally and monitored, also constraining fiscal discipline/execution. With the IFMS roll-out stalled since 2011, many accounts are still not being reported centrally and monitored.
- **External scrutiny:** The timeliness in the submission of audit reports as well as their scope and strategic focus has improved but the reports are not being acted upon. With the Audit Service of Sierra Leone (ASSL) being increasingly pro-active in imposing sanctions in case of lack of follow-up and with the discussion of the PAC reports being now televised, this is however slowly changing.

150. Recent assessments by the Auditor General and interviews with senior government officials point to declines in overall PFM performance since around 2009/2010, thus supporting the picture emerging from the 2014 PEFA. In its most recent audit reports, the Auditor General lists a number of continued basic weaknesses: accounting accuracy, internal control, accountability and governance issues.

151. The successive PEFA assessments also underscore the continued weaknesses in donor practices, in terms of predictability of budget support, reporting of project data, and use of national procedures. The same PEFA reports also point out that some identified weaknesses in other PEFA areas have partially resulted from those poor donor practices, including the unpredictability of budget support, which has affected budget credibility.

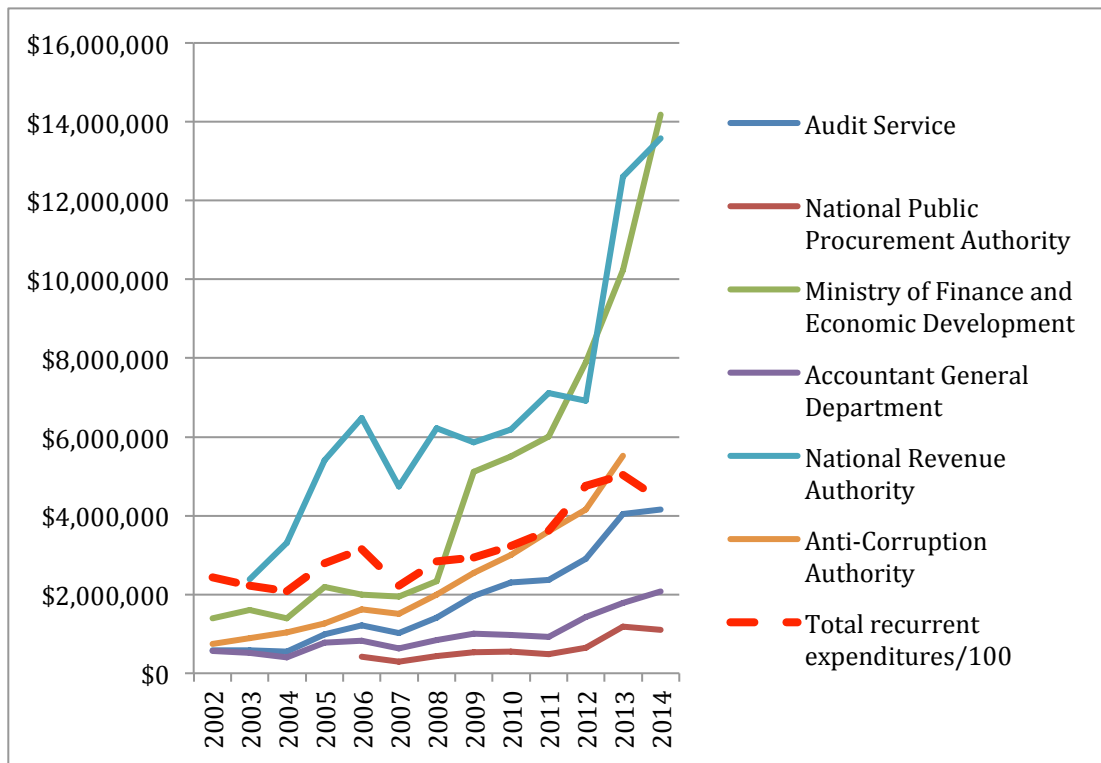
5.3. The contribution of Budget Support to PFM Reforms

152. In summary, we judge that overall the quality of PFM systems and processes has improved since the early post-conflict years and that Sierra Leone has been successful in re-establishing functional PFM and accountability institutions. Nevertheless, it is clear that the early gains recorded in the period up to 2010 have proven difficult to consolidate subsequently; indeed, there is evidence from more than one source of a decline in the performance of PFM systems since 2010. Major efforts have been expended to design and implement reforms and yet significant weaknesses remain in budget planning and execution, in procurement, payroll management and treasury management. What has been the contribution of Budget Support, if any, to this process of change and to what may we attribute the lack of success in achieving more substantial, transformational change in the quality of PFM systems?

153. Budget support has not significantly influenced Government spending patterns on PFM agencies. As highlighted in Figure 27, GoSL recurrent spending on "PFM agencies" has increased over the years, but only in line with the increase in overall (recurrent) expenditures. The exception has been recurrent spending on the NRA, which has doubled in USD terms over

the 2011-2014 period⁴⁴. Budget support has also not resulted in increased GoSL financial support to PFM projects, as counterpart funding for such projects has remained modest over the years.

Figure 27: Evolution of recurrent expenditures per PFM agency, 2002-2014



Source: GoSL national accounts

154. Evidence suggests there has been more progress with PFM reform than there would have been in the absence of the Budget Support policy dialogue⁴⁵ but that the overall influence of dialogue on PFM reforms has been modest. In particular, in the areas where the political support for reforms was insufficient to generate real progress - notably with regard to procurement, revenue mobilisation and payroll, policy dialogue was unable to overcome the resistance to reform. In those areas, the regular inclusion of PFM indicators in the PAF did little to contribute to functional changes or corrective actions. (For example, the new procurement act has been stalled for the last three years, despite its submission to Parliament being included as a PAF indicator since 2012.) By contrast with reforms to External Oversight for example, these are also areas where reforms involve a wide number of stakeholders and can threaten the scope for political patronage within the public administration system.

⁴⁴ The increase in MoFED recurrent expenditures since 2011 is partially due to the merger of the Ministry of Finance and the former Ministry of Development and Economic Planning (MODEP)

⁴⁵ We refer in particular to evidence from interviews with stakeholders in MoFED and in the other accountability institutions, as well as with technical assistants and DP staff.

155. In addition, although PFM issues have dominated the PAF, comprising 54% of all indicators⁴⁶, **the characteristics of the PAF may not have been conducive to functional PFM changes:**

- On the one hand, the limited 'materiality' of some PAF PFM indicators may have reduced their potential impact. Many PFM indicators have focused on the passing of PFM laws, but the indications are that those laws would have been passed in any case, and that the presence of an indicator has at best accelerated the process at the margin (e.g. amendments to the GBAA in 2009). PAF indicators generally failed to address core issues of implementation, and where they attempted to do so, they often did not address the underlying, structural issues. For example, education payroll indicators have largely focused on verification exercises, while the underlying issues related to personnel records have received much less attention.
- Secondly, the large number of PFM indicators in the PAF, combined with the need for Budget Support donors to introduce alternative conditions for disbursement (as outlined in chapter 3), has diluted the focus of the dialogue across multiple PFM indicators/areas, while placing a heavy burden on the limited administrative and managerial capacity of government. There were 86 PFM indicators in the PAF alone over the period 2008-2013. That large number reflected an expectation that the administration was able to undertake a large number of parallel PFM reforms. This was certainly over-ambitious given the weakness of the administration, and taking into account the continued fragile context. Budget Support dialogue may therefore have had a perverse impact in promoting multiple reform initiatives. Certainly, it seems likely that the impact would have been higher if the policy dialogue and monitoring had been focused on a more limited number of PFM areas with positive reform dynamics and clear political support.

156. **Technical Assistance to support PFM reforms has had a high impact, mostly in the earlier phase of the reforms.** BS-related TA to support PFM reforms has been significant, targeting most identified weaknesses and PFM bodies. PFM reforms during the period have been funded at more than 95% by GBS donors. The size of these TA projects is unlikely to have been as significant in the absence of budget support. The TA has had a high impact in the earlier phase of the reforms, in particular through the hiring of local TA financed through GBS and related arrangements. Bringing in a number of motivated, experienced and well-remunerated staff in critical management positions within the Ministry of Finance in particular was crucial to the implementation of the earlier PFM reforms. In the second phase, the impact of TA has been less visible, partly reflecting the higher complexity of the reform process at that time, and varying significantly according to the TA recipient and the type of TA arrangement.

⁴⁶ We present a detailed analysis of PAF indicators in Chapter 3. Comparing the PAF performance between PFM and non-PFM related issues, it is interesting to note that performance against non-PFM issues is better, with 55 % of indicators met whereas only 34 % of PFM indicators were met. Amongst the PFM issues, performance was poor with regard to civil service reform, revenue administration, payroll and procurement and rather stronger with regard to external oversight and budget credibility. (Figure 5.)

157. In general, stand-alone TA projects which were provided to individual PFM bodies (as opposed to TA across PFM institutions or across MoF departments) have been more effective, partly reflecting their relatively modest objectives related to capacity and institutional building, and also their flexibility in addressing needs in rapidly changing contexts. The impact of such 'institutionally-embedded' TA has been particularly visible in the areas of external audit, domestic revenue and accounting, areas which would not have progressed as much without the long-term budget support-related TA provided. Highly committed leadership, such as in the ASSL and the NRA, provided the framework in which such TA could be successfully implemented.

158. Notwithstanding the various high-level political statements made in support of PFM reforms, there are doubts about the adequacy of the political support for PFM reform. The Auditor General and other stakeholders have questioned the commitment of the political leadership to the PFM reform process, especially during the period since 2010 onward. In the latest annual audit report (2013), the Auditor General commented as follows: *“[The various issues giving rise to my qualified opinion] serve to further confirm the government’s widely held reputation of being unable to decisively deal with poor public finance management. As I have said before, with a stronger commitment and willingness to address public financial management reform and strong enforcement of existing well-established laws and regulations, the matters could be put right quickly as other countries have done”*⁴⁷. Interviews with senior government officials have also underscored that the political leadership, while not opposed to PFM reforms, has not been a main driver of the reform process. These officials consider that part of the reason relates to the lack of clear linkages between PFM reforms and the broader development and service-delivery agenda – with PFM reforms therefore attracting little interest from Ministers and senior officials outside (MoFED). In the end, it is this limited political commitment, which is probably the main constraint to more effective PFM reform.

⁴⁷ Auditor General’s Annual Report for 2013, p. vi

Table 7: PEFA Assessment Scores, 2007, 2010 & 2014

		Score 2007	Score 2010	Score 2014	Change
A. PFM-OUT-TURNS: Credibility of the Budget					
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	B	D	↓
PI-2	Composition of expenditure outturn compared to original approved budget	C	C	D+	↓
PI-3	Aggregate revenue out-turn compared to original approved budget	B	C	D	↓
PI-4	Stock and monitoring of expenditure payment arrears	No score	D+	B+	↑
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency					
PI-5	Classification of the budget	A	C	C	↓
PI-6	Comprehensiveness of information included in budget documentation	C	A	A	↑
PI-7	Extent of unreported government operations	No score	Not reported	D	→
PI-8	Transparency of inter-governmental fiscal relations	B	A	B	→
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C+	C+	C	↓
PI-10	Public access to key fiscal information	B	B	B	→
C. BUDGET CYCLE					
C(i) Policy-Based Budgeting					
PI-11	Orderliness and participation in the annual budget process	C+	D+	C	↓
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	C	C	↑
C(ii) Predictability and Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities	C+	B	B	↑
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C	B	B+	↑
PI-15	Effectiveness in collection of tax payments	D+	D+	B+	↑
PI-16	Predictability in the availability of funds for commitment of expenditures	C+	C+	D+	↓
PI-17	Recording and management of cash balances, debt and guarantees	C+	C+	C+	→
PI-18	Effectiveness of payroll controls	D+	D+	D+	→
PI-19	Transparency, competition and complaints mechanisms in procurement	C	C+	C	→
PI-20	Effectiveness of internal controls for non-salary expenditure	C+	C+	C	↓
PI-21	Effectiveness of internal audit	D+	D+	D+	→
C(iii) Accounting, Recording and Reporting					
PI-22	Timeliness and regularity of accounts reconciliation	C	B	B	↑
PI-23	Availability of information on resources received by service delivery units	A	A	C	↓
PI-24	Quality and timeliness of in-year budget reports	C+	B+	B+	↑
PI-25	Quality and timeliness of annual financial statements	D+	C+	D+	→
C(iv) External Scrutiny and Audit					
PI-26	Scope, nature and follow-up of external audit	D+	C	C+	↑
PI-27	Legislative Scrutiny of the annual budget law	C+	C+	D+	↓
P-28	Legislative scrutiny of external audit reports	D+	D+	C+	↑
D. DONOR PRACTICES					
D-1	Predictability of Direct Budget Support	C+	D	D	↓
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	D+	D+	D	↓
D-3	Proportion of aid that is managed by use of national procedures	D	D	D	→

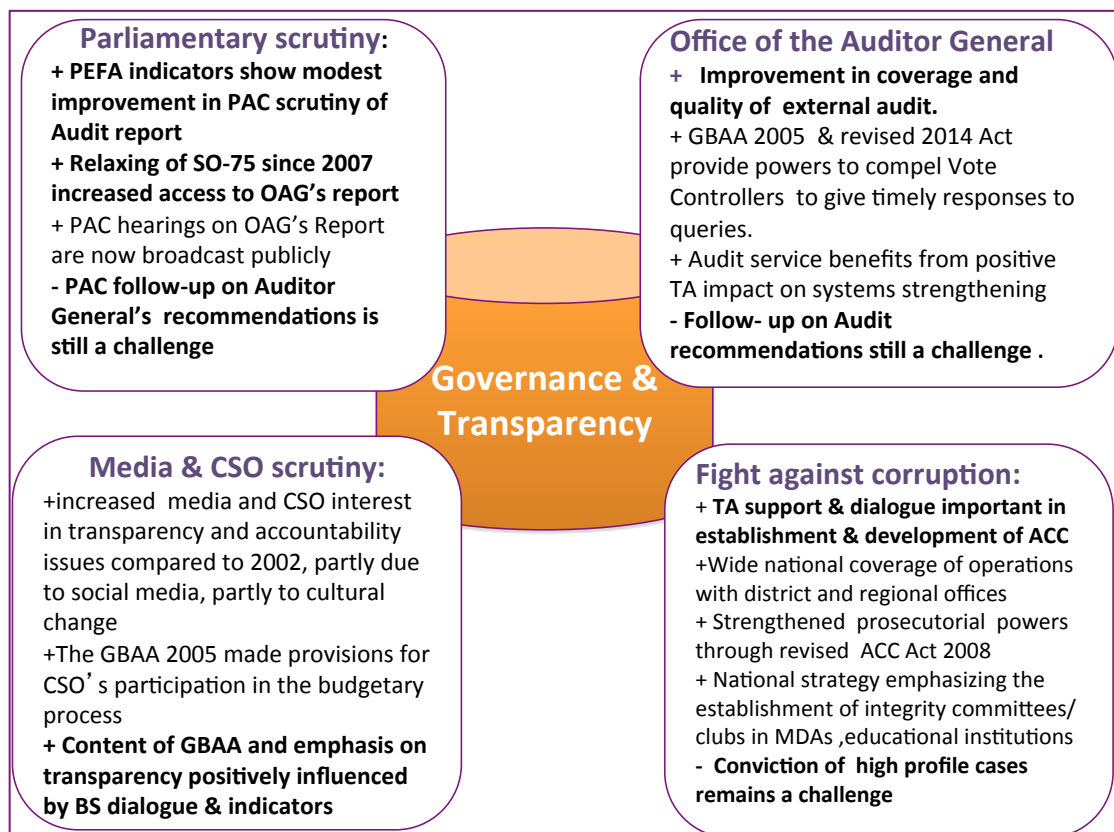
6. The influence of Budget Support on Governance and Accountability

EQ 3.4 To what extent has Budget Support contributed to improvements in the quality of governance and accountability, particularly with regard to the roles of Parliament, Civil Society, the Office of the Auditor General and the Anti-Corruption Commission as “watch-dogs” of the Executive?

159. This chapter assesses the contribution of budget support to the improvement of the quality of governance and accountability in Sierra Leone. In particular, it focuses on the roles of Parliament, civil society, the Office of the Auditor General (OAG) and the Anti-Corruption Commission of Sierra Leone (ACC-SL) as “watch-dogs” of the Executive. It examines what has changed during the evaluation period and what may have generated the change, assessing the potential contribution of budget support.

6.1. Overview of key developments in Governance and Accountability

Figure 28: Key developments in Governance & Transparency during evaluation period



160. We first overview the main developments with respect to a) Parliamentary, CSO and media scrutiny of the budget and public spending, b) the coverage, scope and quality of audit by the

Auditor General and the Audit Service of Sierra Leone (ASSL) and c) the effectiveness of the ACC-SL. We draw on information provided in government documentation, in the three PEFA reports (2007, 2010 and 2014), in related reports by the IMF and IDI (INTOSAI Development Initiative), as well as on interviews with stakeholders within these accountability institutions and in the offices of the Development Partners, and a Focus Group discussion with representatives of a range of Sierra Leonean CSOs. Figure 28 above provides a visual summary of the main developments, while Table 8 below presents a comparison of the scores accorded for the quality of external audit and Legislative scrutiny via the PEFA methodology in the three assessments undertaken in 2007, 2010 and 2014. (See Chapter 5.)

Table 8: PEFA Scores – External Audit & Legislative Scrutiny

	Relevant PEFA Indicators	2007	2010	2014
PI-26	Scope, nature and follow-up of external audit	D+	C	C+
PI-27	Legislative Scrutiny of the annual budget law	C+	C+	D+
P-28	Legislative scrutiny of external audit reports	D+	D+	C+

Parliamentary Scrutiny of National Budgets, Accounts & Audit Reports

161. The Sierra Leone Parliament is perhaps the major accountability institution, entrusted with representation and law-making functions but also with oversight responsibilities. Under its oversight functions, Parliament is empowered to scrutinize and authorize the budget and also to monitor its implementation. The 1991 Constitution of Sierra Leone, Act No.6 of 1991 93 (1) (e) established the Public Accounts Committee (PAC). The mandate of this Committee *'shall be to examine the annual accounts showing the appropriation of the sums granted by the House to meet public expenditure together with the report of the Auditor General thereon'*.⁴⁸ The Committee has constitutional powers equivalent to that of a high court. It can call witnesses and demand provision of documents.

162. Section 112 of the 1991 Constitution requires the Minister of Finance to present the Appropriation Bill to Parliament where it shall be read, debated and finally approved. Accordingly, the Sierra Leone Parliament establishes four major Appropriation sub-committees to scrutinize the budget. Through the coordination of the Parliamentary Finance Committee, these sub-committees screen the estimates of the various MDAs.

163. **The PEFA assessment of 2014 shows a decline in the assessment of the quality of the Legislative scrutiny of the annual budget** (Table 8.) The lowering of the score from a “C+” in 2010 to a “D+” in 2014 is due to the late approval of the 2013 Budget by the Legislature. This was not approved until 26th, March 2013, well after the start of the Fiscal Year. This delay was caused by the disruption in the governmental and parliamentary timetable due to the national elections of 2012, as a result of which the Executive’s budget proposal for 2013 was not tabled until late December 2012.

⁴⁸ 1991 Constitution, Act No. 6 of Sierra Leone

- 164. The lack of respect for the rules pertaining to within year amendments to the Budget has been a persistent weakness in the process of Legislative scrutiny⁴⁹.** This weakness affects both the revenue and expenditure sides of the budget. With regard to expenditure, there are frequent incidents of unappropriated expenditures (i.e. not initially approved in the Budget Law) not made subject to the supplementary approval process required by the 1991 Constitution and the 2005 GBAA. This is noted both by the report of the IMF Fiscal Affairs Department of 2011, “Advancing PFM Reform” and MoFED’s 2013 Budget Bureau “Guidelines to Restore Fiscal Discipline”.
- 165. More damaging in fiscal terms is the fact that the Parliament has been regularly bypassed in the granting of duty waivers on imports.** Only Parliament has the right to waive duty, although it has the right to delegate this right to the President, as has been done recently. Even in these circumstances, the ratification of Parliament is required. The 2014 PEFA assessment notes, however, that *‘individual ministries have been granting waivers in their areas of responsibility, without the ratification of Parliament.’* Stakeholder interviews suggested that the Presidency had established tighter control over this practice during 2013 and 2014. However, this remains a distinctly second best scenario, in particular because the provisions of the 1991 Constitution [Section 114 (2c)] delegate this authority only for ‘urgent’ circumstances. Clearly, this weakness in democratic control is contributing to the poor performance in revenue collection noted in Chapter 4 and there is no evidence of improvements during the evaluation period.
- 166. By contrast, since 2007 significant improvements have been noticeable in the area of Legislative scrutiny of external audit reports.** This is reflected in the improvement of PEFA scores for PI-28 from “D+” in 2007 and 2010 to “C+” in 2014. (Table 8.) Improvements have been recorded in relation both to the openness and scope of hearings by the Public Accounts Committee (PAC) and their timeliness, with the review by the PAC of the OAG’s report on the public accounts having been regularly completed within 12 months since 2009.
- 167. The improvements in the openness of PAC hearings and in their scope rank amongst the most significant improvements in accountability achieved during the evaluation period.** Prior to 2007, the report of the OAG was not made available to the public or the media until after the completion of its review by the PAC. As we noted in Chapter 5, there were significant improvements in the timeliness of preparation of public accounts between 2002 and 2005 as well as parallel improvements in the timeliness of the OAG’s reports. However, due to the delays in public release of reports by the PAC, scrutiny by the public and the media was so late as to be meaningless – for example, in 2007 the latest OAG report available to the public referred to 2002.
- 168. The withholding of OAG reports from the public was the consequence of a rather particular interpretation by the PAC of Parliamentary Standing Order 75 (SO 75) relating to “Premature Publication of the Contents of Select Committee Reports”.** In 2005, DFID challenged this

⁴⁹ This issue is covered under dimension (iv) of indicator PI-27 of the PEFA, which scored a “D” in 2014.

interpretation of SO 75, which exists in most Westminster-style democratic systems but which is applied only to confidential reports and not to external audit reports. In 2006, DFID withheld a portion of the performance tranche of its budget support due to the continued application of SO 75 in this manner; in early 2007, under pressure from the UK National Audit Office that had undertaken an audit of DFID budget support in 2006/07, DFID suspended all payments of budget support, on the grounds that in the absence of the publication of audit reports, the associated fiduciary risks were not acceptable to the UK Government⁵⁰.

