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***Introducing Reforms and Improving Processes:
The Sierra Leone Experience***

Winston P O Cole

Head, Public Financial Management Reform Unit
Ministry of Finance

Topics



- Context, content and process
- IFMIS implementation overview
- Decentralisation
- Improvement processes
- Records management
- PEFA
- Lessons
- Next steps

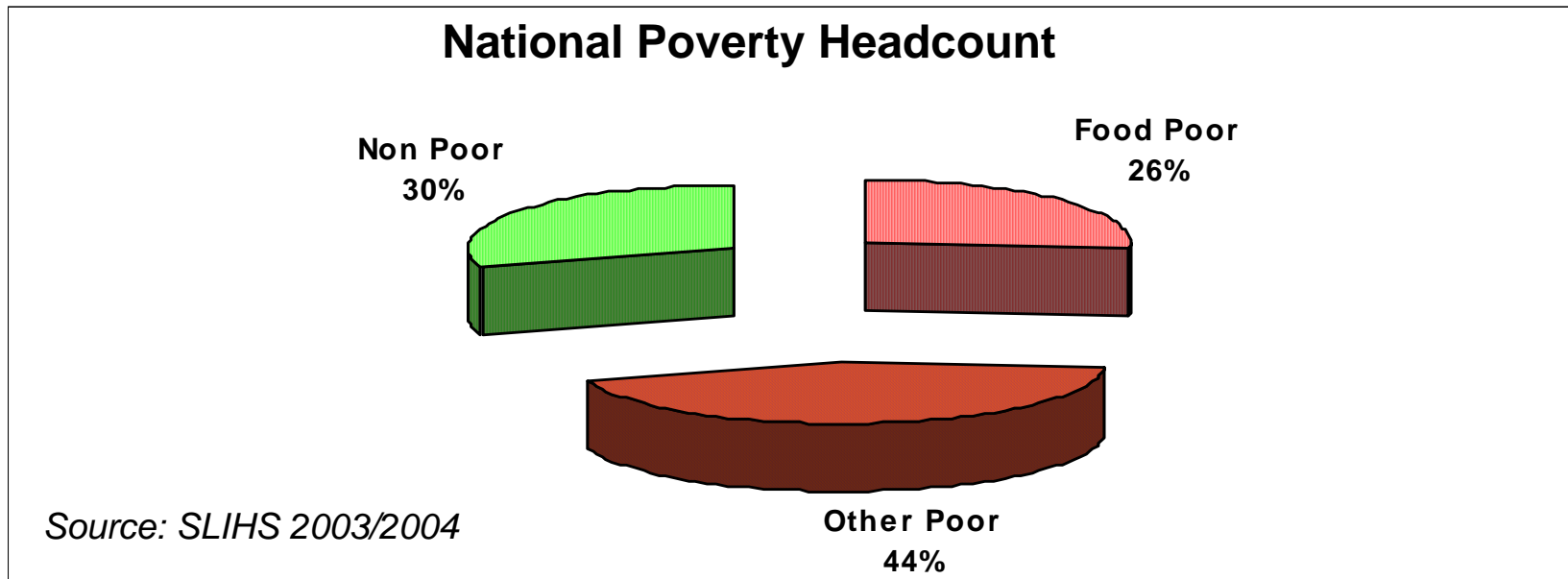
About Sierra Leone



- **Population:** 4.8 million
- **Capital:** Freetown
- **Area:** 72,300 sq km
- **Major languages:** English, Krio (Creole language derived from English), Mende, Temne and a range of African languages
- **Major religions:** Islam and Christianity
- **Life expectancy:** 39 years (men), 42 years (women) (UN)
- **Monetary unit:** 1 Leone = 100 cents
- **Exchange rate:** \$1/Le2,900
- **Inflation:** 6.5%
- **Main exports:** Diamonds, rutile, cocoa, coffee, fish
- **GDP:** Le'M 4,237,460
- **Internet domain:** .sl
- **International dialing code:** +232



Context of the reform – why?



“The goal of a PFM system is to support the achievement of *fiscal discipline*, strategic & efficient *allocation and use* of funds, value for money and *probity* in the use of public funds”.



Government vision



- Government recognises that the effective and strategic use of public resources is a critical ingredient of its development strategy, and that transparent and accountable utilisation of public resources is required to restore popular trust in government.
- The reform needs to rapidly build up the **capacity** of local governments to manage public resources in an **inclusive, transparent, and accountable** manner. Only with such capacity and commitment will political, administrative, and fiscal decentralisation lead to improved efficiency in resource utilisation and program implementation.

Content of the reform – what?



- 1) establishing a legal and regulatory framework;
- 2) establishing decentralised budget, execution, accounting, and reporting processes and controls;
- 3) intensive training of VCs, programme managers, and financial management staff; and
- 4) implementing personnel management measures.

Process of the reform – How?