169. In late 2007, following the election of the new government, the PAC decided to release OAG reports to the public and the media. This allowed DFID Budget Support to be resumed but the decision was also widely praised by the Auditor General, civil society and a variety of government members. In 2009, a formal clarification of SO 75 was issued by the PAC, after consultation with the Auditor General, so as to ensure that the OAG's Reports should always be made public as soon as they are laid before Parliament.

170. The PAC hearings are now publicly broadcast live and the Attorney General is also invited on television to respond to budget queries. Since 2012, the PAC have held public hearings on the OAG's report in each of the four regions, to which the District Budget Oversight Committees have been regularly invited. The 2014 PEFA assessment also reported that the ASSL had helped to improve the scope and depth of the public hearings by providing prior training to PAC members, as well as advisory support during proceedings.

171. **The major remaining challenge is the follow-up on PAC recommendations on audit reports.** The 2014 PEFA reports that *'there is no systematic approach or data-base to monitor recommendations'*.

Media and CSO Scrutiny of Budgets, Accounts & Audit Reports

172. The post-war era in Sierra Leone saw an increased role of CSOs and the media in issues of transparency and accountability including the scrutiny of budgets, accounts and audit reports. The war realities coupled with the emergence of social media and cultural change were some of the factors that facilitated the growth of CSO and media interest in these issues.⁵¹ A number of new CSOs emerged in this period, such as the Campaign for Good Governance (CGG), the Budget Advocacy Network, the Budget Advocacy Consortium and the 50/50 Women's Group, and they became vocal in pushing for issues of transparency and accountability. Instrumental to this process was the opening up of access to the work of the ASSL and in particular the timely release to the public of the OAG's report in the post-2007 period.

173. CSO and media participation was also clearly articulated in various national development blueprints such as the Vision 2025, the National Recovery Strategy and the Agenda for

⁵⁰ Information provided in a communication by DFID, Sierra Leone as part of the comments on the Draft Report of the evaluation team.

⁵¹ Focus Group Discussion with CSO Group.

Prosperity. Most of these emphasize people's participation in national development processes in order to ensure sustainability and ownership.

174. The GBBA 2005 made provision for the involvement of CSOs in the budget process, in particular by formalising the roles and functions of the District Budget Oversight Committees⁵² (GBAA 2005, article 21). The Budget Support partners had recommended a formalisation of this role, and also provided technical assistance for the drafting of the GBAA 2005.

Scope and Quality of Audits by the Office of the Auditor General (OAG)

175. The steady improvement in the coverage and quality of external audit has been a feature of the evaluation period. This is evidenced both in the steady improvements in scores for PI-26 accorded in successive PEFA assessments – from “D+” in 2007 to “C” in 2010 to “C+” in 2014, and in the INTOSAI Development Initiative (IDI) report of December 2012, “Draft SAI Performance Assessment for Sierra Leone”.

176. The coverage of annual audits has steadily expanded, with audited entities representing 69.3% of total expenditure in 2010, rising to 83.7 % in 2013 (PEFA assessment, 2014). The 2014 PEFA also reports that ‘*performance audit represents a consistent and new area of audit scope since 2009/10*’. Since 2011, the OAG’s annual report has included a separate section on performance audits, of which 9 had been completed by the time of the PEFA assessment mission in early 2014. In order to make this possible, a Performance Audit Unit has been established within ASSL and steadily strengthened and a specific Performance Audit Manual adopted. These processes have received considerable assistance from the TA provided to the ASSL by the Budget Support providers.

177. Follow-up on audit report recommendations is still a challenge, however. Auditees’ responses to audit queries are monitored but IDI (2012) report that ‘*the evidence of systematic follow-up is less clear.*’ Nevertheless, an important first step towards strengthening follow-up was made possible through the passing of the revised Audit Service Act in 2014. The Act empowered the Auditor General's Office to compel Vote Controllers to respond to queries within the thirty day period specified. Specifically, it gives power to the Auditor General to recommend the withholding of salaries of Vote Controllers that do not respond to queries within thirty days, and this power has on a number of occasions been utilised since the passing of the Act. During 2013, 74 % of auditees were responding within the 30-day period (up from 30 % in 2010): the Auditor General confirmed that the percentage had further increased during 2014.

Effectiveness of the Anti-Corruption Commission (ACC-SL)

178. The Anti-Corruption Commission (ACC) was established by the ACC Act 2000 and came into being from January 2001 with the dual objectives of investigating alleged instances of corruption and working to prevent corrupt practices. Despite extensive technical assistance – in particular from DFID, the development of its capacities and the expansion of its operations initially proved a slow process and was significantly hampered by the lack of its own prosecutorial powers.

⁵² These built on the community budget oversight committees that had been established in 2003.

179. In 2008, Parliament passed a revised Act (**ACC Revised Act 2008**), which sought to establish a more robust legal and institutional framework for fighting corruption.

Most significantly, it vested the ACC with independent investigative and prosecutorial powers without recourse to the office of the Attorney General or the Minister of Justice. It broadened the scope of corruption offences (from 12 in 2000 to 29 in 2008), provided protection for whistle blowers and introduced a mandatory asset declaration for all civil servants. Amongst other things, these revisions brought national legislation into line with the United Nations Convention against Corruption (UNCAC), which had been ratified by Sierra Leone in 2004.

180. The 2008 Act also broadened the responsibilities of the ACC, mandating it to coordinate the preparation and implementation of the National Anti-Corruption Strategy (NACS). This was done through a specially established NACS secretariat, who coordinated the 2008-2013 NACS and the updated 2014-18 strategy. The 2008 Act and the NACS strategies thus reinforced a three-pronged approach for ACC, involving investigation and prosecution, the prevention of corrupt practises and public education for attitudinal change. A number of specific measures were undertaken in order to apply this broader approach:

- ACC District Coordinators were appointed in order to make the presence of the Commission felt in every district of the country;
- Working partnerships were established through signed MOU's with the Parliamentary Committee on Transparency and Accountability, the Audit Service Sierra Leone; and the Sierra Leone Association of Journalists (SLAJ);
- Integrity Management Committees were established in MDAs to develop anti-corruption action plans and to monitor performance against these plans. By 2013, over 95% of MDAs had established these committees⁵³.
- ACC "systems and process reviews" were undertaken in 35 MDAs between 2008 and 2015, examining the practices and procedures of public bodies with a view to ensuring compliance to best practices and eliminating corruption opportunities.

181. **Undoubtedly, these steps raised the profile of the ACC and helped to raise public awareness.** The Civil Society Focus Group⁵⁴ were unanimous in asserting that since 2010 there has been an increased awareness among Sierra Leoneans on the dangers of corruption. They cited the increased number of reports on corruption by civil society and the media, the reporting of the Ebola audit being the most recent of these.⁵⁵ Notwithstanding the relatively limited number of ACC cases (Table 9), the fact that some important personalities had been prosecuted was also considered important. In support of these perceptions, the Global Corruption

⁵³ Centre for Development and Security Analysis (CEDSA) National Corruption Perception Survey 2013.

⁵⁴ This was a focus group brought together for this evaluation, comprising 6 independent CSOs as well as academics and journalists, who were invited to informal lunch meeting to discuss progress in governance and anti-corruption work and the potential influence of budget support.

⁵⁵ See, for example, Concord Times 25th, February 2015.

Barometer of 2013 showed that 85% of the respondents in Sierra Leone acknowledged knowing where and when to report corruption and 90% expressed a willingness to join the fight

Table 9: Summary of Progress with corruption cases taken by the ACC-SL

ACC Cases	2008	2009	2010	2011	2012	2013	2014
Charged to court	5	9	5	11	10	18	12
Closed	22	24	22	39	48	13	37
Keep in view	1	5	3	11	11	9	18
Referred	0	0	0	5	3	0	2
Cautioned	8	10	1	5	5	3	8
Total Completed cases	36	48	31	71	77	43	77
Convictions	4	11	8	7	22	6	6
Recovery (Le)	1.771 bn	1.790 bn	1.729 bn	1.372 bn	2.725 bn	1.698 bn	0.716 bn

Source: ACC Annual Reports 2008 - 2014

182. **On the other hand, conviction of high profile cases is still a major challenge.** Despite the increased powers granted by the 2008 Act, the case-load of the ACC has increased only modestly and, most significantly, the number of convictions has remained low (Table 9). The reversal of two corruption verdicts in the Appeal Court during 2015 served to re-emphasise the complexity of the task of gathering evidence and securing sustainable convictions against corruption.

6.2. Contribution of Budget Support to identified changes

183. How may we judge the overall impact of these developments? Do they add up to a significant change in the governance context? Our judgement is that **the groundwork has been laid to achieve substantial improvements in accountability in future, although to date the advances have been in the area of transparency, rather than accountability per se:**

- Accountability institutions have been created or revived and are now operating with a reasonable degree of functionality: the ASSL is the outstanding success story but the Public Accounts Committee and the Parliamentary Finance Committee as well as the ACC are also functioning reasonably effectively;
- Access to information has substantially improved – most notably the access to public accounts and to audit reports; and
- Public awareness of governance and corruption issues has increased and, there are now active voices in civil society and the media lobbying for change.
- Yet, there are few examples of corrective actions being taken against holders of public office for the abuse of their powers: corruption convictions remain a rarity and the follow-up to recommendations by the OAG and the PAC is still weak.

184. **The Worldwide Governance Indicators for Sierra Leone show a significant improvement in Voice & Accountability but no significant change in the control of corruption⁵⁶**, which supports this assessment of the evidence. The view that corruption is still a major problem in Sierra Leone is also strongly corroborated by the 2013 National Corruption Perception Survey carried out by CEDSA.

Table 10: Percentile Rankings for relevant Worldwide Governance Indicators, 2010 and 2013

WGI dimensions (Percentile rankings)	Sierra Leone		Liberia		Ghana	
	(2010)	(2013)	(2010)	(2013)	(2010)	(2013)
Voice and Accountability	4.7	38.0	38.9	33.2	62.6	60.7
Control of Corruption	24.3	18.1	35.2	26.7	60.5	58.5

Source: Worldwide Governance Indicators

185. **What influence has budget support had on these processes?** Although evidence does not suggest that the governance sector was a major beneficiary of Budget Support funding (Chapter 4, section 4.5), these institutions have received a constant or modestly growing share of the national budget. The protection of their budget shares in this way would have been made easier by the availability of Budget Support funds for the priority sectors.

186. **The ASSL and the ACC benefitted substantially from technical assistance, linked to the Budget support arrangements.** The ASSL and the ACC received considerable technical assistance support from DFID and from other Budget support providers. As we noted in Chapters 3 and 5, this “institutionally embedded” TA was valued by the beneficiary institutions and there is evidence that it has generated tangible benefits in institutional capacity and in the development of specific ‘organisational outputs’ such as performance audits in ASSL and systems and process reviews in ACC. While it is probable that these organisations would have received TA support even in the absence of Budget Support, stakeholders within these institutions believe that the scale would have been more modest and the strategic focus weaker in the absence of the link to policy dialogue through Budget Support.

187. **Policy dialogue and the related conditionality are perhaps the Budget Support inputs that have had the greatest influence on governance outcomes.** Targets for improvement of external oversight were included in the PAF and the majority of these were met⁵⁷. In addition,

⁵⁶ Details of the WGI methodology are presented in Kraay, Kaufmann & Mastruzzi (2010). For the six identified dimensions of governance, the WGI produces estimates ranging from – 2.5 to + 2.5. From these estimates, a percentile ranking is produced (from 0 = lowest to 100 = highest) of the respective scores within each dimension for the countries covered by the WGI. For each dimension and each country, WGI publishes both the estimated score and the standard error. The standard errors are high, hence in the case of Sierra Leone, the difference in scores for control of corruption for 2010 and 2013 are not statistically significant.

⁵⁷ Over the period 2008-2013, there were 9 PAF indicators on External Oversight, of which 5 were met, 1 saw some progress and 3 were not met. (See Figure 5 in Chapter 3.)

several of the indicators included in the DFID Performance Tranche for the period 2002 – 2007 were drawn from the governance commitments laid down in the 10-year GoSL-UK Government MoU, signed in 2002. These included commitments relating to the establishment and strengthening of the ACC, the processing of judiciary cases by the ACC, the improvement of external audit processes and the publication of external audit reports. The targets relating to the processing of ACC judiciary cases were repeatedly missed in this period, as were the conditions relating to the publication of external audit reports, the latter due to the specific interpretation of SO 75, on which Parliament insisted until the change of government in 2007. The poor performance against these indicators led to under-disbursement of the performance tranche and eventually to the full suspension of Budget Support for the first three quarters of 2007.

188. Evidence from stakeholder interviews suggests that **the influence of these disbursement conditions and the related dialogue had a direct influence in two important areas:**

- The timely availability to the public of the OAG's reports due to the 2007 decision to accept their release to the public simultaneous with their tabling in Parliament and the 2009 decision to clarify the interpretation of SO 75;
- The granting of independent prosecutorial powers to the ACC, under the 2008 Revised ACC Act.

189. **These comprise the two aspects of policy change, where one can point clearly to the influence of a performance tranche.** In the civil society focus group and in the relevant stakeholder interviews, there was a virtually unanimous agreement that the link to disbursements and the consequent attention these issues were given within the media, Parliament and the corridors of government served to accelerate the acceptance of the need for change.

190. Overall, there is strong evidence to suggest that **in the absence of Budget Support dialogue and technical assistance, the process of re-establishing the accountability institutions and creating an appropriate legal framework for their operations would have been considerably slower.** On the other hand, the development of these institutions has relied on the leadership of the dedicated and highly competent individuals, who were appointed to head them, just as the protection of the freedom of the press and the right to access information on the public finances has depended on the activism and tenacity of CSOs and the enlightened views of some Parliamentarians⁵⁸. In other words, conditionality may have accelerated change but its consolidation and deepening have depended on the existence of a domestic political constituency in support of change.

⁵⁸ There was a recent example of this at the time of the tabling in Parliament of the OAG's controversial Ebola Audit. The Majority Leader of Parliament, Hon. Ibrahim Bundu, initially sought to prevent its discussion outside of Parliament, invoking the famous SO 75. However, he was immediately challenged in Parliament and later by the ACC Commissioner and the Sierra Leone Bar Association, and was compelled to retract his statements. See Concord Times, 23rd, February 2015.

7. Budget Support influence on Health Sector Policies & Programmes

EQ 3.3 To what extent has Budget Support contributed to positive changes in the design of sector policies and in the implementation of planned expenditure programmes in the two study sectors (education and health)?

191. Evaluation Question (EQ) 3.3 examines the extent to which there have been positive changes in sector policies, in the composition of spending and in public spending outputs in the two study sectors of health and education. It also considers the extent to which Budget Support has had a positive influence on the changes identified. In this chapter, we focus on the health sector. The analysis of evidence on trends in health outcomes drawn from the 2008 and 2014 Demographic & Health Surveys (DHS) have been incorporated in this chapter, as well as the relevant findings from the field visit. Further details on the field visit can be found in Volume Two, Annex 11.

7.1. Policy developments in the health sector

192. In the period 2002-2013, there have been two initiatives that have had a major impact on the organization of the health system: 1) the decentralization of services to local councils (2004) and hospitals (2008); and 2) the introduction of the free health care initiative (FHCI) in 2010.

193. In the same year – 2010 - the Ministry of Health and Sanitation (MoHS) launched its first National Health Sector Strategic Plan 2010-2015 (NHSSP). The NHSSP provides the sector's strategic framework, serves as a guidance document for operational plans and expenditure frameworks, and formalizes coordination mechanisms for all stakeholders in health development in Sierra Leone.

Policy dialogue at the sector level

194. For much of the evaluation period, there was not a coordinated approach to the programming and management of resources in the sector. Especially in the first years after the war, there were many (bilateral) donors and NGOs assisting the GoSL to rebuild the health system, but the GoSL was not in a position to lead or coordinate the process. Subsequently, attempts were made to start a sector-wide approach, but such an approach was never formalized.

195. **The introduction of the FHCI in 2010 created the opportunity – even necessity - for a better coordinated approach** and stakeholders report that during this period all partners actively worked together towards one common goal for the first time. Stakeholder interviews confirm that since 2010, there has been a reasonably effective policy dialogue between the DPs and the MoHS. Donor coordination has also been better organised.

196. The quality of the planning and coordination process was put to the test by the severe challenge of dealing with the Ebola crisis. The Ebola epidemic was still active at the time of the fieldwork for this evaluation and it was thus too early to assess the quality of the health care and management response. Nevertheless, in interviews many stakeholders (in MoHS, in MoFED and amongst the DPs) indicated that, although the shortcomings of the coordination process were manifested in the early months of the crisis, overall the Ebola response had served to strengthen coordination and management systems, creating a context for deeper sector policy dialogue.

Involvement of the MDBS partners in the health sector

197. All MDBS partners are active in the health sector. The WB is the primary supporter of the P4R performance-based financing initiative, which involves the payment of salary supplements to primary health care staff, based upon performance against service delivery indicators. DFID, in particular, had an important role in the introduction of the Free Health Care Initiative, making a special arrangement to provide sector budget support to the health sector following the introduction of the FHCI in 2010.

198. In the absence of DFID's sector budget support targeted to support the wage bill of health workers, the introduction of the FHCI might well have failed. Prior to the official introduction, health workers went on strike over the plans, arguing that free healthcare would increase their workload and working hours. The government settled the dispute with a substantial increase, agreeing to pay rises of 200-500% which had a major impact on the public sector wage bill. DFID and the Global Fund supported the MoHS with Budget Support targeted to finance the additional salary costs. DFID provided £10.3 million in support of health worker salaries for a period of five years on a gradually diminishing basis⁵⁹, complemented by roughly £6 million from the Global Fund from 2010 to date (Stevenson et al., 2012).

199. A condition of the DFID and Global Fund disbursements was that the payroll should remain clean and that absenteeism should be reduced. DFID financed a TA programme directly linked to the BS arrangement that included work on indicators for pay-roll verification and attendance registers, including some random checks to verify if staff on the pay-roll were actually at work. In addition, staff of the MoHS were trained to set-up sustainable verification systems. Most triggers for the release of the SBS were met, suggesting that these initiatives were successful. The government hired 3,000 additional health workers after removing about 1,000 ghost workers from the pay roll.

⁵⁹ It should be noted that these FHCI-related disbursements are incorporated in the totals of DFID Budget Support disbursements, shown in the tables and charts presented in Chapters 2 and 3 and other parts of this report. The data provided by MoFED on budget support disbursements does not distinguish disbursements related to FHCI, from other DFID disbursements of Budget Support.

7.2. Expenditure trends in the Sector and the contribution of Budget Support

200. Figure 29 illustrates the pattern of health sector financing over 2002-2014. A number of clear trends may be discerned:

- Firstly, the resources available for the health sector have grown substantially over the period, even discounting the large increase in external financing in 2014 in response to the Ebola epidemic.
- Secondly, the health sector has relied heavily on externally financed projects, receiving substantially more project funding than the education sector, mostly through vertical programmes. External projects comprised some 4 times the value of domestically financed health expenditure, from 2007 to 2010, before falling in relative terms to between 2 and 3 times its value.
- The introduction of the FHCI in 2010 nearly doubled the domestically financed expenditure on health care, and this growth has continued up to 2014, substantially assisted by the availability of budget support.
- From 2010, the wage increases linked to the introduction of the FHCI are clearly visible, with personnel expenditure multiplying more than five-fold between 2009 and 2014.

201. **From 2010 onwards, a significant part of non-salary recurrent expenditures and all the domestically financed investment can be attributed to the additional fiscal space that Budget Support has provided.** Following the methodology explained in Chapter 4, Section 4.5), the black line shows the proportion of health spending that could have been financed by domestic revenues alone, based upon the average share of such revenues which accrued to the health sector over 2002-2004. The amount between this black line and the pale blue section of the chart attributable to external projects may therefore be considered to have been made possible by Budget Support financing⁶⁰.

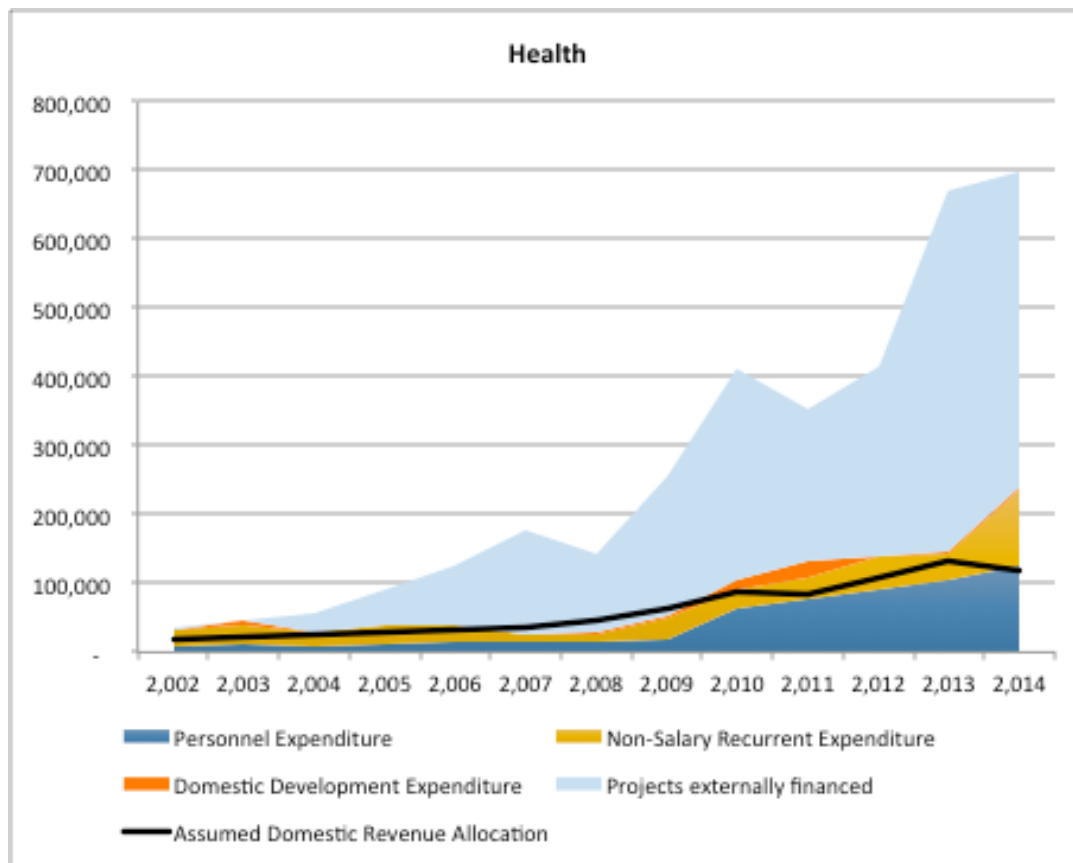
202. The analysis of this evaluation takes account of the fungibility of budgetary resources over the medium term and thus differs from the conclusions of more recent assessments of the FHCI. For example, the draft FHCI evaluation (OPM, 2015) states that 50% of the increase in salaries, post FHCI, was funded from government resources, with the balance funded by Budget Support from DFID and the Global Fund. This is consistent with the budget support agreements reached with DFID and with the reports produced by MoFED at the time. However, Figure 29 shows that if the Government had continued to allocate to the health sector the same share of domestic revenues as had been allocated on average between 2002 and 2004, domestic revenues alone would have financed the full value of the sector wage bill increases of 2010-2014⁶¹. In fact, the

⁶⁰ See Chapter 4, section 4.5 for a full presentation of the assumptions underlying this estimate.

⁶¹ In Figure 29, the full value of personnel expenditure (in dark blue) falls within the black line representing assumed domestic revenue allocations to the health sector up to 2014.

Government over 2007, 2008 and 2009 had reduced allocations to the health sector below the levels of sector shares, which had pertained in 2002-04. In adopting the FHCI initiative, this policy was changed and the support of DFID, the Global Fund and others was instrumental in helping this to happen, even if it should have been possible for Government to finance the full value of the resulting salary increases.

Figure 29: Estimated contribution of Budget Support to Funding of the Health sector, 2002-14



Source: Own compilation based on published accounts from Accountant General's Department. The DACO database of the Ministry of Finance has been used for externally financed projects.

7.3. Contribution of Budget Support Policy Dialogue to policy changes

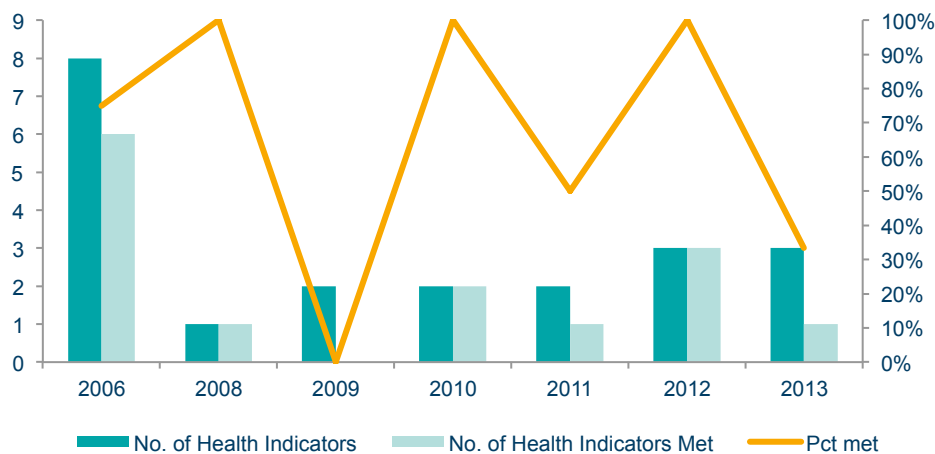
203. As we have noted, the introduction of Sector Budget Support to the Health sector by DFID and the Global Fund was instrumental in the introduction of the Free Health Care Initiative. In addition to providing additional external funding, it also helped to leverage budget allocations to the sector to a level substantially in excess of the share of domestic revenues, which it had received over 2007 to 2009. Through related technical assistance, these budget support operations also served to improve the management of the health sector payroll.

204. However, these SBS arrangements were managed in parallel to the existing framework for policy dialogue on health under the MDBS MoU. The question then remains whether any additional policy influence of Budget Support was generated through the MDBS Performance Assessment Framework (PAF) and the related dialogue and disbursement arrangements?

PAF indicators linked to the health sector

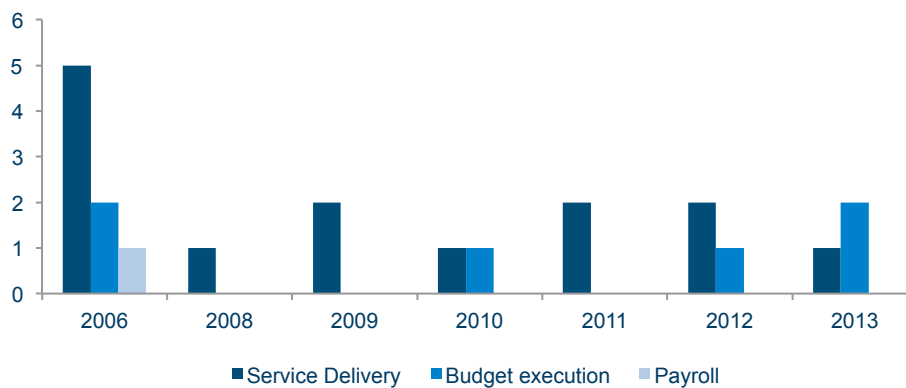
205. The number of PAF indicators related to the health sector diminished after 2006, as can be seen in Figure 30. It fell from a high of 8 in 2006 to a number ranging between 1 and 3 over 2008 to 2013. In 2006, indicators were largely met and in several years – 2008, 2010 and 2012, indicators were met in full; indeed, only in year (2009) were no indicators met. This suggests a relatively good performance but how relevant were the PAF indicators and how significant in generating improved performance?

Figure 30: Health Indicators in the MDDBS PAF – total number and percentage met



206. The PAF indicators for the health sector can be divided into three categories: (i) indicators relating to basic service delivery, such as % deliveries at public health facilities, vaccinations etc.; (ii) budget execution indicators,; and (iii) payroll management indicators, as shown in Figure 31. Service delivery indicators were consistently monitored through the PAF and these were generally met. Budget execution indicators were present in 4 of the 7 years for which data is available, and showed a more mixed performance, being met in 2 out of 4 years.

Figure 31: Health sector PAF indicators by thematic area and by year



207. Interestingly, payroll indicators were only incorporated in the PAF in 2006. Thus, all of the payroll reform targets, against which were conditioned the SBS disbursements from DFID and

the Global Fund in support of the FHCI, were agreed and monitored outside of the framework of the MDBS PAF. It is notable that the health sector payroll reforms agreed through the SBS mechanism were significantly more successful in meeting their targets than the exercise performed in MEST, under the auspices of the MDBS PAF mechanism.

208. During stakeholder interviews, specifically with other development partners outside of the MDBS group, various interviewees mentioned that several health sector service delivery indicators in the PAF were inappropriate as policy triggers for the MoHS. For example, an indicator on percentage of children vaccinated was present in the PAF in several years, whilst the party mainly responsible for vaccinating children in Sierra Leone during this time was UNICEF. For the MoHS to meet this indicator, no additional government effort was therefore needed.
209. **Stakeholder interviews with MoFED, MoHS and the DPs also confirmed that the MoHS has not been actively engaged in the MDBS policy dialogue.** MoHS staff have normally participated in PAF discussions but generally at a junior level and due to frequent changes in staff positions, this has often been through different people. As a result, stakeholders report that the PAF indicators are not “owned” by MoHS and do not function as triggers to generate managerial responses to the performance trends identified through the PAF .
210. Therefore, in addition to a problem of relevance, it would appear that the health indicators in the PAF suffer from a fundamental problem of lack of ownership by MoHS. While the health indicators in the PAF may perhaps have helped to bring more prominence to health performance and health financing issues at the central agency level, there is no evidence to suggest that they influenced either the design or implementation of health policies and programmes. By contrast, the SBS arrangements created to support FHCI implementation were clearly more influential – an observation whose significance we examine in our conclusions below.

7.4. Recent health outcomes in Sierra Leone

211. **How have health outcomes developed in Sierra Leone and to what extent may these developments be related to the changes in health policies, sector spending and service delivery, which we have identified above?** In particular, how far can the changes in outcomes be related to the FHCI initiative? These are the types of questions, which would normally be covered within a “Step Two” analysis, in most cases involving a combination of econometric and qualitative techniques. For the health sector, it has not been possible to conduct any econometric analysis of the determinants of health sector outcomes in Sierra Leone⁶². Therefore, this section is based on a more descriptive analysis of the secondary evidence.

⁶² There were two reasons: 1) the Terms of Reference and the corresponding budget for the evaluation allowed for detailed econometric analysis in only one sector and it was decided that this should be education, given its intrinsic importance and the fact that it is estimated to have been the major beneficiary of Budget Support funding. 2) Accurate annual data – disaggregated by district – are not available in relation to health sector outputs (numbers of health posts, numbers of staff by professional categories, distribution of medicines, health campaigns, etc.), thus the output variables which one would expect to have influenced outcomes cannot be systematically analysed.

212. The main evidence on recent trends in health outcomes in Sierra Leone comes from the Demographic and Health Surveys (DHS) conducted in 2008 and 2013. These surveys are widely regarded as the most authoritative source of health indicators; and the indicators selected here are directly comparable between these two surveys.

Health outcomes; child mortality and malnutrition

Table 11: Child mortality rates in Sierra Leone, 2008 and 2013

	Infant mortality rate		Under 5 mortality rate	
	2008	2013	2008	2013
<i>by gender</i>				
Boy	118	117	177	186
Girl	105	102	159	164
<i>by region</i>				
Eastern	95	127	146	199
Northern	113	95	172	165
Southern	122	118	180	174
Western	108	106	161	156
Total	111	110	168	175

Source: Author's calculations with DHS (2008, 2013)

Table 12: Indicators of child malnutrition in Sierra Leone, 2008 and 2013

	Height-for-age below -2 SD		Weight-for-height below -2 SD		Weight-for-age below -2 SD	
	2008	2013	2008	2013	2008	2013
<i>by wealth index</i>						
Lowest	36.5	42.6	11.6	7.7	21.8	17.3
Second	43.6	40.4	9	10.6	25.7	19.6
Middle	37.7	38.1	9.4	9.7	23.4	16.6
Fourth	36.5	35	9.1	9.6	19.5	15.5
Highest	22.7	28.1	12.6	8.5	11.8	10.3
<i>by gender</i>						
Male	38.6	38.9	9.9	10.7	23.6	17.6
Female	34.3	36.9	10.5	8	18.8	15.4
<i>by region</i>						
Eastern	33.6	42.2	9.9	6.7	17.7	16.8
Northern	39.5	35.4	8.6	10.8	23.5	17.9
Southern	38.1	42.2	14.5	9.2	23.6	16.1
Western	26.9	28.9	9.9	8.8	13.9	10.4
Total	36.4	37.9	10.2	9.3	21.1	16.4

Source: Author's calculations with DHS (2008,2013)

213. Data on infant and under five mortality rates are presented in Table 11. The first point to note is that child mortality rates in Sierra Leone are much higher than the aggregate sub-Saharan Africa figure, which in 2013 was 61.1 for infant mortality (compared with 110 in Sierra Leone) and 91.2 (compared with 175 in Sierra Leone) for under five mortality. Mortality rates are higher for boys than girls as is usually the case but **there is no reduction over this time period in child mortality rates, and the rate in fact increases significantly in the Eastern region.**

214. On the other hand, **the levels of malnutrition for the three most common indicators of deficiency are not very different from the Sub-Saharan African averages**, as reported in Table 12. Again, outcomes are better for girls than boys. Outcomes are also better in the Western region than elsewhere, and are better in higher wealth quintiles. Here, **there is evidence of some improvement over time in the two weight based indicators**, and this is true for almost all disaggregations presented. The height for age measures are slightly higher for 2013 compared to 2008, but the difference is not likely to be significant. Weight based measures often change quicker over the medium term compared to height based measures.

Access to health care services

Table 13: Use of different health services in Sierra Leone, 2008 and 2013

	Delivery in health facility: births 3 years before survey		Percentage of children with all vaccinations		Treatment of diarrhoea using ORS or RHS		Use of mosquito nets by children	
	2008	2013	2008	2013	2008	2013	2008	2013
<i>by wealth quintile:</i>								
Lowest	17.8	50.8	39	73.1	57.9	88.9	22.8	50.4
Second	21.9	52.7	40.5	66.3	70.4	84.3	22.2	51.2
Middle	22.9	53.1	39.3	66.8	73.2	83.6	25.7	53.2
Fourth	26.5	63.5	41	69.4	76.9	85	32	50.6
Highest	39.8	73.5	39.5	62.3	79.5	86.1	27.3	35
<i>by residence:</i>								
Urban	38.5	71.1	40.4	65.6	76.8	86.4	29.9	40
Rural	19.6	52.9	39.6	68.9	68.8	85.3	24.2	52
<i>by region:</i>								
Eastern	28.9	74.2	47.4	77.8	69.8	86.2	25	49
Northern	15.5	41.1	33.1	62	69.1	83.4	21.8	47.7
Southern	33.8	63.8	45.2	75.3	72.4	88.6	34.9	62.7
Western	35	64.7	41.6	56.2	77.5	88.2	26.3	26.5
Total	24.8	57.5	39.8	68	70.8	85.6	25.8	49

Source: Author's calculations with DHS (2008,2013)

215. Table 13 reports statistics on four important health service outputs: giving birth in a public facility; children having all vaccinations; diarrhoea being treated by ORS or RHS; and use of mosquito nets by children. **All four of these indicators show large improvements over this five**

year period, in aggregate, in both urban and rural areas, in all regions and in all wealth quintiles. While the starting points were often low, the scale of improvement over this five year period is very impressive. Where it is possible to compare, by 2013 Sierra Leone does not look bad compared to the sub-Saharan African averages.

216. For three of these indicators (aside from delivery in a public health care facility) it is striking that in 2013 outcomes are no worse in rural areas than urban areas, and no worse in lower wealth quintiles compared to higher wealth quintiles. **This is an impressive achievement in delivering much of this health care throughout the country.**

217. Table 14 reports responses to a question about problems in accessing health care. The table simply reports the number of households, which experienced a problem. Different types of problems are reported but by far the most important one is financial. This table shows that a majority of households experience problems in accessing health care; but it also shows that the numbers experiencing problems fell between 2008 and 2013. Again, **this shows quite large improvements in access to health care over this period, although the extent of problems reported remains high.**

Table 14: Numbers reporting problems in accessing health services, 2008 and 2013

	2008	2013
<i>by wealth quintile:</i>		
Lowest	95.5	80.4
Second	94.5	80
Middle	93.5	76.3
Fourth	87.2	71.3
Highest	69.3	56.1
<i>by residence:</i>		
Urban	75.9	62.3
Rural	93.5	77.2
<i>by region:</i>		
Eastern	88.9	81.3
Northern	93.2	75.1
Southern	91.2	70.8
Western	69.4	56.3
Total	87.2	71.9

Source: Author's calculations with DHS (2008,2013)

Incidence of important diseases: malaria and HIV/AIDS

218. We now turn to two high profile illnesses, malaria among children and HIV/AIDS among adults.

Table 15 shows that up to one quarter of children experienced fever in the two weeks before the survey, showing the widespread prevalence of malaria. This does not change much between 2008 and 2013. The other two sets of columns of numbers concern treatment for malaria: whether drugs were taken (columns 3 and 4) and whether they were taken within one day, which is

important for quick treatment (columns 5 and 6). The numbers taking drugs for malaria were low in 2008, and very few took the drugs within one day. **By 2013 the situation had improved significantly but it remains the case that in more than half of cases drugs were not taken**, and the extent of taking drugs is particularly low in the Western region.

Table 15: Children's experiences in relation to malaria in two weeks preceding survey

	Percentage of under 5s with fever in past two week		Percentage with fever who took antimalarial drugs		Percentage with fever who took antimalarial drugs same or next day	
	2008	2013	2008	2013	2008	2013
<i>by region</i>						
Eastern	23	23.6	22.5	60	8.3	44.5
Northern	24.2	26.8	26.4	45.8	11.1	37.8
Southern	24.1	25.3	43.9	47.8	29.8	31.4
Western	29.1	25.1	32.2	37.2	16.3	23.5
Total	24.6	25.4	30.1	48.3	15.1	35.9

Source: Author's calculations with DHS (2008,2013)

Table 16: HIV prevalence and testing among adults, 2008 and 2013

	2008	2013
Population receiving an HIV test and receiving test results in the last 12 months: Female		
Urban	8.2	16.7
Rural	1.8	11.8
Total	4.1	13.6
Population receiving an HIV test and receiving test results in the last 12 months: Male		
Urban	6.2	9.5
Rural	1.6	4.3
Total	3.3	6.2
HIV prevalence among general population: Female		
Urban	2.7	2.5
Rural	1.2	1.2
Total	1.7	1.7
HIV prevalence among general population: Male		
Urban	2.1	2
Rural	0.6	0.8
Total	1.2	1.3

Source: Author's calculations with DHS (2008,2013)

219. Finally, Table 16 relates to HIV/AIDS and concerns adult respondents. The first six rows of numbers in the table report the number of women and men receiving results from HIV tests they had. Levels were low in 2008 but had increased significantly by 2013. The extent of testing was much higher in urban areas than rural areas, and much higher for women than it was for men.

Prevalence of HIV/AIDS (the last six rows of numbers) remains low in Sierra Leone and did not increase over this period.

Overview of changes in Health sector outcomes 2009- 2013

220. Levels of child mortality in Sierra Leone are very high and did not improve over this period: this remains a matter for serious concern. Such results can be the consequence of exceptionally adverse conditions in one region (the Eastern Region) in one of the years. Moreover, child mortality outcomes are influenced by many other variables other than access to health care, such as availability of clean water and sanitation and levels of parental education, although it is notable that nutritional indicators show improvements⁶³. Comparisons across five years cover a relatively short period of time and significant reductions in mortality rates may require longer periods of time; but the main point is that there is no evidence of any reduction in child mortality over this period.

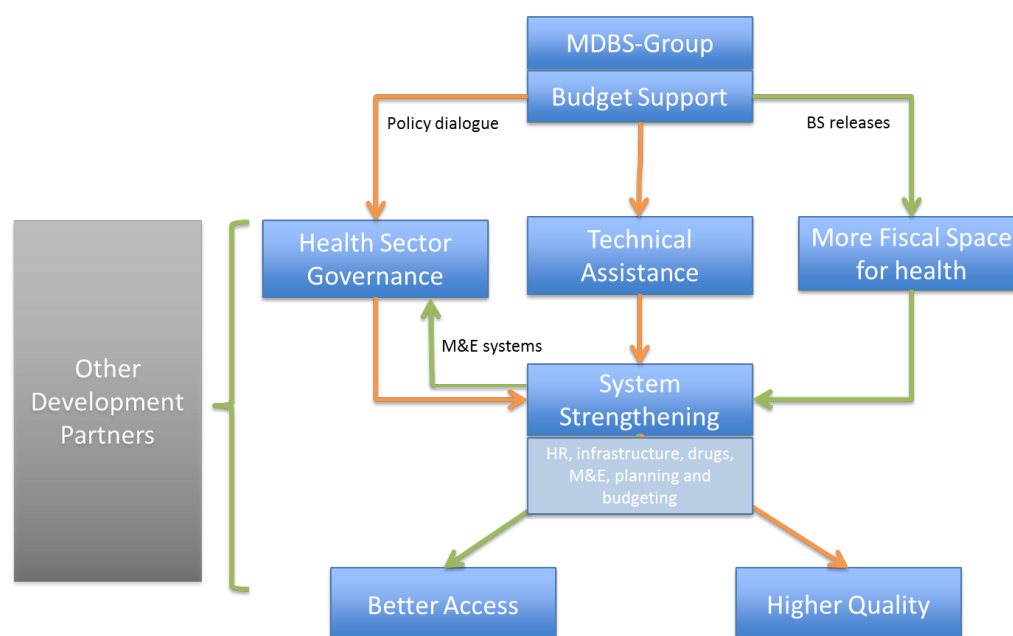
221. On the other hand, the extent of use of health services in Sierra Leone has increased substantially over this period, and in several respects Sierra Leone is not that different from the overall average for sub-Saharan Africa in respect of these output indicators, despite having started from a significantly lower base. The progress has also been broadly based in terms of geographic location and wealth groups, although there are some locations where progress has been slower.

222. It seems very likely that there is an association between the expanded use of health services and the policy decisions to increase health sector funding and introduce the FHCI. The analysis undertaken has been insufficient to determine causal factors and it is quite possible that changes have been driven by demand-side factors unrelated to the costs of public health care (such as improvements in household incomes or in peace and security) and/or to supply side factors unrelated to government-funding of health services (such as vertical programmes for vaccination or malaria treatment). Nevertheless, it seems likely that the big increase in the proportion of births delivered in health facilities and the expansion in the treatment of diarrhoea using ORS or RHS (reported in Table 13), as well as the substantial reduction in the numbers reporting problems in accessing health services (Table 14) are directly related to the expansion of government health care services and the elimination of fees.

7.5. Conclusions on the influence of Budget Support in the health sector

223. Figure 32 below presents, in simplified form, the intervention logic of Budget Support, as it might be applied to the health sector. Its influence may be transmitted through additional funding, through policy dialogue and/ or through related technical assistance. In order to generate improvements in outcomes, these influences must in some way serve to strengthen the health care delivery system, so as to improve accessibility or quality of public health care.

⁶³ We also note that the World Bank's World Development Indicators database reports an improvement in Maternal Mortality Rates from 1,600 per 100,000 live births in 2005 to 1,100 in 2013.

Figure 32: Overview of Budget Support Intervention Logic in the Health sector

224. In terms of health systems strengthening, the coverage of public health services has certainly grown, and significant efforts have been made to enhance both the training and motivation of health staff - notably through salary improvements - simultaneously with policy decisions to provide free health care. The utilisation of services has improved markedly – quite probably as a direct result of these policy and spending decisions – and certain outcome indicators, such as those related to nutrition and maternal mortality rates are improving, even if child mortality remains stubbornly high. Our conclusions regarding the channels and the extent of influence of Budget Support on health systems improvements are as follows:

- **Budget Support funds played an important role in providing additional fiscal space for the sector in the period from the introduction of FHCI in 2010.** In particular, evidence suggests that non-salary recurrent expenditures and domestically financed investments in this period would have been exceedingly difficult to finance in the absence of Budget Support. On the other hand, by contrast with the draft FHCI evaluation (OPM, 2015), we estimate that it should have been possible for all salaries in the sector to have been funded from domestic revenue, if budgetary allocations equivalent to the health sector shares pertaining over 2002-2004 had been made.
- **The channels of policy dialogue established through the DFID/ Global Fund Sector Budget Support arrangement were instrumental in leveraging increased public sector funding for the sector, and in ensuring a commitment to reforming the health sector payroll.** Although the Free Health Care Initiative (FHCI) was clearly a political commitment of the Government of Sierra Leone, on which President Bai Koroma may be said to have staked his own personal reputation, it may not have succeeded in the absence of the timely political and financial support provided by DFID and the Global Fund,

particularly in the light of the major salary increases which had to be granted to make the initiative possible. This political collaboration combined with the introduction of disbursement conditions linked to payroll reforms also served to guarantee a high level political commitment to payroll reform, something which was never achieved in the education sector.

- **By contrast, the policy dialogue linked to the MDBS PAF arrangement had no apparent influence of any significance.** The key problem seems to have been the inability to obtain an adequate “buy-in” by the MoHS into the process of definition and monitoring of performance targets, as a result of which neither the health PAF targets nor related dialogue had any influence as “triggers” for managerial and policy actions by MoHS. There were also problems in selecting genuinely relevant health sector indicators for inclusion in the MDBS PAF.
- **Technical Assistance provided by DFID as part of the SBS support to the FHCI was effective in generating improvements in payroll management** and there is evidence that these improvements were sustained at least until the end of 2014, although it is possible that the disruption resulting from the Ebola crisis may have had negative impacts subsequently.

225. **The experience of the health sector suggests that Sector Budget Support arrangements may have greater influence on sector outcomes in Sierra Leone than General Budget Support arrangements.** Certainly, in terms of the effectiveness of inputs from policy dialogue and technical assistance, the SBS arrangements in health proved substantially more effective than the MDBS arrangements with regard to both the health and education sectors. However, given the many factors at play, one should be wary of reading too much into these sector-specific experiences⁶⁴.

226. The fact that the FHCI was a major political commitment of the Government, enjoying strong Presidential backing, was clearly a dominant factor in the success of the arrangements established in its support and would probably have brought success even if DFID and the Global Fund had chosen to channel resources and manage dialogue through the existing MDBS arrangement. Nevertheless, the earmarking of Budget Support to the sector – even if it was a virtual earmarking⁶⁵ and the SBS resources were in fact fungible – was clearly influential in winning the buy-in of sector authorities to the payroll reform process. In addition, as an SBS arrangement, the DFID office were able to lobby successfully for a health sector specialist to form part of the dialogue team, which would rarely be possible where sectoral issues are managed through MDBS/

⁶⁴ One relevant factor, which we have been unable to analyse, is the relative quality and the appropriateness of the specific approaches adopted by the TA teams working respectively on the education and health payroll issues. The evaluation team were unable to obtain access to the terms of reference and to the reports of the respective TA teams, nor was there sufficient time to conduct detailed comparative interviews.

⁶⁵ SBS funds were disbursed into the central Treasury account in the same way as MDBS funds and were channeled to the sector through normal budgetary procedures.

GBS arrangements (in which case dialogue would generally be managed by economists or governance specialists.)

227. The health sector experience also suggests that Budget Support processes may have a greater policy influence than even large-scale project interventions. As we have noted above, despite enjoying large-scale funding through external projects, including funding from several large donors, the health sector had a history of poor donor coordination until the advent of FHCI and Sector Budget Support. Only at this point did it prove possible to establish a comprehensive sector financing strategy and a sector-wide framework of coordination. Similarly, it was only at this point that the fundamental cross-cutting issues of staffing, salaries and pay-roll management were able to be addressed within the framework of GoSL-Development Partner dialogue. The question is was FHCI *per se* the driving force or was the choice of an SBS modality important in its own right? We have insufficient evidence to answer this question definitively but it is pertinent to note that the Global Fund chose to join an SBS arrangement, having never provided resources in such a way in Sierra Leone previously.

8. Influence of Budget Support on sector policies, programmes and outcomes in Education

EQ 3.3 To what extent has Budget Support contributed to positive changes in the design of sector policies and in the implementation of planned expenditure programmes in the two study sectors (education and health)?

EQ 4.1: How have the key outcome indicators evolved in the Education sector in aggregate, by gender and by district? What factors have been the main determinants of the changes identified?

228. This chapter addresses EQ 3.3 and EQ 4.1 by a) examining policy and expenditure trends in the education sector; b) assessing the contribution of Budget Support to these trends; c) analysing the main determinants of the changed outcomes in the education sector; and d) assessing the contribution of Budget Support to these key outcomes. The findings of the quantitative and qualitative work relating to Step Two (EQ. 4.1) have been incorporated in this chapter. Further details on the econometric analysis, on the field visit, and on the qualitative policy analysis undertaken can be found in Volume Two.

8.1. Policy and expenditure trends in the education sector

Table 17: Key Policy decisions in the Education sector & their implications 2002 - 2013

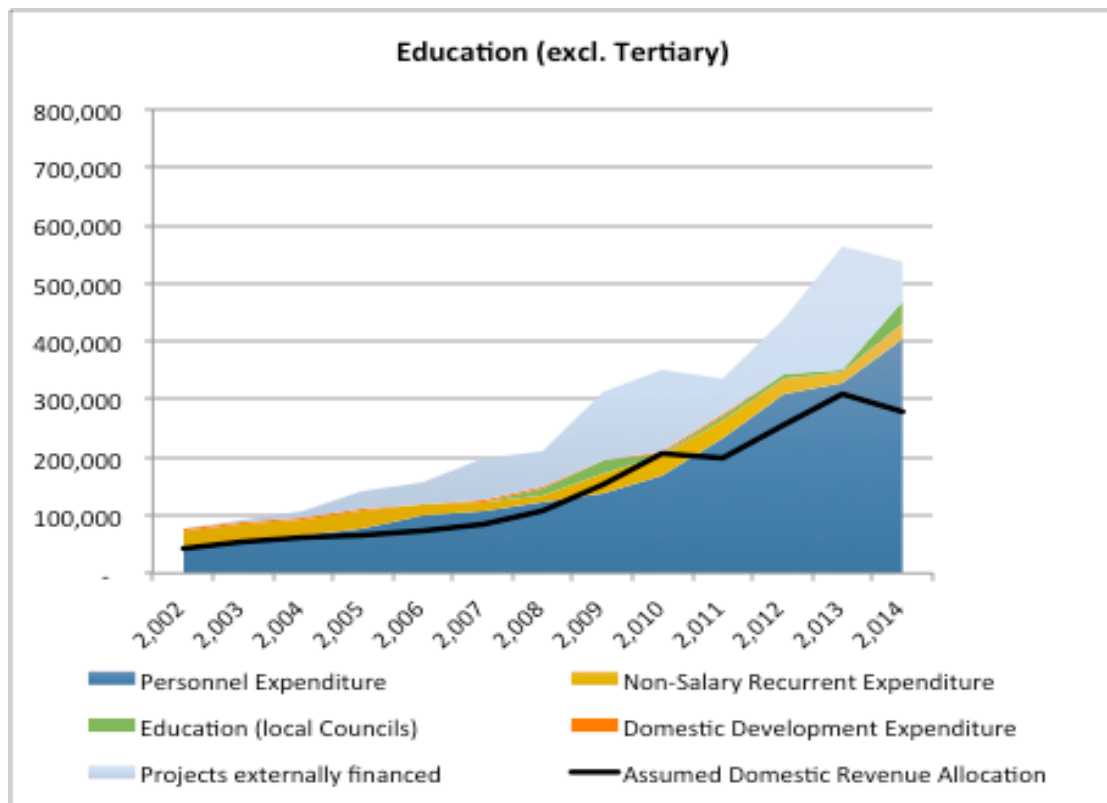
Act (year passed)	Key implications
Education for All National Action Plan (2003 – 2015)	Road map which set out the GoSL's plan to ensure Basic Education For All by 2015 in line with the Millennium Development Goals .
Education Act (2004)	Replaced the Education Act of 1964: outlines the structure of the education system, management and control, and the role of various actors in the system including local authorities. Key issues are the legalization of the 6-3-3-4 education system and the abolition of primary education fees.
Local Government Act (2004)	Established local governments and marked the return to decentralization in education after over 30 years of centralized governance. Transferred the management and supervision of basic education from the centre to local governments.
Education Sector Plan (2007-2015)	Set out the priorities for the GoSL for the period 2007 – 2015, endorsed by the Local Education Group and the Fast Track Initiative Partnership.
Teaching service commission act (2010)	Established the Teaching Service Committee, an autonomous entity with the responsibility of teacher management (not yet functional).
Government White Paper on education (2010)	Response to the high failure rates on the BECE and WASSCE exams of 2008. Accepted the recommendation of the 2008 Gbamanja Commission of Enquiry for an additional year of senior secondary schooling and the phasing out of double-shift schooling as well as making pre-primary schooling obligatory.
Education Sector Plan (2014 – 2018)	Provided a roadmap by which to achieve tangible improvements in Sierra Leone's primary, secondary, vocational and higher education services .

229. Major policy developments have taken place in the education sector in the period 2002-2015, as shown in Table 17 above. The most important developments in the sector have been the abolition of school fees, the construction of new schools and the decentralisation of major management functions. A full list of policy documents and the degree of implementation has been provided in the Desk Report.

230. The two education sector plans (2007-2015 and 2014-2018) outlined the priorities for the GoSL in their respective periods. The education sector plans were endorsed by the Education Development Partners Group and the Education for All / Fast Track Initiative (renamed the Global Partnership for Education (GPE) from 2011 onwards).

231. Notwithstanding this endorsement by the GPE, the ESP 2014-18 lacks a medium term financial framework and, in the absence of such a framework, does not provide a structured, feasible set of projections for moving towards education for all. The ESP also fails to address the essential policy issue of how to manage the growth of schools and how to assist the transition of unapproved schools to approved (and funded) status. The analysis developed by the evaluation team – presented in Volume Two, Annex 10 – suggests that this is the most pressing policy issue at present. The fact that it is not effectively addressed in the ESP 2014-18 is a telling example of the weaknesses of policy and planning within the sector as well as constituting powerful evidence of the limited influence of DP-GoSL sector policy dialogue.

Figure 33: Contribution of Budget Support to expenditure in the Education Sector, 2002 – 2014



Source: Own compilation based on published accounts from Accountant General's Department. The DACO database of the Ministry of Finance has been used for externally financed projects.

232. During the evaluation period, the GoSL education expenditures have expanded considerably as shown in Figure 33. A large share of the increase went into salaries, which form the majority of the total expenditure (from 50% in 2002 to around 70% in 2014). In addition, the education sector received important additional funding and technical assistance from its DPs through projects and common basket funding.
233. Funding through Budget Support has played a key role in financing the expansion of the education sector. The expanded levels of provision could not have been financed in the absence of GBS, without major budget re-allocations or unsustainable levels of borrowing. As shown by the black line (following the methodology explained in Chapter 4, Section 4.5), all of non-salary recurrent expenditure, a small portion of personnel expenditure and the full value of the disbursements to the districts can be attributed to the additional fiscal space that budget support has provided.

8.2. Contribution of Budget Support Policy Dialogue to policy changes

Involvement of the MDBS partners in the education sector

234. While BS has supported the financing of the implementation of education policies as shown in the figure above, there are no indications that the development of the education sector policies can be linked to the provision of Budget Support. Because the MDBS partners are also part of the Education Development Partners Group, there has been an indirect influence from the MDBS group on the development of current policies. Starting from 2007, the GoSL received an Education Sector Programme Implementation Grant through the GPE, managed by the World Bank. This grant (USD 29.6 million) has contributed to the implementation of the Education Sector Plan 2007-2015, and the renewed Education Sector Plan 2014 -2018. Similar to BS variable tranches, the GPE disbursements are also linked to indicators. Stakeholders within MEST reported that these GPE indicators are much better owned by the MEST when compared with the PAF education indicators which have been largely perceived by MEST as a MoFED affair.
235. The MDBS design did not initially include a TA component for the education sector, although some TA support to improved teacher payroll management was later provided by AfDB and DFID, as a consequence of Budget Support dialogue. Nevertheless, the four Development Partners comprising the MDBS-group have individually funded several education support programmes and provided project-based TA arrangements to address capacity gaps in the education sector. These arrangements were independent of the Budget Support process and would certainly have existed in its absence. DfID, the AfDB and the World Bank have been the most active MDBS partners in the education sector.
236. The World Bank has been particularly active in the field of infrastructure development, amongst others through the 'Rehabilitation of Basic Education' programme which took place from 2003 until 2009 (USD 42.1 million) and the multi-donor funded EFA/FTI Program (2008-2012; USD 13.9 million). The AfDB had two long-term projects with a broad focus on improving the education infrastructure during and after the civil war (Education II & Education III, 1991-2011).

237. DFID has had a broader scope focussing for example on: basic education (primary and JSS) through the 'Improving Schooling in Sierra Leone' project (2011-2017, USD 12 million); school feeding (2011-2015; USD 3.1 million); and strategic support to the MEST (2013-2017; USD 3 million). Based on a division of labour with DFID, it was a deliberate choice of the EU not to be actively involved in the education sector⁶⁶. The EU's contribution is therefore mostly indirect through GBS and through a number of smaller initiatives under NGO budget lines. It currently supports the World Food Programme school-feeding programme for example.

238. **Given the absence of a specific BS TA component for the education sector, the lack of synergy between the other education projects and the issues emerging with regard to MEST within the the annual PAF reviews is especially striking.** The exceptions are the DfID project on supporting the GoSL Teacher Payroll Management (2009, GBP 76,780) and the AfDB support to the Teachers Record Management Improvement Programme (TRMIP, USD 2 million). These two projects sought to support achievement of the PAF indicators related to teacher payroll management.

239. DFID started a small project with MEST on Teacher Payroll Management in 2009 as part of the EMIS enhancement programme. More recently, the AfDB-supported Teacher Records Management Improvement programme (TRMIP) gathered a extensive data on all schools in the country as well as their teachers. The project further developed Standards and Guidelines for Managing Teachers' Records, and collected records to complete teachers files. Nevertheless, the project was only partly successful and the planned follow-up project to clean and analyse the data did not take place. Part of the reason for this was that the AfDB worked with the Public Service Reform unit and not directly with the MEST. Stakeholders report that this resulted in less ownership within MEST. Recommendations were not taken up in a timely manner after which the AfDB reallocated funds initially intended for a follow-up project.

PAF indicators linked to the education sector

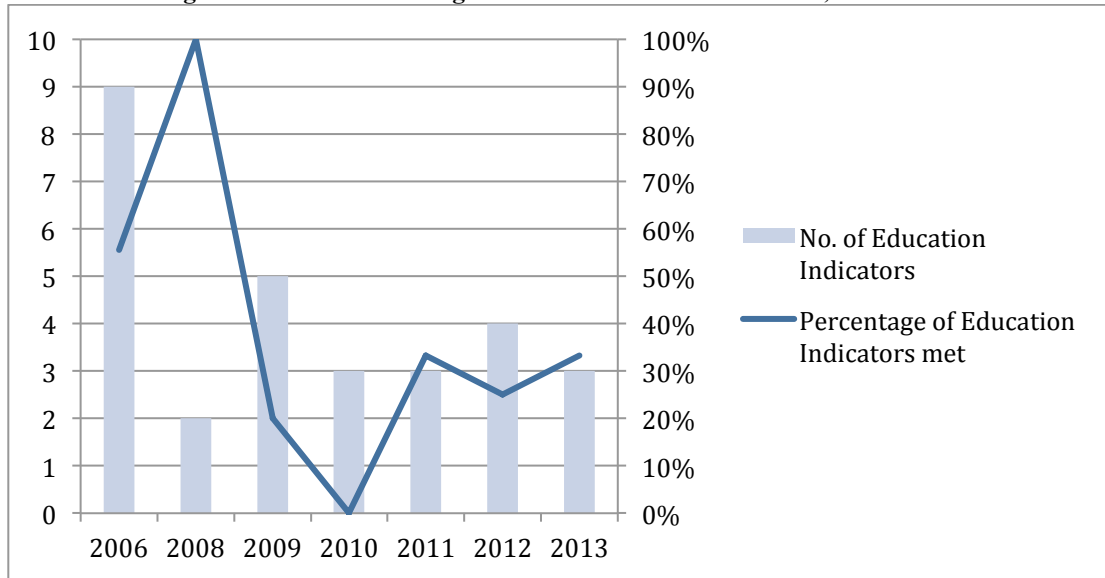
240. **There is no evidence from the PAF indicator analysis of the GBS dialogue having a positive impact on the performance of the education sector.** From 2009 to 2013, only a third or less of the PAF indicators were met (Figure 34).⁶⁷. Despite this fact and the fact that some of these indicators (linked to EU variable tranches) resulted in lower disbursements, there is no evidence of a managerial response to this poor performance. In-depth interviews (with MEST, MoFED and DPs) showed that the PAF indicators related to education are not perceived as being owned by the MEST and do not work as an effective trigger to prompt changes in policies, management arrangements or spending. The BS arrangement is perceived as a MOFED

⁶⁶ In the EU's 2002-2007 Country Strategy Paper, rehabilitation of social sector infrastructure was one of the "focal sectors", including the rehabilitation of school buildings. Similarly, in the 2008-2013 Country Strategy Paper, promoting basic service delivery and human development was one of the "focal sectors" of which education was a modest part.

⁶⁷ Indicators that are not measured or with only partial progress do not fall under the indicators met.

affair with little benefit for MEST. While MEST is invited to PAF workshops, it has either not participated or only been represented at a junior level⁶⁸ and has shown no interest in education policy dialogue linked to budget support.

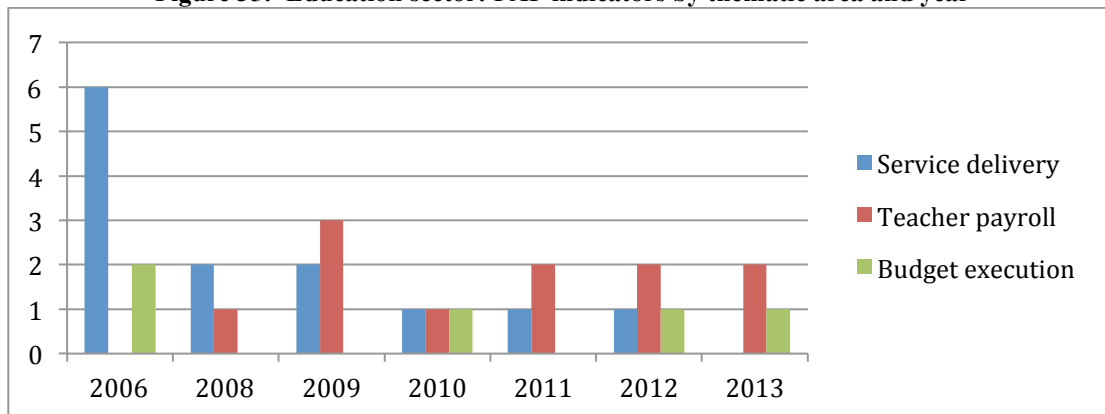
Figure 34: Performance against Education PAF indicators, 2006 - 2013



241. Figure 35 below shows the composition of the PAF indicators adopted for the education sector during this period. They can be divided into three categories:

- Basic service delivery indicators, including indicators on the number of NPSE passes, transition rates, the delivery of textbooks as well as the number of girl enrolments.
- Teacher payroll indicators, specifically focused on the management of teacher records. These indicators are included from 2008 onwards.
- Budget execution indicators.

Figure 35: Education sector: PAF indicators by thematic area and year



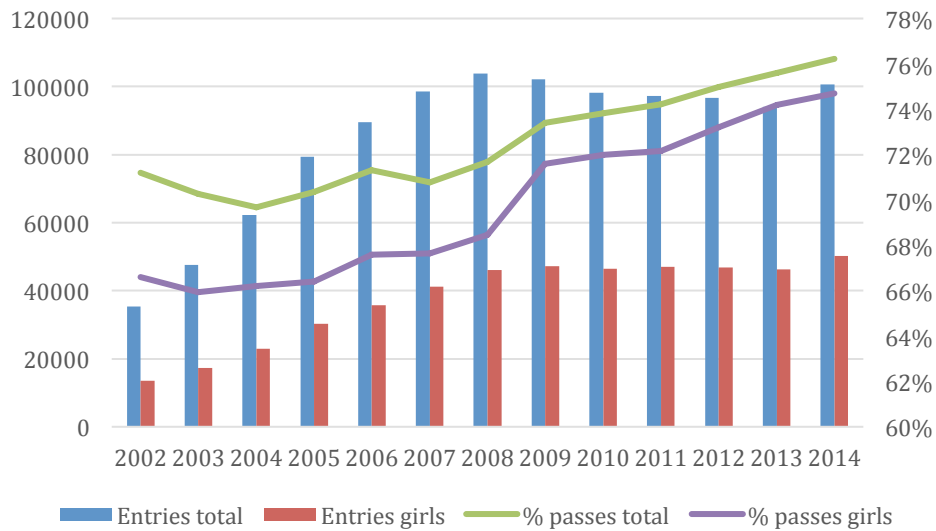
⁶⁸ Participation in these events is not systematically recorded but this fact was separately confirmed by MoFEd, MEST and DP stakeholders.

242. As we can see from Figure 35, the original focus on service delivery indicators declined over the years, ending with no indicators in service delivery in the PAF 2013. Although some of the service delivery indicators were met in the earlier years, none were met in the years 2009-2012. This was not necessarily due to the indicators not being fulfilled, but mostly due to data not being collected. An example of this is the gross enrolment rate for girls in junior secondary school (an indicator in 2010 and 2011) which was not met due to the survey results not being available.
243. The teacher payroll became a clear priority in the PAF from 2008 onwards. Although some short-term successes were recorded in cleaning up the teacher payroll (mostly due to the TRMIP project), the maintenance of a clean payroll was never achieved. Therefore, teacher records were consistently mentioned in the joint PAF reviews as an area that needed improvement. Interviews with stakeholders (MEST, MoFED and DPs) showed this not to be a priority for MEST, which largely explains why the improvements introduced through the TRMIP project were not sustained.

8.3. Assessment of Education sector outcomes

244. This section presents some key findings from the econometric analysis on the improvement of outcomes in the education sector in Sierra Leone related to EQ 4.1. The full findings of the econometric analysis can be found in Volume Two. A further in-depth qualitative analysis on factors influencing the education sector outcomes (unapproved schools/teachers, decentralisation, human resources) is also provided in Annex 10 of Volume Two.
245. During the period 2002-2014, enrolment has increased for all levels of education. For primary education enrolment increased by about 33% from about 1 million in 2002 to 1.3 million in 2012. In relative terms, the capacity at secondary education grew fastest and enrolment more than doubled from 162,000 in 2002 to 417,000 in 2012. This increase responds to the high demand for more secondary education and has resulted in better transition rates from primary into secondary schools.
246. Yet, it has proven difficult to keep up with the demographic pressure in Sierra Leone. Between 2002 and 2012, the total population grew by about 25% from 4.7 million to 5.9 million. In the same period, the total enrolment at primary level increased by roughly 33% so that the marginal increment has been relatively small. Access is still hampered by a shortage of schools and materials. Many schools are overcrowded and work with double shifts to adhere to the indicative set pupil-teacher ratio of 1 to maximum of 40.
247. Learning outcomes show positive trends although still weak: in particular, secondary level pass rates are very low. Figure 36 shows that the total number of pupils who sat for their National Primary School Examination (NPSE) at the end of the primary cycle increased sharply between 2002 and 2008 from 35,424 to 103,927 (+193%). After 2008 the number of NPSE entries more or less stabilised. Except for the first two years, the number of students who passed their exams has shown a positive trend throughout the evaluation period.

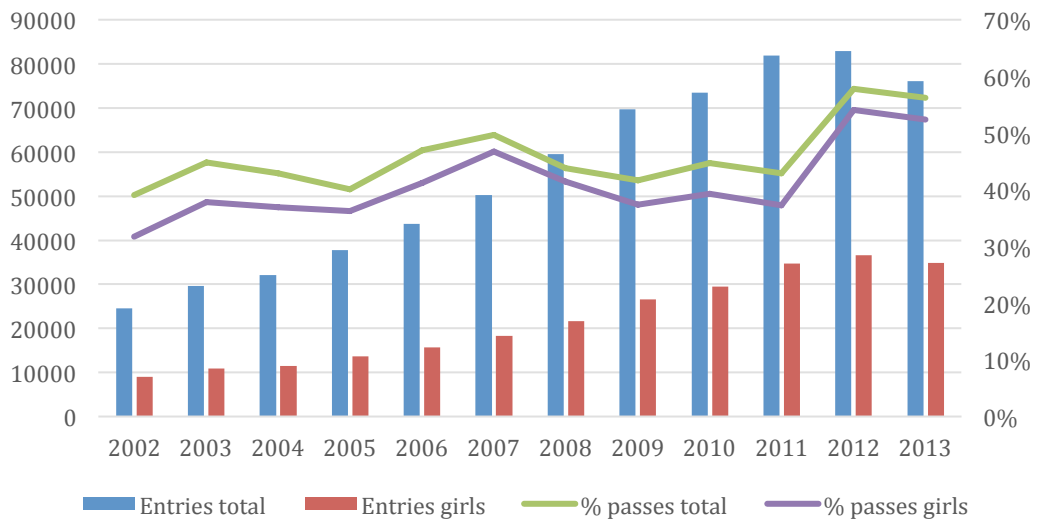
Figure 36: NPSE entries and passes for boys and girls, 2002-2014



248. The share of girls participating increased continuously from 38% in 2002 to reach full gender equality in 2014 (50%). Girls are still scoring slightly lower (74%) compared with the overall score (75%), but it may be concluded that the gender gap has successfully closed at primary level.

249. After three years of JSS, students sit for their Basic Education Certificate Examination (BECE). This shows that the total number of students sitting for the BECE exam has continuously increased, with the exception of 2013 due to Ebola (Figure 37). This is in line with the overall enrolment trend in primary education and the extra capacity that has been realised at secondary level. Girl participation has increased from 36% in 2002 to 46% in 2013, thus growing in absolute as well as in relative terms. Overall performance has been low with an average pass rate of around 45%, although improving in the last two years. Boys are performing better than girls, but the gap is relatively small and much better than in many other SSA countries.

Figure 37: BECE entries and passes for boys and girls, 2002-2014



250. After three years of SSS, students sit for their West African Senior School Certificate (WASSCE). Figure 38 shows that the total number of students sitting for the WASSCE exam has also continuously improved from 8,031 in 2002 to 58,196 in 2012. The drop afterwards can be attributed to the start of the Ebola crisis (2013 data not available due to the crisis). Girl participation stagnated around one third with some improvement in the last few years.

Figure 38: WASSCE entries for boys and girls, 2002-2014



251. The analysis has also shown that there are important regional differences in the achievement of outcomes. Most of the increase in the number of students taking the examinations is explained by the performance of a few districts. Poverty in the district has a suggestive influence on this.

252. The change in the number of students enrolled in Primary, JSS and SSS has important variability among districts. This is particularly evident for Primary. JSS and SSS exhibit a more sustained growth in the number of students enrolled.

253. With regard to the determinants of these outcomes, the regression analysis suggests that the main driver behind the increase in the number of students enrolled in Primary is the creation of new schools. Also, the number of teachers in the school helps to explain future enrolment. The creation of new public schools has been particularly important in the expansion of Primary enrolment. JSS and SSS enrolment seem to be influenced by the school size: bigger schools are more capable of capturing more students. This was confirmed by the field research: many schools were expanding their classrooms to open up space for more pupils. There were no problems in obtaining students, rather a lack of space for the children interested to enroll.

254. Finally, examination results are heavily influenced by the teacher to pupil ratio in all specifications. The availability of library, computer and laboratory facilities also helps to improve the test performance, especially for the BECE results. District poverty has a suggestive effect on the pass rate of NPSE, but is statistically significant only at the 10% level. Interestingly, a high proportion of male teachers in the school is associated with lower pass rates in the NPSE.

8.4. Conclusions on the impact of Budget Support on the education sector

255. **The primary contribution of Budget Support to the expansion of the education sector was simply through the provision of more fiscal space.** The bulk of this incremental funding was absorbed within the primary and secondary education sectors, facilitating better and more equitable access to education and better learning outcomes.
256. **However, effects have been limited with regard to other channels of influence within the intervention logic for Budget Support.** Indeed, there is no clear evidence that the Budget Support policy dialogue and the PAF indicators related to education have had an impact on sector policy or management systems. Similarly, the TA that has been provided for teacher pay-roll verification has had limited sustained effects.
257. The key factors influencing education outcomes (qualified human resources, decentralisation and the complex issue of unapproved schools and teachers) are described in further detail in Volume Two. It is telling that there is no documented discussion of these factors within the PAF Annual Reviews, no attempt to adapt PAF indicators so as to pick up on these issues and no concerted attempt to use technical assistance studies for deeper analysis of these issues. This constitutes strong evidence of the past failure of BS policy dialogue and technical assistance.
258. **Budget Support has helped and can continue to help to provide resources for the absorption of unapproved teachers/schools but it requires policy dialogue on the strategy to be taken.** Clearly a progressive expansion of the number of approved schools is needed based on defined criteria for approval. However, under current criteria, it seems clear that many “unapproved” schools should qualify as approved and are not certified as such, simply because of budget constraints. This is very likely to create perverse incentives, if it has not already, and will thus require an explicit approach to the categorisation and management of these “approved but unfundable” schools.
259. Simultaneously, it would be economically beneficial for the Government to provide support to certain unapproved schools to become approved over time. This is both because unapproved schools are currently helping to meet a genuine demand for education, which could not be met through other means, and because many unapproved schools attract funding from parents, community groups and NGOs. Hence, small amounts of government funding to unapproved schools would almost certainly serve to leverage additional non-government resources.
260. **If achievements in expanding primary and secondary enrolment, in enhancing gender parity and in improving exam pass rates are to be protected and consolidated, it seems essential that education sector dialogue should squarely address the issue of unapproved schools.** There is an opportunity for the budget support process to foster such discussions through high-level political dialogue, through more technical analysis and discussion and through technical assistance support.

9. Economic Growth, Poverty & Inequality

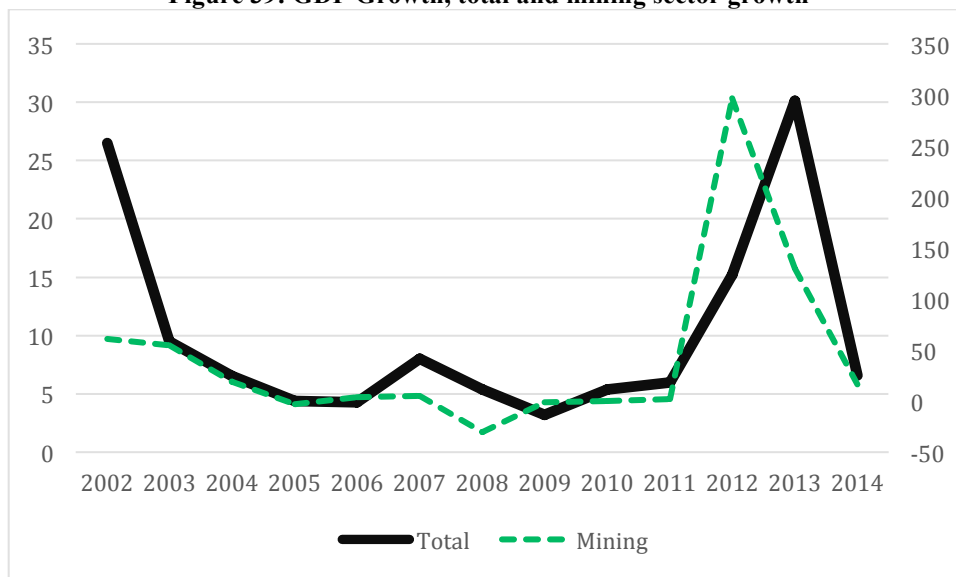
EQ 5.1 How has the economy performed in terms of investment and growth and what have been the effects on income poverty, income distribution, Peace and Security? What factors have been the main determinants of such changes?

261. Evaluation Question (EQ) 5.1 examines the performance of the economy in terms of economic growth and its effects upon income and non-income poverty as well as income distribution. This is a question that forms an essential part of the Step Two analysis, addressing the question of the final impacts on poverty and the determinants of those impacts.

9.1. Growth data and trends by economic sector

262. Sierra Leone has experienced strong, although quite volatile growth since 2002. Figure 40 summarizes GDP growth for total production and mining. Growth has been sustained since 2002, averaging an impressive 10% per year. However this average is heavily influenced by extreme growth rates in 2002 and 2013, and also by the growth of the mining sector. Mining recorded an impressive growth rate in 2012, expanding by nearly 300%, followed by 129% growth in 2013 and 16% in 2014 - the latter clearly influenced by the fall in world mineral prices.

Figure 39: GDP Growth, total and mining sector growth

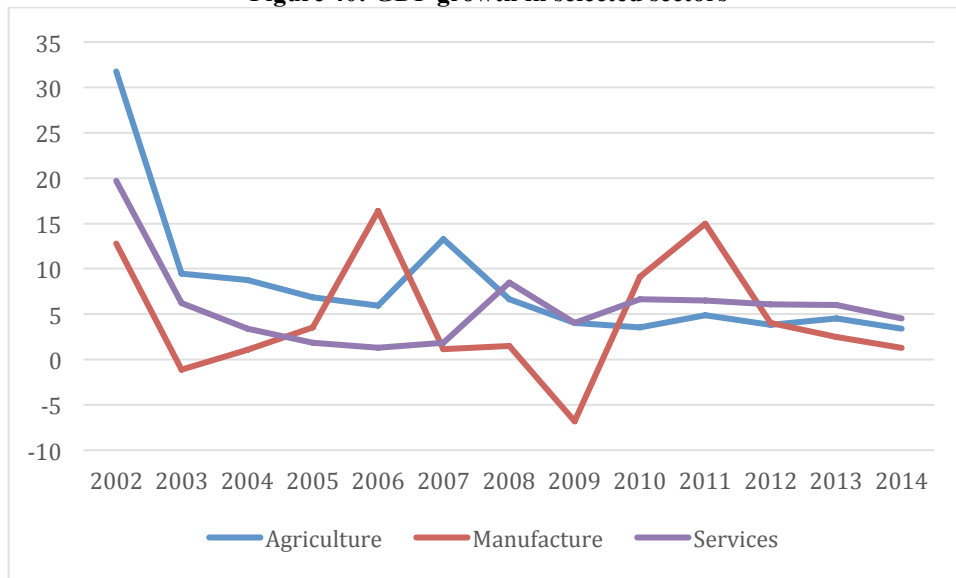


Source: Author’s calculations using SSL data

263. Other economic sectors showed similar performance, as summarized in Figures 40 and 41. Aside from manufacturing, which registered declines in 2003 and 2009, the other two sectors grew consistently during the period. None of them, however experienced the high peaks of the mining sector. Services and agriculture grew steadily at a rate close to 5% from 2009 onwards with only

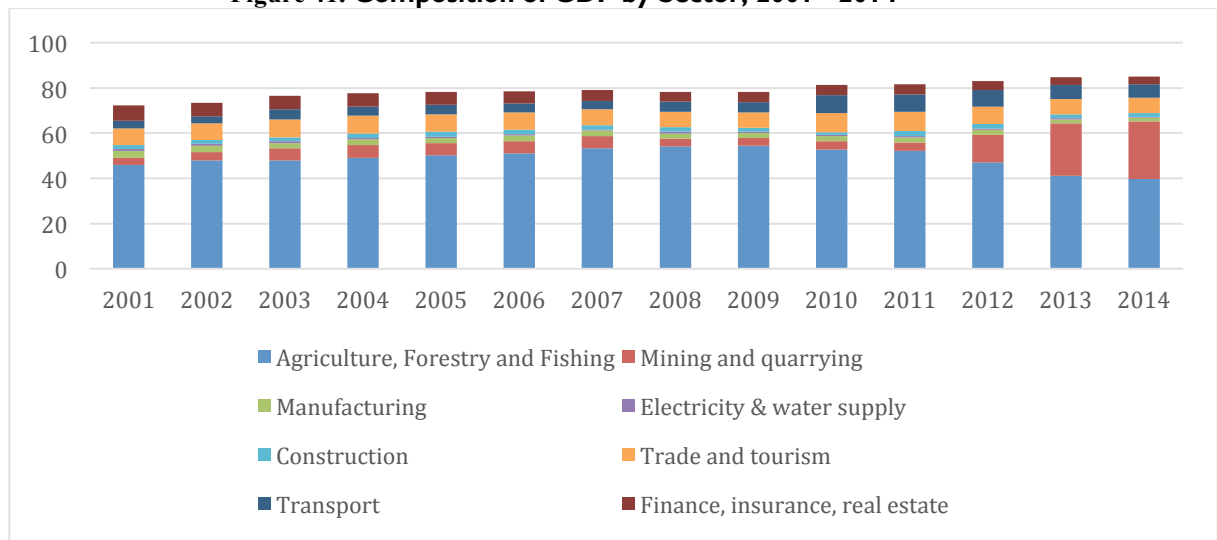
transport significantly increasing its contribution to GDP (outside of mining). Manufacturing has been more volatile, with boom periods before and after the 2009 international crisis.

Figure 40: GDP growth in selected sectors



Source: Author’s calculations using SSL data

Figure 41: Composition of GDP by Sector, 2001 - 2014



Source: Sierra Leone Statistics

9.2. Trends in consumption poverty by District

264. The poverty headcount has declined from 66.4 per cent in 2003 to 52.9 per cent in 2011. The overall reduction was led by strong growth in rural areas, where poverty declined from 78.7 per cent in 2003 to 66.1 per cent in 2011. However, this is still higher than urban poverty.⁶⁹

⁶⁹ The data on which this profile is based are two rounds of the Sierra Leone Integrated Household Survey (SLIHS) conducted by Statistics Sierra Leone (SSL). The first was implemented between March 2003 and April 2004, and the second between January and December 2011. Both surveys are nationally representative, with sample sizes of 3,714 and 6,727 respectively.

265. Yet, Sierra Leone remains a poor country. A decade of war continues to have an impact, as GDP per capita levels lag behind the Sub-Saharan African average, despite recent growth. From 2003 to 2011, GDP per capita, in current USD, increased 78 per cent from 210 to 374, while the SSA average increased 132 per cent, from 623 to 1,445 USD. However, poverty headcount ratios are below its immediate neighbours, with the exception of Côte d'Ivoire (Table 18).

Table 18: Poverty headcount ratio at national poverty lines (% of population)

Country	2002	2010
Sierra Leone	66.4 (2003)	52.9 (2011)
Liberia	N/A	63.8 (2007)
Guinea	49.1 (2002)	53 (2007)
Guinea-Bissau	64.7 (2002)	69.3 (2010)
Cote d'Ivoire	40.2 (2002)	42.7 (2008)

Source: World Development Indicators

266. Table 19 reports changes in poverty between survey years, using three standard measures of poverty and a measure of inequality. Poverty measures are: headcount ratio (or P0), poverty gap (or P1) and poverty severity (P2). The measure of inequality is the Gini coefficient.

267. While suggesting economic growth has influenced the reduction in national poverty, Table 14 also reveals some regions gained more than others. East and North regions, in particular recorded important reductions in the poverty rate. These two regions also report the largest reduction in poverty gap and severity. South region has also shown a reduction in the poverty rate, however smaller than in the previous two. West region experienced an increase in poverty, as well as the poverty gap and severity.

268. Within the East region, Kailahun district experienced the most important poverty reduction, followed by Kenema and Kono. Within the North region Bombali and Koinadugu led the poverty reduction trend, whereas Tonkolili district saw its poverty rate decrease just by 7.1 points, almost one fourth of poverty reduction in Bombali. In the Southern region, Bonthe district made the largest improvement, which is also the largest improvement overall from all districts. Moyamba and Pujehum, on the other hand, experienced an increase in the headcount poverty between the two periods. Western Urban district saw its poverty rate increase by 7.1 points (see Box 6), whereas Western rural experienced a smaller increase in poverty: 2.2 points.

269. In rural areas, households in which the head's primary occupation is agriculture were more likely to be poor as well as those with smaller landholdings. Households in which the head has at least some secondary or post-secondary education were less likely to be poor. In urban areas, education was a more important determinant of poverty status, as the increasing levels of education of the household head consistently reduced a household's probability of being poor. (World Bank, 2013).

Table 19: Percentage points change in poverty headcount (P0), poverty gap (P1), square poverty gap (P2) and Gini coefficient. Change between SLIHS 2011 and SLIHS 2004

	P ₀	P ₁	P ₂	Gini
National	-13.5	-10.9	-7.3	-0.0674
Urban	-15.7	-8.6	-4.9	-0.0868
Rural	-12.6	-12.7	-8.9	-0.0281
Eastern	-24.7	-20.5	-13.5	-0.0093
Northern	-19.6	-13.9	-8.9	0.0107
Southern	-8.7	-6.8	-4.6	0.0235
Western	7.3	1.3	0.1	-0.0384
Kailahun	-32.1	-28.2	-18.6	-0.0016
Kenema	-26.5	-20	-12.7	0.0216
Kono	-10.5	-9.9	-7.2	-0.0175
Bombali	-28.2	-21.1	-14.1	0.0719
Kambia	-17.3	-9.3	-5	0.0062
Koinadugu	-23.2	-18.3	-12.6	-0.0024
Porto Loko	-20.9	-9	-3.9	0.0024
Tonkolili	-7.1	-12.3	-9.7	-0.0717
Bo	-12.5	-8.9	-6.4	-0.0284
Bonthe	-37.9	-26.8	-16.7	-0.0127
Moyamba	2.6	-1.8	-1.2	-0.0237
Pujehun	6.7	4	2.2	0.1879
Western rural	2.2	-5.6	-5.5	-0.0605
Western urban	7.1	2.4	1	-0.0309

Source: Author's calculations using World Bank (2013)

Box 6: Why has Freetown become poorer?

One of the more unexpected findings from the discussion of the 2011 SLIHS data related to the increase in poverty levels in the Western region. Poverty increased 52 per cent in the city of Freetown and 35 per cent overall in the Western region. Three potential causes include:

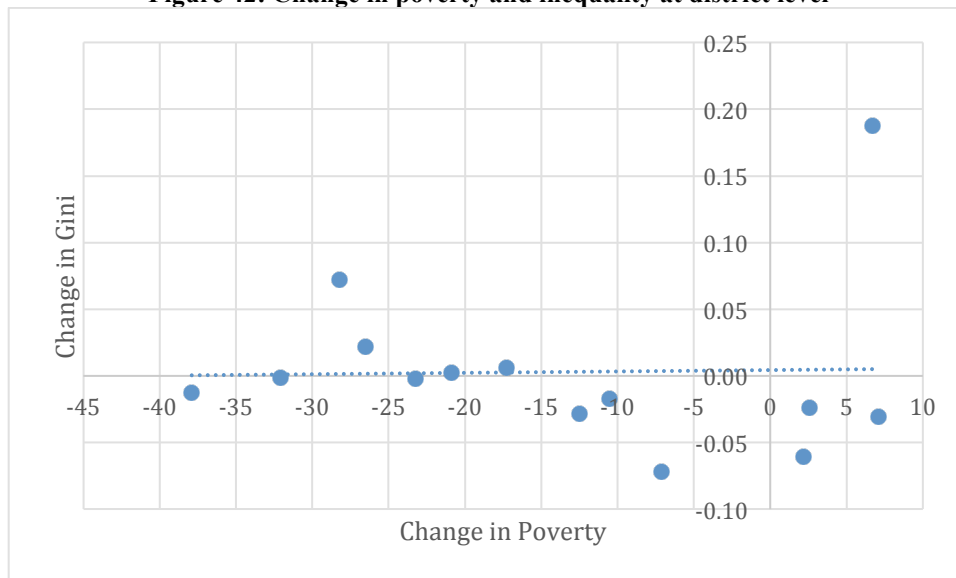
- **Migration into Freetown:** People come from the countryside to the capital for a variety of reasons, including the better availability of public services and the perception of better employment options. Those arriving may often lack necessary education or skills to find good jobs, and therefore may end up in menial labor or small scale trading.
- **Out migration from Freetown:** In addition to the in-migration of relatively poorer people, it is also possible that relatively more well-off people left Freetown.
- **Non-Response among the wealthy:** Respondents are less likely to participate in surveys as incomes rise.

Conclusion: It is likely that all three reasons, as well as possibly other unknown dynamics, have played a part in the increase in poverty seen in Freetown. In the absence of panel data, it is difficult to draw conclusions regarding the full causes with any certainty.

Source: World Bank and National Statistics, 2013

270. **The growth in Sierra Leone from 2003 to 2011 has been pro-poor.** Comparing annualized growth rates for per capita expenditure adjusted for PPP, the growth rate was the highest for the lowest decile of the distribution, at six per cent, and steadily declines until the top decile, which is just over one-half per cent (ibid).
271. **National inequality fell between 2004 and 2011.** There is no obvious association between the change in poverty and the change in inequality⁷⁰. Figure 42 confirms this hypothesis and shows no correlation between the change in poverty and change in inequality among districts in Sierra Leone. This result, however, may be influenced by an extreme result: Pujehum district experienced an increase in poverty and also an important increase in the Gini coefficient. Removing this district would suggest a negative association between poverty alleviation and inequality.

Figure 42: Change in poverty and inequality at district level



Source: Author's calculations using World Bank (2013)

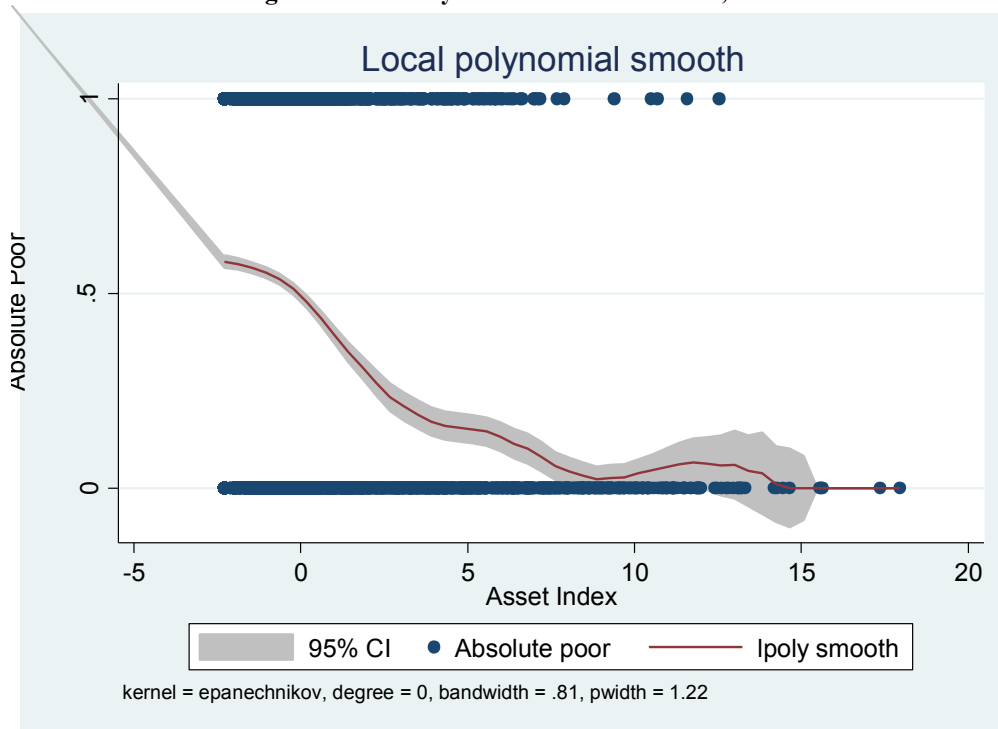
9.3. Non-income poverty by District

272. Asset accumulation constitutes a buffer in times of poverty. In this section we evaluate the association between poverty and asset accumulation both at household and district level. The 2011 SLIHS lists 35 types of assets owned by households. In order to condense such an amount of information in a useful way, we estimate an asset index based on the methodology proposed by Filmer and Pritchett (2001). This asset index captures the ownership of different assets at household level.
273. Figures 43 and 44 present the association between such an asset index and the poverty status of the household. The correlation between poverty status and asset index is -0.29. This important but small correlation may be an indication of a non-linear association. Figure 43 shows that the

⁷⁰ Banerjee and Duflo (2013).

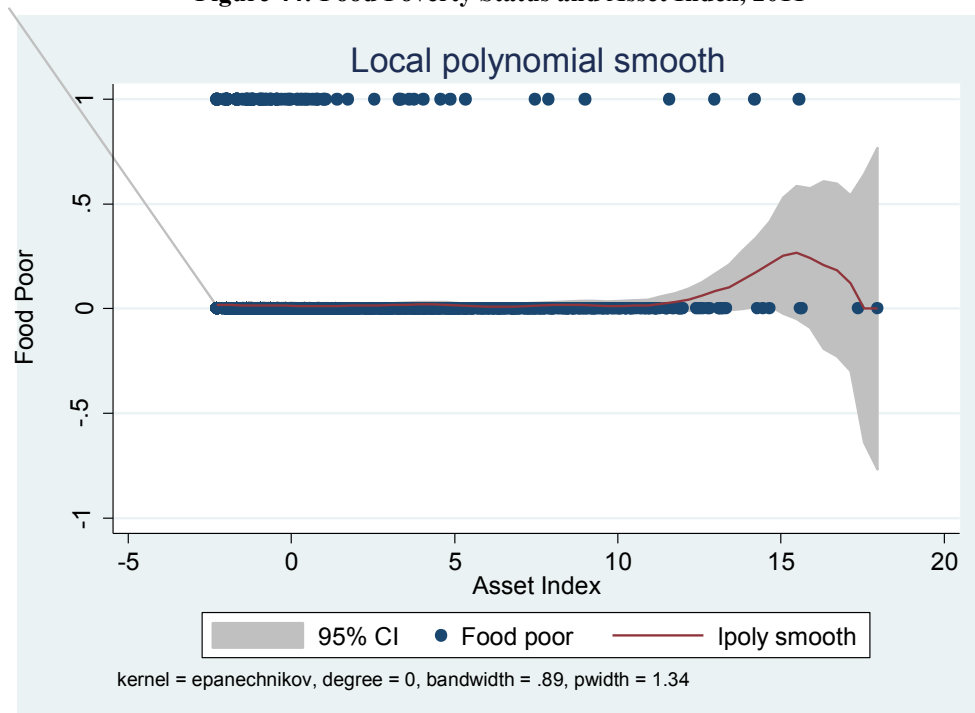
association between poverty and asset accumulation is quite strong for values of the asset index⁷¹ below 5. Beyond that threshold, households are consistently non-poor.

Figure 43: Poverty Status and Asset Index, 2011



Source: Author's calculations using SLIHS 2011

Figure 44: Food Poverty Status and Asset Index, 2011



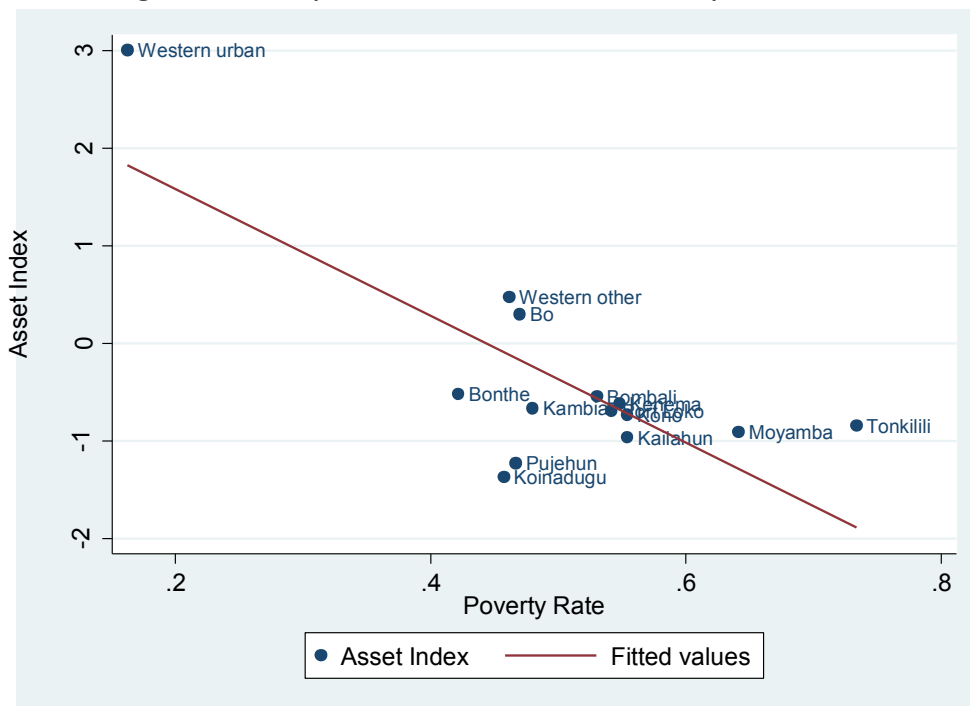
Source: Author's calculations using SLIHS 2011

⁷¹ The mean asset index is 0. Median is -0.86. 95% of households have an asset index below 5.

274. Figure 44 reveals that the asset index is not associated with the probability of being declared food poor. Food poverty is a more severe classification of poverty, therefore such a condition goes beyond asset accumulation. A t-test for the difference in the asset index by food poverty condition reveals no statistical difference between these two groups, mainly explained by the high volatility of the asset index within groups.

275. Regional differences also reflect the association between asset accumulation and poverty. The association is relatively strong (the correlation coefficient is -0.76), which suggests that asset accumulation is a strong predictor of poverty rates at district level. Figure 45 plots this association. Western Urban district is the district with the highest asset accumulation index, as well as the lowest poverty rate.

Figure 45: Poverty Rate and the Mean Asset Index by District, 2011



Source: Author’s calculations using SLIHS 2011

276. Taking some specific elements of access to essential services:

- **Access to electricity and sanitation was limited in remote areas.** Less than one per cent of households in rural areas listed electricity as the main source of lighting, compared with 57.7 per cent in Freetown and 12.7 per cent in other urban areas. The majority of the population in all three areas had access to only unimproved sanitation facilities, the highest prevalence was in Freetown at 17.3 per cent.
- **Educational completion rates were low by international standards.** According to the 2011 SLIHS, 56 per cent of adults over the age of 15 have never attended formal school. The percentage of adults without access is higher for women than for men, 64 per cent versus 47 per cent, and higher in rural areas compared to urban, 73 per cent versus 31 per cent. Households with lower levels of education of the head were more likely to be poor.

9.4. Conclusions and Key Findings on Poverty

277. **Sierra Leone has experienced a sustained economic growth, which has led to a decrease in the poverty rate, which fell by 13.5 percentage points between 2004 and 2011.** This represents a poverty reduction of 1.6 points per year between 2004 and 2011. The annual growth rate for the same period averaged 5.4. This roughly means that for every 1% growth in GDP, poverty decreases by 0.29 percentage point. However, this suggestive evidence should be taken with caution, since volatile economic growth may hurt vulnerable groups.
278. Poverty reduction has been focused in the Eastern and Northern regions. Western region experienced an increase in the poverty rate. Southern region also experienced a poverty reduction but smaller than the first two regions.
279. **National inequality also fell between 2004 and 2011** but changes in inequality have not been associated with poverty reduction. Regional differences between the Gini coefficient and the change in poverty are not associated.

10. Conclusions and Recommendations

280. This chapter summarises the key evaluation findings and presents the results of Step Three. This synthesises the findings from Step One and Two and draws conclusions on the overall impact of Budget Support and the sustainability of impacts. Based on these conclusions, we present recommendations for the Government of Sierra Leone and its Budget Support providers.

10.1. Overall Findings

Providing the means to implement Government policy (EQ 1.1 & 2.1)

Budget Support funds – scale, significance and predictability

281. Over the 13 year period of the evaluation, 2002 - 2014, Sierra Leone has received a total of US \$ 886 million in direct budget support, equivalent to an average of \$ 68 million per year, some \$12 per head of population per year. This was provided primarily by the African Development Bank, DFID, the EU and the World Bank, although direct budget support was also provided by the IMF and the Global Fund.

282. **Over 2002 – 2014, Budget Support comprised an average of 3.5 % of GDP, 15.1% of total public spending and 13.6% of total ODA.** This funding was especially important in the early post-conflict years (2002-2006), when it amounted to 5.2% of GDP and over 20 % of public spending, and then again in 2014, when it comprised 22 % of public spending and 4.2 % of GDP. In both periods, it had a major importance both as a stimulus to aggregate demand and as a source of discretionary financing for government.

283. **The value of Budget Support as a source of discretionary financing was undermined by the high level of volatility and the relatively low predictability of disbursements.** This volatility reflected the ambiguity in the objectives of the Budget Support providers. Whilst Budget Support sought to support PRS implementation, in practise it did not provide the steady, predictable flow of funding, which would have constituted the most effective support to scaling up social services and expanding domestic investment in line with the PRS.

284. **Three significant assessments concluded that Budget Support made an important contribution to kick-starting economic growth and stabilising the security situation in the post-war period.** These studies⁷² conclude that Budget Support achieved this: a) by providing a demand stimulus equivalent to some 5 % of GDP; b) by boosting the confidence of foreign and domestic investors; and c) by helping to re-establish the machinery of government and providing resources to finance the salaries of public servants. Other forms of aid could have supported these same objectives – notably the direct project support to demobilisation and reconstruction - but none of these would have offered the same three characteristics as Budget Support.

⁷² Thomson (2007), Lawson (2007) and Poate et al (2008)

The effectiveness of Policy dialogue

285. Until 2006, the process for assessment of disbursement conditions was based on separate assessment processes for each agency. In 2006, the first joint assessment was undertaken and later that year an MoU for a joint multi-donor budget support arrangement was signed between the four agencies and the Government. This introduced a common calendar, based upon the joint assessment of progress against a common Progress Assessment Framework (PAF).
286. **However, the objectives of harmonising disbursement processes and reducing transaction costs were never fully achieved due to the maintenance of bi-lateral assessment processes** alongside the joint PAF. In practise, the transaction costs of assessing the eligibility for disbursements proved high and the policy dialogue process remained relatively fragmented.
287. **The PAF introduced a useful process for setting national reform targets and measuring annual progress in a transparent manner.** Such a process had not previously existed.
288. **However, the PAF process proved unable to address the existing “strategy gap”,** that is the relative absence of frameworks and processes to analyse, formulate and implement effective sector policies. It also largely failed to create effective linkages between the senior civil servants and their political leaders and also between MoFED and the sector ministries.
289. A further ambiguity in objectives emerged from the increasing interest of the Development Partners, from 2006 onwards, in “leveraging” improvements in governance, simultaneously with supporting implementation of the PRS. The combination of “PRS funding” and “governance improvement” objectives based respectively on fixed and performance tranches led to a GBS design which could not guarantee predictable disbursements and which, on frequent occasions, generated tension in policy dialogue.

Technical assistance inputs through Budget Support

290. The Budget Support arrangements have been accompanied by a substantial amount of Technical Assistance. This has been provided either as a component of the financing agreements for Budget Support or through parallel project arrangements. It has not been possible to estimate accurately the expenditure on TA but it has certainly been substantial, amounting to at least 10% of the value of Budget Support disbursements, some US \$ 6-7 million per year.
291. The Technical Assistance provided through Budget Support helped to address important capacity needs in respect of PFM functions and core governance areas. The TA provided on an institutionally embedded basis tended to have most success in creating sustainable capacity improvements. However, the relatively narrow focus of TA on PFM and governance issues again led to some neglect of the needs at the sector level, the relatively successful TA support to payroll management in the health sector being an exception.

Facilitating improvements in Government policy (EQs 3.1 - 3.4)

Macroeconomic management & revenue mobilisation

292. GDP growth remained high throughout the evaluation period, averaging close to 10% per year from 2002 to 2014. Following strong economic growth after the war, the economy experienced high and stable growth from 2003 to 2011, with a small dip in 2009 resulting from falling global demand during the global financial crisis. More recently, economic growth has been volatile due to the lumpy investments necessary for development of the large-scale iron ore mines in Tonkolili and Bombali, although the collapse of iron ore prices and the impact of Ebola is projected to lead to a sharp contraction in 2015.
293. Important gains have been made in macroeconomic management – notably in the control of the fiscal deficit, debt and inflation but there is little evidence that the Budget Support dialogue has had a significant influence. The IMF programmes have been more important in this regard, with a more in-depth and more consistent focus on macroeconomic management than the PAF process. There is also strong evidence of an underlying political commitment to achieving macroeconomic stability, which is likely to have existed even in the absence of Budget Support.
294. On the other hand, **the stabilising role of GBS funding does seem to have been important to ensuring macro stability during periods of crisis.** Budget support has been an important source of Government revenue, especially during the early post war period, where it provided the fiscal space to cover the essential investments and the burdensome recurrent costs of re-establishing the public administration system.
295. **Domestic revenue mobilisation has been weak throughout the evaluation period.** Domestic revenue as a per cent of GDP has remained virtually unchanged at around 12 per cent from 2002 to 2014. Whilst it has increased significantly in absolute terms (by around 10 per cent per year) this is consistent with the high levels of economic growth, suggesting a fairly limited impact from specific revenue reforms. Revenue mobilisation has tended to underperform against IMF Programme targets and has also compared poorly with other countries in the region. Furthermore, over the evaluation period, the gap between Sierra Leone and these comparators has not been closed.
296. **Technical Assistance to NRA appears to have been the most influential part of the Budget Support package of inputs.** In particular, improved performance on compliance in regard to personal tax is likely to have benefited from TA to the NRA. The more recent reforms and capacity developments within NRA, supported by TA, also seemed to be having a positive effect pre-crisis (raising domestic revenue collections to 12.7 % GDP in 2013), and during the crisis - through supporting improved collection of tax arrears in 2014.
297. **It has not proven possible to show causation with regard to the disincentives budget support might generate for revenue mobilisation, although we do not rule out this hypothesis.** Whilst the inverse relationship at specific points (post war, financial crisis,

Ebola) points to Budget Support providing a stabilising role, politically difficult decisions have been delayed (e.g. removal of exemptions and introduction of fuel price pass through), and the poor performance of revenue over the whole evaluation period, coupled with consistent budget support provision, provide cause for concern over possible disincentive effects.

Effects of Budget Support on expenditure allocations

298. **Our analysis suggests that Budget Support funding helped to protect essential recurrent expenditures, whilst also facilitating the growth of domestically financed investment**, from 1.0% of GDP in 2002 to an average of 3.1% over 2010-14. In the absence of Budget Support, the GoSL would not have been able to directly finance any investment spending and would have struggled to meet commitments to non-salary recurrent expenditures.
299. **Budget Support funds contributed to the growth of spending in priority areas** by allowing these sectors to access new discretionary funding rather than having to lobby for reallocations from other sectors. Expenditure on the priority sectors linked to the poverty reduction strategies has multiplied ten times in nominal terms over the evaluation period, with their relative share of spending increasing from 28% in 2002 to 39% in 2014.
300. Analysis suggests that **the major contribution of Budget Support funding has been to support the expansion of public spending for infrastructure investment in Roads, and Education**, where it facilitated expansion of the teachers' wage bill and goods and services as well. Modest contributions can also be identified in Energy and Decentralization (transfers to local councils), and post-2010 (after the FHCI) to Health. The health sector benefited in particular from Sector Budget Support provided by DFID and the Global Fund⁷³.

The influence of Budget Support on PFM systems strengthening

301. **Overall, the quality of PFM systems has improved since the early post-conflict years and Sierra Leone has been successful in re-establishing functional PFM institutions.** Nevertheless, the early gains recorded in the period up to 2010 have proven difficult to consolidate subsequently; indeed, there is evidence from more than one source of a decline in the performance of PFM systems since 2010.
302. **Evidence suggests there has been more progress with PFM reform than there would have been in the absence of the Budget Support but that the overall influence of the policy dialogue on PFM reforms has been modest.** In particular, in the areas where the political support for reforms was insufficient to generate real progress. - notably with regard to procurement, revenue mobilisation and payroll, policy dialogue was unable to overcome the resistance to reform. In those areas, the regular inclusion of PFM indicators in the PAF did little to contribute to functional changes or corrective actions. By contrast with reforms of the Office

⁷³ SBS disbursements are included in the figures for total Budget Support disbursements presented earlier.

of the Auditor General, for example, these are also areas where reforms involve a wide number of stakeholders, many of which may be opposed to reform

303. In addition, although PFM issues have dominated the PAF, comprising 54% of all indicators, **the characteristics of the PAF may not have been conducive to functional PFM changes:**

- The limited ‘materiality’ of some PAF PFM indicators may have reduced their potential impact. Many PFM indicators have focused on passing of PFM laws, but the indications are that those laws would have been passed in any case, and that the presence of an indicator has at best accelerated the process at the margin (e.g. amendments to the GBAA in 2009). PAF indicators generally failed to address core issues of implementation, and where they attempted to do so, they often did not address the underlying, structural issues.
- Secondly, the large number of PFM indicators in the PAF, combined with other PFM-related conditions for disbursement has diluted the focus of the dialogue across multiple PFM indicators/areas, while placing a heavy burden on the limited administrative and managerial capacity of government. There were 86 PFM indicators in the PAF alone over the period 2008-2013, reflecting an expectation that the administration was able to undertake a large number of parallel PFM reforms/changes. This was certainly over-ambitious given the weakness of the administration, and taking into account the continued fragile context.

304. **Technical assistance to support PFM reforms has had a high impact, mostly in the earlier phase of the reforms.** BS-related TA to support PFM reforms has been significant, targeting most identified weaknesses and PFM bodies. It had a high impact in the earlier phase of the reforms, in particular through hiring local TA. Bringing in a number of motivated, experienced staff in critical management positions within the Ministry of Finance was crucial to the implementation of the earlier PFM reforms.

305. **In general, ‘institutionally-embedded’ TA projects have been more effective than project-based TA,** partly reflecting their relatively modest capacity and institutional building objectives, and also their flexibility in addressing needs. The impact of such ‘institutionally-embedded’ TA has been particularly visible in the areas of external audit, domestic revenue and budget execution, areas which would not have progressed as much without the long-term budget support-related TA.

306. **Notwithstanding the various high-level political statements, there are doubts about the adequacy of the political support for PFM reform.** The Auditor General and other stakeholders have questioned the commitment of the political leadership to the PFM reform process, especially during the period since 2010. Interviews with senior government officials underscored that the political leadership, while not opposed to PFM reforms, has not been a main driver of reform. This may relate to the lack of clear linkages between PFM reforms and the broader development agenda – with PFM reforms therefore attracting little interest from Ministers and senior officials outside MoFED. It is this limited political commitment, which is probably the main constraint to more effective PFM reform.

Governance and Accountability

307. **The groundwork has been laid to achieve substantial improvements in accountability in future, although to date the advances have been in the area of transparency, rather than accountability *per se*:**

- Accountability institutions have been created or revived and are now operating with a reasonable degree of functionality;
- Access to information has substantially improved – most notably the access to public accounts and to audit reports; and
- Public awareness of governance and corruption issues has increased and, there are now active voices in civil society and the media lobbying for change.
- Yet, there are few examples of corrective actions being taken against holders of public office for the abuse of their powers: corruption convictions remain a rarity and the follow-up of recommendations made by the OAG and the PAC is still weak.

308. The Worldwide Governance Indicators for Sierra Leone show a significant improvement in Voice & Accountability but no significant change in the control of corruption, which supports this assessment of the evidence. The view that corruption is still a major problem is strongly corroborated by the 2013 National Corruption Perception Survey.

309. **The ASSL and the ACC benefitted substantially from technical assistance, linked to the Budget Support arrangements.** This “institutionally embedded” TA was valued by the beneficiary institutions and there is evidence that it has generated tangible benefits in institutional capacity and in the development of specific ‘organisational outputs’ such as performance audits in ASSL and systems and process reviews in ACC.

310. **Policy dialogue and the related conditionality are the GBS inputs that have had the greatest influence on governance outcomes.** The PAF included targets for improvement of external oversight in the PAF and the majority of these were met. The indicators in the DFID Performance Tranche for 2002 – 2007 included commitments on governance and transparency.

311. The DFID targets relating to the processing of ACC judiciary cases were repeatedly missed, as were the conditions relating to the publication of external audit reports, the latter due to the specific interpretation of SO 75, on which Parliament insisted until the change of government in 2007. Poor performance against these indicators led to under-disbursement of the performance tranche and eventually to the full suspension of DFID Budget Support for the first three quarters of 2007. These decisions impacted directly on two important areas:

- The 2007 decision to accept the release of OAG reports to the public simultaneous with their tabling in Parliament and the 2009 decision to clarify the interpretation of SO 75;
- The granting of independent prosecutorial powers to the ACC, under the 2008 Revised ACC Act.

- 312. These comprise the two aspects of policy change, where one can point clearly to the influence of a performance tranche.** In the civil society focus group and in the relevant stakeholder interviews, there was a virtually unanimous agreement that the link to disbursements and the consequent attention these issues were given within the media, Parliament and the corridors of government served to accelerate the acceptance of the need for change.
- 313. In the absence of the Budget Support dialogue and technical assistance, the process of re-establishing the accountability institutions and creating an appropriate legal framework for their operations would have been slower.** On the other hand, the development of these institutions has relied on the leadership of the dedicated and highly competent individuals, who were appointed to head them, just as the protection of the freedom of the press and the right to access public finance information has depended on the activism and tenacity of CSOs and the enlightened views of some Parliamentarians. In other words, conditionality may have accelerated change but its consolidation and deepening have depended on the existence of a domestic political constituency in support of change.

Education Policy and programmes

- 314. Funding through Budget Support has played a key role in financing the expansion of the education sector.** The expanded levels of provision could not have been financed in the absence of GBS, without major budget re-allocations or unsustainable levels of borrowing. In particular, the non-salary recurrent expenditure component and the disbursements to the districts can be attributed to the additional fiscal space that budget support has provided.
315. Enrolment has increased for all levels of education during the period 2002-2014. For primary education, enrolment increased by about 33% from about 1 million in 2002 to 1.3 million in 2012. In relative terms, the capacity of secondary education grew fastest and enrolment more than doubled from 162,000 in 2002 to 417,000 in 2012. This increase responds to the high demand for more secondary education and has resulted in better transition rates from primary into secondary schools.
- 316. Effects have been limited with regard to other channels of influence within the intervention logic of Budget Support.** There is no clear evidence that the Budget Support policy dialogue and the PAF indicators related to education have had an impact on sector governance. Similarly, the TA that has been provided for teacher pay-roll verification has had limited sustainable effects.
- 317. Budget Support has helped and continues to help to provide resources to unapproved teachers/schools but it requires policy dialogue on the strategy to be taken to resolve the complicated issue of unapproved schools.** Clearly a progressive expansion of the number of approved schools is needed based on defined criteria for approval. However, under current criteria, it seems clear that many “unapproved” schools could be “approved” and certified as such. This is not done, simply because of budget constraints. This is

likely to create negative incentives, in which the well-functioning but unapproved schools are gradually drained of human and financial resources. An explicit approach has to be developed to correct this issue.

318. If achievements in expanding primary and secondary enrolment, in enhancing gender parity and in improving exam pass rates are to be protected and consolidated, it seems essential that the education sector dialogue should squarely address the issue of unapproved schools. There is an opportunity for the budget support process to foster such discussions through high-level political dialogue, through more technical analysis and through technical assistance support.

Health sector policy and programmes

319. **Budget Support funds played an important role in providing additional fiscal space to the health sector in the period since the introduction of FHCI in 2010.** In particular, evidence suggests that non-salary recurrent expenditures and domestically financed investments in this period would have been exceedingly difficult to finance in the absence of Budget Support.

320. **The channels of policy dialogue established through the DFID/Global Fund Sector Budget Support arrangement were instrumental in leveraging increased public sector funding for the sector, and in ensuring a commitment to reforming the health sector payroll.** Although the FHCI was a political commitment, on which President Bai Koroma staked his own personal reputation, it may not have succeeded in the absence of the timely support provided by DFID and the Global Fund, particularly in the light of the major salary increases which had to be granted to make the FHCI possible. In combination with disbursement conditions, this also served to guarantee a high level political commitment to payroll reform, something which was never achieved in the education sector.

321. **By contrast, the health policy dialogue linked to the MDBS PAF arrangement had no influence of any significance.** The key problem seems to have been the inability to obtain an adequate “buy-in” by the MoHS into the process of definition and monitoring of performance targets, as a result of which neither the health PAF targets nor related dialogue had any influence as “triggers” for managerial and policy actions by MoHS. There were also problems in selecting genuinely relevant health sector indicators for inclusion in the MDBS PAF.

322. Technical Assistance provided by DFID as part of the SBS support to the FHCI was effective in generating improvements in payroll management and there is evidence that these improvements were sustained at least until the end of 2014, although it is possible that the disruption resulting from the Ebola crisis may have had negative impacts subsequently.

Attaining sustainable outcomes and impacts (EQs 4.1 & 5.1)

Analysis of the determinants of Educational outcomes

323. The Step Two analysis presented descriptive and econometric evidence on the improvement of outcomes in the education sector in Sierra Leone. A number of key findings emerge:

- The number of people taking the two important examinations, NPSE and BECE, has increased in the recent period. This improvement in absolute terms has coincided with an improvement in terms of gender equality. The number of girls taking these two examinations has grown faster than the number of boys.
 - Results also suggest that the pass rate has improved through the years, and that the gender gap in pass rates has decreased.
324. The analysis has also shown that there are important regional differences in the achievement of outcomes. Most of the increases in the number of students taking the examinations is explained by the performance of a few districts.
325. With regard to the determinants of these outcomes, **the regression analysis suggests that the main driver behind the increase in the number of students enrolled in primary schools is the creation of new schools.** Also, the number of teachers in the school helps to explain future enrolment. The creation of new public schools has been particularly important in the expansion of enrolment in primary schools. JSS and SSS enrolment seem to be influenced by the school size: bigger schools are more capable of capturing more students, thus the chosen approach of investing in new classrooms in existing schools (rather than building wholly new schools) has been appropriate at this level.
326. **Examination results are heavily influenced by the teacher to pupil ratio in all specifications.** The availability of library, computer and laboratory facilities also helps to improve the test performance, especially for the BECE results. District poverty has an effect on the pass rate of NPSE, but is statistically significant only at the 10% level.
327. **We therefore conclude that the spending programmes, on which additional budgetary funds for the education sector were concentrated, were essentially the right ones.** An expanded sector budget – to a significant degree made possible by Budget Support – facilitated the expansion of schools at the primary level and the expansion of teachers and learning materials at all levels. Spending in these areas was the primary determinant of improved outcomes in the education sector.

Relationships between Growth, Poverty and Inequality

328. **Sierra Leone has experienced a sustained economic growth, leading to a decrease in the poverty rate, which fell by 13.5 percentage points between 2004 and 2011.** This represents a poverty reduction of 1.6 points per year between 2004 and 2011. The annual GDP growth rate for the same period averaged 5.4%. This roughly means that for every 1% growth in GDP, poverty decreases by 0.29 percentage point.
329. Poverty reduction has been concentrated in the Eastern and Northern regions. The Western region experienced an increase in the poverty rate. The Southern Region also experienced a poverty reduction but smaller than the first two regions.

330. **Inequality has also fallen**, although the changes in inequality have not been associated with poverty reduction. Regional differences between the Gini coefficient and the change in poverty are not correlated.

10.2. Step Three: Conclusions on the impact of Budget Support

331. What do the findings from Step One and Step Two – as summarised above - tell us about the overall impact of Budget Support over the evaluation period? In order to address this question, we have constructed a matrix (Figure 47) with the following elements:

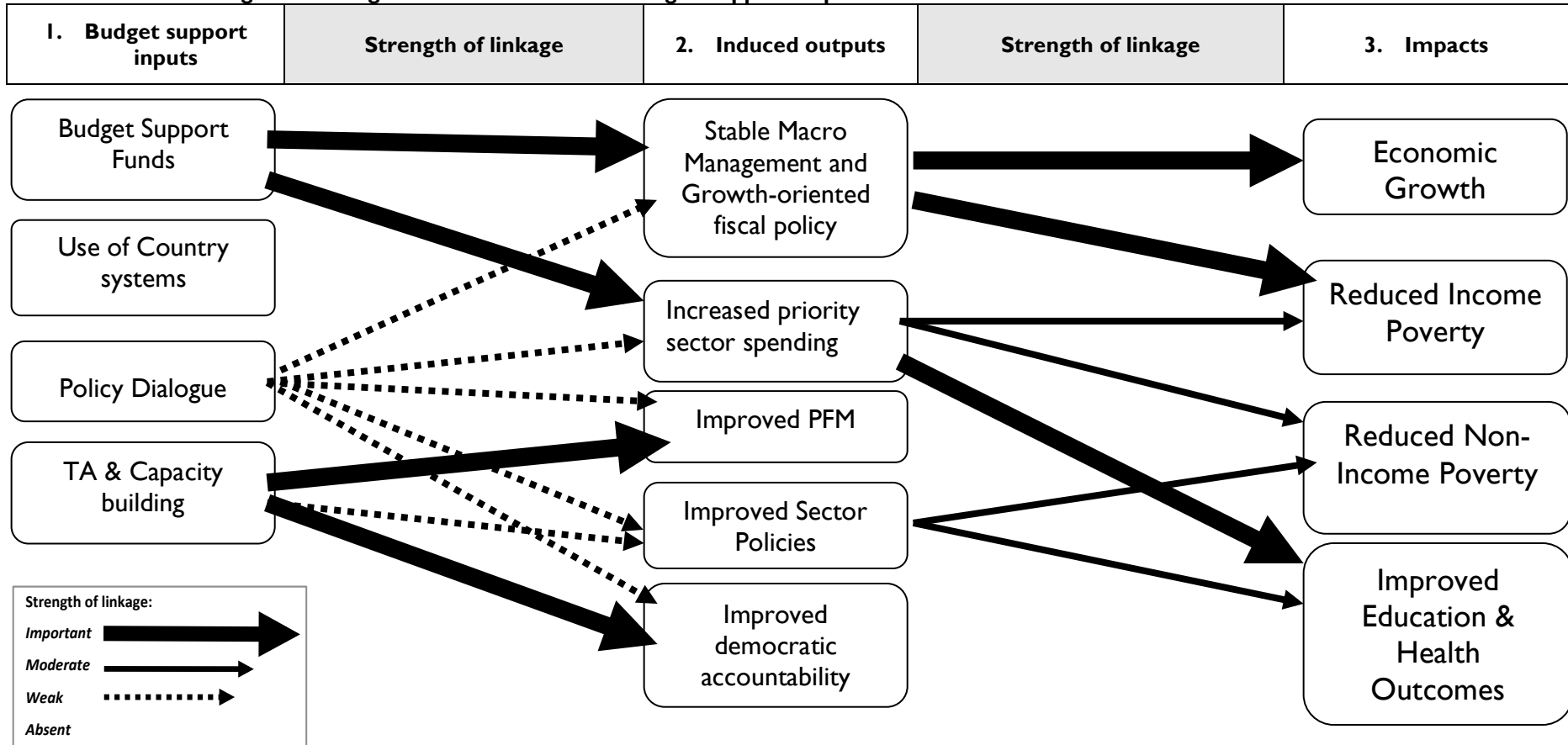
- It presents on the right-hand side the targeted outcomes and impacts - growth, reductions in income and non-income poverty and improved social sector outcomes.
- In the middle column, it identifies the changes in public policies and expenditures, induced by Budget Support, which might have exerted a positive influence on final outcomes and impacts.
- In the left-hand column, it identifies the inputs and immediate effects of Budget Support.
- In the two connecting columns it identifies the relative degree of influence, which the evaluation team has identified, firstly between inputs and induced outputs and secondly between induced outputs and outcomes/impacts. The degree of influence is classified as (i) Absent or Negligible; (ii) Weak; (iii) Moderately Important; or (iv) Important.

332. A simplified diagrammatic overview of our Step Three analysis is presented in Figure 48. This should be read with the matrix in Figure 47 so as to understand the lines of causality identified.

Figure 46: Step Three – Summary of analysis of aggregate impact of Budget Support in Sierra Leone

BUDGET SUPPORT INPUTS & IMMEDIATE EFFECTS	NATURE & DEGREE OF INFLUENCE	GOVERNMENT POLICY CHANGES WITH POTENTIAL INFLUENCE ON OUTCOMES	NATURE & DEGREE OF INFLUENCE	KEY IMPACTS & OUTCOMES IDENTIFIED
<p>Budget Support Funds</p> <p>Increased use of Budgetary process by Aid as a whole</p> <p>Framework for Policy Monitoring & Dialogue</p> <p>TA & Capacity Building</p>	<p>Important – BS disbursements of av. 15.1 % of public spending have helped fund investment & some recurrent spending, while supporting counter-cyclical stabilization objectives. <u>But</u> greater disbursement predictability would have improved impact.</p> <p>Negligible – use of country systems has only increased modestly if at all. Relative weight of Budget Support averaged only 13.6 % ODA and aid effectiveness objectives have never been prominent.</p> <p>Weak – the PAF system for joint target setting, monitoring & review is in place since 2006 but works alongside bi-lateral assessment processes, thus with high transaction costs. Moreover, links upwards to political leaders and outwards to sectors are poor.</p> <p>Important – There was substantial TA support to PFM & Governance institutions (MoFED, NRA, ASSL, ACC-SL), which contributed to capacity development. Sector ministries and the NPPA benefitted less from such TA.</p>	<p>Stable Macroeconomic Management & Growth-oriented fiscal policy</p> <p>Enhanced allocations to priority sectors in PRS and Agenda for Prosperity</p> <p>Strengthened PFM system, supporting more efficient expenditure</p> <p>Improved Sector Policies</p> <p>Improved Democratic Accountability</p>	<p>Important – Demand stimulus was important in kick-starting growth & stabilising the security situation post war. Fiscal deficit has been controlled but domestic revenue has remained at 12% GDP, limiting scope for increased investment/ recurrent spending.</p> <p>Important – expenditure in the PRS sectors multiplied ten times in nominal terms, growing from 28 % of spending in 2002 to 39% in 2014.</p> <p>Negligible – PFM system improvements still too weak for major efficiency effects, especially because of continuing weakness in Procurement.</p> <p>Moderate – Education policy focused on new schools and on reducing teacher: pupil ratio has been successful but a more structured relationship between approved and unapproved schools would probably have achieved better results. Free Health Care Initiative has had positive effects on service utilisation.</p> <p>Negligible – Governance situation improving modestly but still weak.</p>	<p>Average Real GDP growth close to 10 % per annum, 2002 - 2014</p> <p>Income poverty fell from 66.4% in 2003 to 52.9% reported below poverty line in 2011</p> <p>Modest reductions in non-income poverty, with HDI of 0.297 in 2000 and 0.374 in 2013, and indications of improvements in weight-based measures of nutrition.</p> <p>Major Improvements in coverage of Primary and Secondary Education, with increased exam pass rates and reduced gender disparities.</p>

Figure 47: Diagrammatic Overview of Budget Support impacts and transmission mechanisms in Sierra Leone



Summary of Step Three Analysis: The Impact of Budget Support in Sierra Leone

333. **The primary effect of Budget Support has been in the form of increased funding, particularly during the periods of lower public revenue in the post war period, in 2009 and in 2014.** If it had proven possible to reduce the volatility and the unpredictability of Budget Support disbursements, it seems likely that the impact of these funds would have been greater.
334. The potential wider effects of Budget Support on aid effectiveness and the use of country systems have not been evident within the evaluation period. This in part reflects the modest scale of Budget Support as a proportion of total ODA, and the fact that improved aid effectiveness was never prominent amongst the objectives of Budget Support in Sierra Leone.
335. **Budget Support inputs for technical assistance and capacity building have been significant in scale and important in their influence.** In particular, these inputs helped to build capacity in key PFM and governance institutions, notably MoFED, the NRA, the ASSL and ACC-SL. To a lesser extent, the Ministry of Health was also a beneficiary. However, the NPPA and the Ministry of Education benefitted less from this capacity building support.
336. Budget Support has supported the creation of a more structured process of policy dialogue, based around the setting of annual reform targets and indicators and a harmonised annual review process. However, this process - based on the PAF – never replaced the bi-lateral processes of assessment of the conditions for Budget Support disbursement, used by AfDB, DFID and the World Bank. The overall process of Budget Support dialogue has therefore remained fragmented and high in transaction costs. Moreover, although this dialogue framework has had some influence on policies regarding macroeconomic management, PFM, health policy and governance, its influence has been weak and has not extended to the sectoral level, notably not to education.
337. Through its funding contribution, Budget Support had an important influence on macroeconomic management and on the increased allocation of resources to PRS priority sectors. The anti-cyclical pattern of Budget Support disbursements was important in this respect, ensuring that the levels of domestically financed public investment and of recurrent spending in the priority sectors were higher than they would otherwise have been. On the other hand, Budget Support was unsuccessful in leveraging higher levels of domestic resource mobilisation and may even have acted as a disincentive to such efforts.
338. Relatively good macroeconomic management, combined with increased allocations to the priority sectors allowed Budget Support to have an important influence on economic growth, poverty reduction and the improvement of outcomes in the education sector, and quite probably, on improved outcomes in the health sector too. Performance in terms of final outcomes also indicates that the policies and the service delivery mechanisms in the education sector, as well as in the roads infrastructure sector (the two sectors, which were in practise the primary beneficiaries of Budget Support funding) were at least good enough to achieve effective

use of the public resources received. Indeed, the conditions in these sectors suggest that significantly higher levels of Budget Support could have been efficiently and effectively absorbed. Had this been combined with high quality and well-targeted TA and capacity building support to these sectors, the impact may have been greater still.

339. However, the poor record in achieving improvements in domestic revenue mobilisation places a question mark over the sustainability of the benefits generated by Budget Support. The steady growth of the public education and health sectors has high recurrent cost implications; similarly, the expanded road network requires an expanded maintenance budget, if that network is to be properly preserved. In the absence of revenue growth, there is no guarantee that these expanded recurrent cost requirements can be adequately met.

Could other modalities have achieved the same objectives as effectively as Budget Support?

340. We consider that neither project funding nor common basket funding could have achieved the same results as Budget Support, with the same degree of efficiency and effectiveness:

- The funding provided through GBS of US \$ 68 million per annum would have been equivalent to 40 additional project operations, disbursing an average of \$1-2 million each per annum. These additional transaction costs would almost certainly have been prohibitive, given existing constraints on absorptive capacity.
- It would have been difficult for the GoSL to utilise such operations to finance recruitment of additional teachers or to provide non-salary recurrent cost funding.
- These additional project resources could not have been used on a discretionary basis to address changing budgetary needs. For example, if used to fund road projects, it would not have been possible to shift resources from one slow-disbursing investment (e.g. held up by unexpectedly heavy rains) to another faster disbursing investment, as may be done with domestically financed investments.
- These project resources would not have provided the same mix of characteristics of Budget Support, which in combination proved so useful in the post war period, namely being fast-disbursing, directly supporting the framework of public administration and providing an external 'vote of confidence' to boost the confidence of investors.

341. Finally, while we have concluded that the influence of the Budget Support policy dialogue has been modest, it has served to generate certain improvements in the design and implementation of policies and strategies, which would not have been generated by the more limited spaces for dialogue offered by project and Common Basket Fund (CBF) arrangements.

342. The health sector experience in Sierra Leone strongly suggests that Budget Support processes have had a greater policy influence than large-scale project interventions. Despite enjoying large-scale funding through external projects, the health sector had a history of

poor donor coordination until the advent of FHCI and Sector Budget Support. Only at this point did it prove possible to establish a comprehensive sector financing strategy and a sector-wide framework of coordination, and to address the fundamental cross-cutting issues of staffing, salaries and pay-roll management. The question is: ‘was FHCI *per se* the driving force or was the choice of a SBS modality important in its own right?’ We have insufficient evidence to answer this question definitively but it is pertinent to note that the Global Fund chose to join a SBS arrangement, having never provided resources in such a way in Sierra Leone previously.

Does Sierra Leone hold lessons for the role of Sector Budget Support

343. **The experience of the health sector suggests that SBS arrangements may have had greater influence on sector outcomes in Sierra Leone than GBS arrangements.**

Certainly, in terms of the effectiveness of inputs from policy dialogue and technical assistance, the SBS arrangements in health proved substantially more effective than the MDBS arrangements with regard to both the health and education sectors. However, given the many factors at play, one should be wary of reading too much into these sector-specific experiences.

344. **The fact that the FHCI was a major political commitment of the Government, enjoying strong Presidential backing, was clearly a dominant factor in the success of the arrangements** and would probably have brought success even if DFID and the Global Fund had chosen to channel resources and manage dialogue through the existing MDBS arrangement. Nevertheless, the earmarking of Budget Support to the sector – even if it was a virtual earmarking and the SBS resources were in fact fungible – was influential in winning the buy-in of sector authorities to the payroll reform process. In addition, as a SBS arrangement, the DFID office was able to include a health sector specialist as part of the dialogue team, which would most likely not have been possible when sectoral issues were managed through MDBS/GBS arrangements.

345. **At the same time, it ought to be possible to achieve through a GBS arrangement these same facilitating conditions** – namely a political commitment to change, a buy-in from the sector authorities and an informed process of policy analysis and dialogue. In our judgement, the fundamental problem in Sierra Leone had not to do with an inappropriate choice of aid modality (i.e. GBS rather than SBS) but with a lack of sufficient appreciation of the crucial importance of the “strategy gap”, to which we have alluded at various points – in other words, a lack of awareness of the chronically weak sectoral capacity with regard to the processes of policy analysis and formulation.

Does Sierra Leone hold lessons for the role of Variable/ Performance tranches?

346. **A significant proportion of Budget Support to Sierra Leone was provided in the form of “variable” or performance tranches.** From 2004 onwards the EU provided approximately 30% of its disbursements in the form of Variable Tranches (VTs), linked to performance indicators for PFM improvements and education and health service delivery targets; while from 2003 DFID provided

a third of its disbursements through a Performance Tranche (PT), linked to achievement of governance and transparency targets drawn from the 10-year GoSL-UK Government partnership agreement signed in 2002 (See Chapter 2). Is there any evidence to suggest that linking specific performance indicators directly to disbursements enhanced performance or influenced the speed with which reforms were implemented?

347. Performance against these indicators was no better than for the PAF indicators without direct links to disbursements:

- For the EU, the level of disbursement of the Variable Tranches varied between 40 and 60 %; thus, the average was no better than the overall average for the PAF, where 45% of targets were met and 12% showed some progress (See Chapter 3, Figure 4).
- For DFID, disbursements of the Performance Tranche showed a wider spread of 30-70% of the value – again broadly similar to the overall PAF performance.
- An independent review of the GoSL-UK Government partnership agreement concluded that the framework *'largely failed to prompt faster progress in governance'*. (Balogun & Gberie, 2005).

348. Moreover, no special GoSL procedures were introduced to monitor disbursement-linked indicators, as was confirmed in interviews with MoFED stakeholders. There was a common approach to the monitoring of indicators related to Budget Support, with no special priority given to those indicators with direct disbursement links. Indeed, in the internal matrices of indicators used for tracking purposes, to which the evaluation team was able to have access, disbursement-linked indicators were not explicitly distinguished from other indicators. In explaining this, MoFED stakeholders advised that equal priority had to be given to all indicators, because all could have some influence on disbursements and because the different approaches to budget support disbursement made it difficult to assess the financial value of each indicator. In so far as greater priority might be given to one indicator over another, this would only be in response to directives from the Presidency, the Minister of Finance or the Finance Secretary.

349. MoFED stakeholders also reported particular problems in following up on indicators requiring cross-government inputs. The MoFED team reported that they had limited leverage over institutions and ministries outside MoFED, on whose actions performance against specific indicators often depended. The fact that some indicators requiring cross-government action were linked to VTs/ PTs had no influence on their degree of leverage.

350. Nevertheless, the evaluation team identified two important areas where the link with the DFID Performance Tranche had a direct influence, namely the 2007 decision to accept the release of OAG reports to the public, simultaneous with their tabling in Parliament and the granting of independent prosecutorial powers to the ACC under the 2008 Revised ACC Act. What was different about the circumstances surrounding these decisions, which made the Performance Tranche effective?

351. We have identified five specific factors, from which lessons may be learned:

- Rather than a range of measures by different agents, improved performance could be linked to discrete and easily identifiable actions – a change in interpretation of SO 75 by the PAC, and the granting of prosecutorial powers to ACC;
- There was regular consultation with the stakeholders and close follow-up by DFID-Sierra Leone through their Governance Advisor and through TA advisors (in the case of ACC);
- The financial implications were substantially greater than the value of the Performance Tranche because the disbursement of the whole base tranche of DFID Budget Support was suspended for the first 3 quarters of 2007, due to the failure to release OAG reports;
- The withholding of disbursements was considered controversial and attracted considerable attention in the media, in Parliament and among government circles;
- The high profile given to these issues created an opportunity for the incoming Government, after the 2007 elections, to take actions, which would show their seriousness about tackling corruption – an issue at the heart of the election campaign.

352. In general, the scale of a performance tranche should be such as to avoid major disruption in case of withholding disbursements. 2007 is perhaps exceptional in that the withholding of the DFID performance tranche coincided with other decisions, which together resulted in a major cut in government funding. There is no doubt that the withholding of Budget Support in 2007 brought significant costs, especially because it coincided with a period when there was no Budget Support from the AfDB and the World Bank. Relative to 2006, capital expenditure was cut by 1.5% of GDP and non-interest recurrent expenditure by 2.8% of GDP⁷⁴, which must have had significant knock-on effects on service delivery.

353. Nevertheless, there are other aspects of this experience, which could be brought into the design of future performance tranches – the focus on indicators linked to discrete, identifiable actions; the close follow-up; the link to media attention; and, perhaps most importantly, the link to actions for which there is also a real political incentive. If these elements could be brought together, it seems probable that the amount of the performance tranche need not be unduly large in order to generate a positive motivational effect.

354. The wider lesson of the experience with variable and performance tranches is that there is a need for the Budget Support dialogue to focus in a harmonised manner on a narrow set of priorities. In Sierra Leone, each of the Budget Support providers have sought to draw attention in different ways to their own specific concerns. The end result has been that everything (and therefore nothing) was a priority within the follow-up process. Moreover, the

⁷⁴ See Fiscal Accounts in Volume Two, Annex VI.

transaction costs of attending to different bi-lateral missions has eaten into the managerial time and effort that MoFED could have devoted to the follow-up process.

10.3. Recommendations for the Future of Budget Support

Implications of the evaluation for future Budget Support in Sierra Leone

355. **The experience of Budget Support in Sierra Leone provides an unusually complex conundrum, combining strong evidence of development benefits and a potential for still greater benefits, alongside some significant weaknesses and vulnerabilities.** On the one hand, genuine and important results were achieved through Budget Support in Sierra Leone:

- helping to kick-start the growth process and to stabilise the post-war security situation;
- stabilising the public finance situation in 2009 during the global financial crisis and in 2014, during the Ebola/Iron Ore crisis;
- enabling higher investment in the roads sector and recurrent and investment spending in the education and health sectors;
- thereby contributing to economic growth and poverty reduction;
- as well as growth of primary and secondary school enrolments, increased exam pass rates and reduced gender disparities in education;
- alongside marked improvements in the utilisation of health services and in nutrition and maternal mortality rates, even if child mortality remains stubbornly high.

356. In addition, PFM has undoubtedly been strengthened since 2002, even if significant weaknesses persist. Important governance institutions have been created or re-established since 2002, including the National Revenue Agency, the Office of the Auditor General and the Anti-Corruption Commission, and access to public finance information has improved. This, in itself, adds up to a strong assets column on the Budget Support balance sheet. Moreover, there are grounds for arguing that greater benefits could have been achieved with more attention paid to the predictability of Budget Support disbursements and to the efficiency and quality of the processes of policy dialogue (more harmonised frameworks, lower transaction costs, greater focus on sector policies and strategies).

357. **On the other hand, the Budget Support process in Sierra Leone has exhibited persistent weaknesses, which undermine the sustainability of the development benefits achieved:**

- The poor record on mobilisation of domestic revenues is the most salient weakness: if Sierra Leone is unable to achieve revenue collection levels of 15% of GDP or more, then its ability to finance the recurrent cost implications of expanded infrastructure and services will be

severely constrained and the development benefits of Budget Support-financed public spending will not be sustainable;

- The poor quality of public procurement processes is the second key weakness. The 2013 PAF reported that 72% by value of public contracts were sole sourced and the Auditor General has regularly identified irregularities in public procurement and low value for money being achieved.
- Significant problems in budget credibility have also emerged since 2010, with the 2014 PEFA assessment reporting that deviations between the actual and budgeted levels of aggregate expenditure averaged 21% per year over 2010-2013, as compared with 8% over 2006-2009⁷⁵. Although the volatility of iron ore prices has clearly been a complicating factor in this process, there is also evidence of politically motivated, 'last minute' changes to the budget during the process of execution.

358. **The persistence of these weaknesses means that, notwithstanding the genuine benefits achieved with Budget Support, the fiduciary risks remain high, while the sustainability of the benefits is uncertain.** Our recommendations focus on ways to address these persistent weaknesses, while maximising the potential benefits that Budget Support can bring. We first discuss the model of Budget Support, which we recommend that the authorities and their Development Partners should aim for, before presenting recommendations for specific actions by the authorities and by the Development Partners.

The desired model of Budget Support

359. The design and implementation arrangements for Budget Support in Sierra Leone have fallen short both of the objectives presented in the 2006 Memorandum of Understanding and the internationally recognised good practices for the design and management of Budget Support, as laid down in OECD-DAC, 2006⁷⁶. These shortcomings in design and implementation arrangements undermined the effectiveness of Budget Support in Sierra Leone. If Budget Support or similar modalities of financial aid are to continue, it is important that there should be a firm, joint commitment to correcting them.

360. We therefore recommend that the Government of Sierra Leone and its Development Partners should re-confirm their commitment to a joint model of Budget Support. This should be a formal process of reviewing Budget Support objectives and management modalities, resulting either in a new Memorandum of Understanding or in some sort of communiqué to reconfirm the commitments laid down in the existing MoU and to outline a planned programme of future

⁷⁵ Thus, the score for indicator PI-1 declined from a "B" to a "D" in the 2014 PEFA assessment; the score for the compositional variance (PI-2) declined to "D+" and for revenue variance (PI-3) to "D". See table 7.

⁷⁶ OECD-DAC, (2006) Harmonising Donor Practices for Effective Aid Delivery Volume Two, OECD: Paris.

operations. We recommend the following six principles for the future management of Budget Support.⁷⁷

- **Budget Support should be partnership-based, serving to reinforce country ownership and responsibility for results.** In order to meet this principle, it is essential that Budget Support should be based upon a high-level political commitment to a shared set of objectives. Political engagement in the Budget Support “pact” has often been lacking and this must change. Technical discussions within Budget Support fora need to be reaffirmed at the political level on a regular basis. Development Partners must respect the policy priorities of Sierra Leone and provide the space for those policy priorities to be addressed in the way the Government deems appropriate. The Government of Sierra Leone must in turn pursue its development objectives diligently, while working to reduce fiduciary risks and to improve revenue collection so as to ensure the sustainability of development gains.
- **Budget Support should help to enhance the performance and accountability of PFM systems.** In general, this principle has been respected: the key change needed here is that there must be a high-level political commitment by the Government to a modern, effective PFM system and to an efficient and fair revenue collection process.
- **Transaction costs incurred by Budget Support should be minimised.** Despite the commitments made in the MoU, Budget Support partners have continued to use bilateral processes of review and assessment of disbursement conditions, alongside the joint PAF mechanism. The evidence suggests that there were few, if any, significant reforms or structural measures facilitated or accelerated through these bilateral processes, yet the escalated transaction costs and fragmentation of policy dialogue have been considerable. Some adaptation and review of the PAF framework is certainly needed but, whatever structure is introduced to replace it, the principle of minimising transaction costs should not be again forgotten.
- **Budget Support must enhance the predictability of resources and reduce their volatility.** Budget Support has been highly volatile over the medium term, while annual disbursements have been less predictable than desirable. Attention to this issue will require a firmer commitment by DPs to medium term disbursement targets, as well as steps to simplify disbursement conditionalities and to streamline processes so as to ensure within year predictability.
- **Budget Support should focus on poverty reduction as its main objective.** In principle, Budget Support has always focused on poverty reduction as its main objective but in practice the implications of this commitment have not always been given due consideration. In the first place, one of the main constraints to more successful poverty reduction in Sierra Leone has been a lack of strategy. While the PRS and the Agenda for Prosperity identify high level objectives and broad lines of action, they do not address the detailed strategic requirements at the sector level.

⁷⁷ The first four of these principles are drawn directly from OECD-DAC (2006; pp. 27-34); the final two are added by the evaluators to address particular problems, which have emerged in Sierra Leone.

Despite this, the focus of the dialogue and TA/capacity building provided through Budget Support has generally been on PFM and governance issues, not on sector policies and their implementation. A second issue relevant here is the balance between poverty reduction and governance improvement objectives. While there are certain fundamental conditions – such as respect for democracy and human rights and a commitment to fighting corruption, which are essential to the Budget Support partnership, there are other aspects of governance and transparency, such as the speed and scale of judicial actions taken against corruption, which are desirable objectives but not fundamental conditions for the continuation of Budget Support. Whilst this is a difficult balance to maintain, the Budget Support partners should remember that despite legitimate concerns about governance and corruption, over the 13 years of the evaluation period there are more boys and girls in school and passing exams, more roads built, better access to health care, less poverty and more growth as a consequence of Budget Support.

- **Budget Support must be big enough in scale to make a difference but not so big as to create excessive risks to sustainability.** In terms of its significance, Budget Support has fluctuated from 22% to 5.9 % of public spending. While this is partly explainable in terms of stabilization objectives, it is clear that there was no adequate planning of the overall level of Budget Support to be provided. The achievements of Budget Support in Sierra Leone over the past 13 years show that there is real potential for development benefits, even in relatively unfavourable circumstances. Therefore, Budget Support should be big enough in scale to take advantage of this potential. Yet, it must not reach a size where it would create a major fiscal crisis in the event of premature termination. It must also be replaceable in the medium term by increased domestic revenue collections. With these criteria in mind, **we recommend that over 2016 to 2020 the GoSL and its partners should aim for a level of budget support between 7 and 10 per cent of public spending**⁷⁸.

What should Government do to make Budget Support more effective?

361. **The Government of Sierra Leone faces a real challenge in winning back the confidence of the Budget Support partners,** each of which expressed to the evaluators a degree of scepticism about whether the instrument can continue to be used at all under the current circumstances. While the need to support the recovery from the Ebola crisis may in the short term motivate Development Partners to take risks, the underlying concerns will come to the fore again in the short to medium term. These underlying concerns relate to three areas, where there is seen to be a need for urgent action by Government to re-establish the Budget as a credible planning and control instrument, to address the major fiduciary risks presented by the weakness of public procurement processes, and to raise domestic revenue mobilisation to levels above the (current) Sub-Saharan average of 14 % of GDP.

⁷⁸ It goes without saying that we recommend there should be a formal planning process to programme levels of Budget Support over the medium term, within these parameters. Such a process should include the IMF and the Central Bank in addition to the Office of the Presidency, MoFED and the Budget Support partners.

362. In addition, it seems clear that the effectiveness of actions in these three areas as well as with the wider objectives of the Agenda for Prosperity would be greatly enhanced by the development of stronger links between the political leadership of Government and the technicians of MoFED and the sector ministries charged with implementation. Finally, there is also a need to strengthen the processes and capacities for policy development and implementation within the key sectors.

363. We therefore recommend a programme of five actions for Government to consider:

- **Create a strong decision-making nexus between the Office of the President, MoFED and the key sector ministries.** To date the Budget Support dialogue has been closely focused at the senior technical level within MoFED. For operational purposes, this is appropriate but it is not adequate when there is a need for a whole of government commitment to meet targets in the Agenda for Prosperity and to address fiduciary risks. In the meantime, a Delivery Unit has been established within the Office of the Presidency to help define and track the targets of the performance agreements of the ministers and other senior officials. However, this unit does not liaise closely with MoFED and does not systematically ensure that there is consistency between the commitments in the national budget and the commitments reached in the context of performance agreements. If a successful framework for decision-making and follow up on national priorities is to be created, the central agencies together – that is the Office of the President and MoFED - need to become the nexus of the Government, connecting all of its parts, within a coherent decision-making framework.
- **Create a sustainable domestic revenue base.** For reasons of sustainability and self-reliance, it is essential for the Government to create a viable domestic revenue base, equivalent to at least 15% of GDP. Current revenue mobilisation strategies would need to be upgraded in order to assess how best to reach such a target in an efficient and fair manner. If necessary, technical assistance to design an upgraded revenue collection strategy would certainly be available from the IMF and from the Budget Support partners. In the short term, there are three measures which could be introduced during 2016, which would almost certainly raise domestic revenue collections:
 - Firstly, consolidate the responsibility for collection of all sources of domestic revenue within the NRA, including in particular responsibility for collection of telecommunication licenses and fees, as well as freight levies;
 - Secondly, centralise the responsibility for granting any exemptions from taxes or other fees within MoFED, and undertake an immediate review of existing exemptions in order to assess their justification for continuation.
 - Thirdly, revise the formula for the calculation of petroleum pricing, so as to ensure an automatic pass-through of any price increases of fuel imports, so that fuel taxes are levied at the correct rates and that there are no implicit subsidies, unless these are formally agreed and pre-budgeted.

- **Re-establish the credibility of the Budget as a tool of planning and expenditure control.** In order to re-establish control over the budget, measures are likely to be needed in three areas:
 - Introduce improvements to the design of contingency budgeting arrangements so as to deal with uncertainty in revenue flows (e.g. linked to iron ore prices) in a more systematic manner;
 - Establish and impose limitations on the extent to which new investment projects or other new activities can be introduced during budget execution;
 - Ensure that all decisions on changes to the wage bill, due either to new recruitments or salary increases are taken prior to the finalisation of the budget, rather than during the process of execution.
- **Reform the processes of public procurement.** Public procurement is one of the weakest aspects of the system of budgetary control and execution. Its reform is likely to require a fundamental re-think of current policies on procurement, which are modelled on a decentralised system of procurement, in which accounting officers in MDAs are subject only to ex-post controls on procurement decisions. These ex-post controls are not yet sufficiently strong to ensure adequate compliance both with procedures and with the requirement to achieve value for money; there is also too much scope for exceptions and waivers of procurement rules. Some re-centralisation of the process seems to be necessary, alongside steps to strengthen the regulatory framework. We recommend that the Government should work with its Partners to review the current system thoroughly and to establish a new action plan for reforms.
- **Strengthen policy design and implementation in key sectors.** Finally, we recommend that Government should take systematic steps to address the “strategy gap” identified in the design and implementation of sector policies. This is likely to require focused technical assistance to a small number of key sectors, for example education, energy, health, infrastructure and water, as well as concentrated support to these priority sectors from the delivery unit in the Office of the President.

What should Development Partners do to make Budget Support more effective?

364. The challenge for the Development Partners is essentially to find ways of maximising the potential of the Budget Support instrument, while minimising the fiduciary risks. From those agencies which decide to continue with the instrument, this will require an unambiguous commitment to the six principles of Budget Support (as stated above), as well as a commitment to provide structured support to the Government across the five action areas identified above. Additionally, we recommend actions across four areas specific to the Development Partners:

- **Develop a framework for coordination of Budget Support arrangements across providers, harmonising processes wherever possible.** The key requirement here is to

minimise the transaction costs to Government and to keep the overall arrangements simple and focused. A joint review of procedures and processes would be the starting point for such a process, perhaps following on the presentation and discussion of this evaluation report.

- **Enhance the predictability of Budget Support disbursements, both by reducing the volatility over the medium term and improving the timeliness and consistency of disbursements in-year.** This would entail the introduction of a joint framework for programming disbursements over the medium term between agencies, so as to respect the target of disbursements, equivalent to 7-10% of public spending. Secondly, it would require a simplification of disbursement conditionalities; and finally a streamlining of the administrative procedures for disbursements, with a view to maximising disbursements in the first and second quarters of the year.
- **Introduce incentives for enhanced domestic revenue mobilisation.** In the medium to long term, Budget support will be unsustainable unless government can raise its domestic revenue mobilisation to a minimum of 15% of GDP. Technical assistance support to the achievement of this objective should be provided but the evaluation team would also recommend the introduction of provisions in the budget support disbursement conditions providing a strong incentive to Government to vigorously pursue revenue reforms and revenue collection targets. While there are dangers in introducing simplistic performance-based provisions in Budget Support disbursement conditions, this is perhaps one area where it can be done more easily and with less chance of distortionary effects. Box 7 below provides some ideas for the design of a revenue-linked performance tranche.
- **Provide enhanced TA and capacity building support to the Government, targeted on the key sectors, while deepening support to procurement reform and continuing support to core PFM and governance institutions.** In general, the evaluation of the TA/capacity building support provided through or in conjunction with Budget Support has been positive. While there is of course a risk of providing too much TA or of not paying sufficient attention to TA design and selection, the evaluation team believes that an extension of such arrangements to the procurement area and to key sectors is likely to be beneficial, so long as it is properly coordinated and responds clearly to demand.

Box 7: Elements of a design for a Revenue-linked Performance Tranche

In order for a revenue-linked performance tranche to be successful, it must be simple in its design and it must be part of a wider strategy to harmonise the Budget Support dialogue and disbursement processes and to prioritise dialogue on a narrow set of strategic issues.

Design Principles

We recommend four over-arching design principles:

- **A harmonised performance tranche jointly funded by the EU and DFID:** In order to reduce the potential numbers of VTs/ PTs and maximise harmonisation, we recommend joint funding by the EU and DFID (recognising that the WB and AfDB statutes make such a tranche difficult for them).
- **A reduced set of disbursement-linked indicators within a reduced PAF:** both the numbers of disbursement-linked indicators and the number of PAF indicators overall should be reduced.
- **Big enough to attract attention but not so big as to create fiscal disruption:** we recommend a joint EU-DFID performance tranche worth US \$ 20 million annually when fully disbursed. (In 2014, equivalent to 0.5% GDP and 2.5% of spending.)
- **A high level political dialogue:** the revenue-linked tranche should be agreed and assessed each year as part of a high-level political dialogue, whose results would be made available to Parliament, the media and civil society.

Proposed Disbursement Indicators

We recommend one quantitative indicator of total domestic revenue collections, to which half of the tranche would be linked and four process indicators linked to specific reform measures related to different aspects of tax policy and revenue administration. We provide here four examples of process indicators which would be relevant now but clearly these should be modified each year :

- **Principal indicator – meeting or exceeding absolute value of the annual target for domestic revenue (\$ 10 m.) :** within the framework of on-going programmes with the IMF an annual revenue target is pre-agreed, half of the tranche (i.e. \$ 10 million) should be paid for meeting or exceeding this target (in absolute local currency terms, so as to avoid potential arguments over GDP valuation.)
- **Centralisation of responsibilities within NRA for all revenue collection except for revenues pertaining to Local Councils (\$2.5m.) :** Passing of legislation and/ or regulations to centralise all central government taxes and fees within NRA (collection of freight levies and telecommunications licenses being the highest priority.)
- **Centralisation of authority for granting duty waivers within MoFED, but always subject to ratification by Parliament (\$2.5m.):** Passing of legislation and/ or regulations.
- **Review of all existing duty waivers by MoFED to assess costs and benefits and develop a timeline for rationalisation of these waivers. (\$2.5m.):**
- **Introduction of automatic pass-through formula for adjusting fuel taxes when import prices change. (\$2.5m.)**

NB: The purpose of splitting the indicators 50-50 between a quantitative annual performance target and a small set of process indicators would be to keep the focus on actual revenue collections, while generating an incentive to undertake reforms, whose benefits may be long term.