Institutional arrangements:

- Establishment of a PFM Reform Unit
 - Change Agent
- IFMIS Steering Committee
- PFM Oversight Steering Committee
- ‘Gatekeeper’ – Financial Secretary
- Key stakeholders
 - Accountant General
 - Budget Director
 - Establishment Secretary
 - Auditor General
 - Users



Legal and regulatory framework



Government Budgeting and Accountability Act, 2005

- Clarity in roles and responsibilities
- Internal Audit
- District Budget Oversight Committees
- Annual Accounts within 3 months of year end
- Audit report within 3 months of receipt
 - Financial Administration Regulation under review

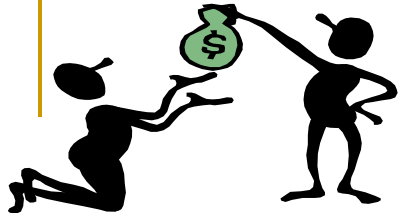
Value for money

National Public Procurement Authority - Public Procurement Act, 2004



An efficient public procurement system will produce enormous benefits towards efficient and economical use of public resources

- Public Procurement Act, 2004
- Decentralised Procurement Committees
- Procurement plans
- Price norm – purchasing module
- Publicise procurement notices
- Independent Procurement Review Panel

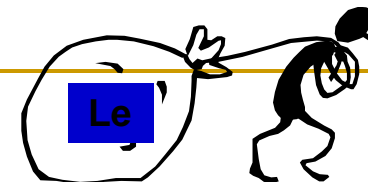


Fiscal Discipline - MTEF



“Keeping spending within limits created by the ability to raise revenue and keeping debt within levels that are not prohibitively expensive to service”.

- Policy, strategic planning and budgeting done within a medium term perspective
- National programmes formulated from bottom-up
- District budget oversight committees
- MDA/LC budget committees – strategic plan, activities, costing
- Executive decision made based on resource envelope and national priorities

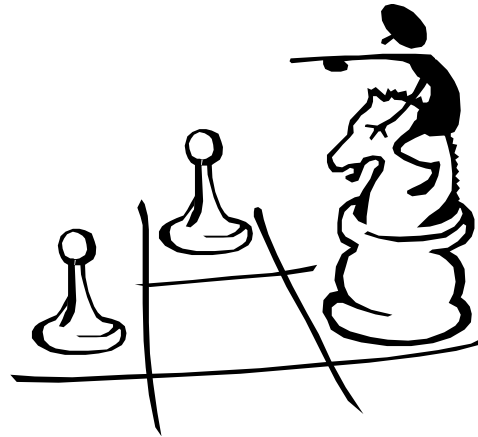


Decentralised Budget - MTEF

Local Councils



- Fiscal transfers for devolved functions
- **Interim financial management system**
 - manual receipts and payments cashbooks
 - Spreadsheet
 - financial statements in notice boards (ward)
 - FM capability assessment – eligibility for grants
- Public Expenditure Tracking Survey (PETS)
 - location/ward



IMPROVING PROCESSES

IFMIS as entry point to a sound PFM system

Legacy system



Lacked critical functionalities:

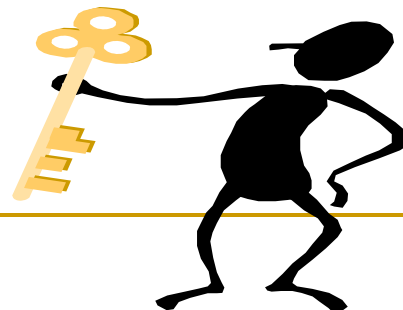
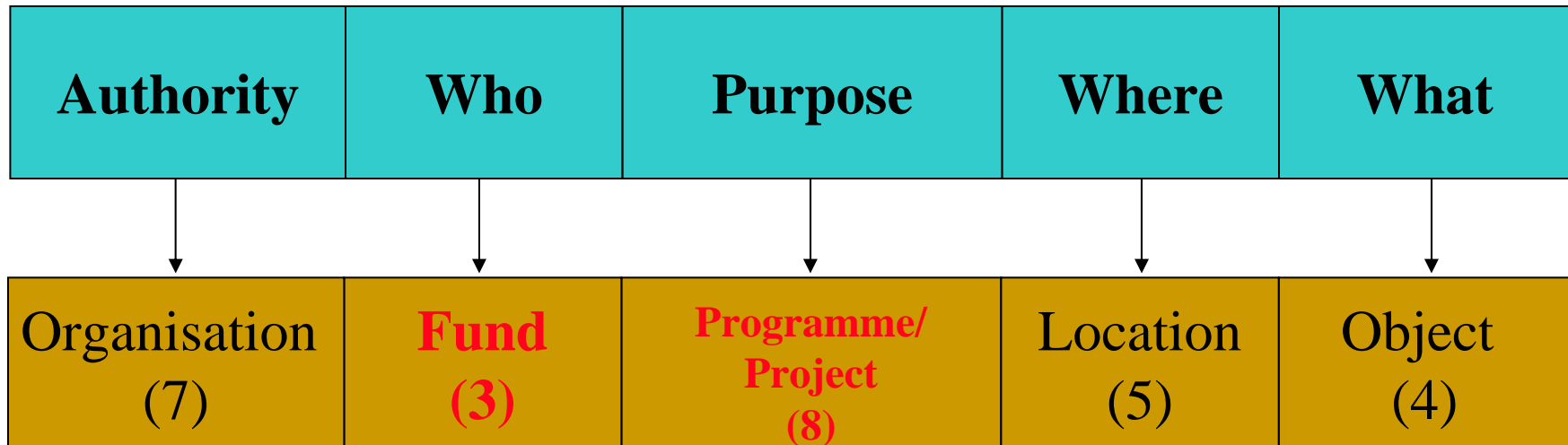
- Not user friendly
- Data validation
- Draft financial statements
- Reporting
- Bank reconciliation - **critical**
- Audit trail



Chart of Accounts – 27 digits

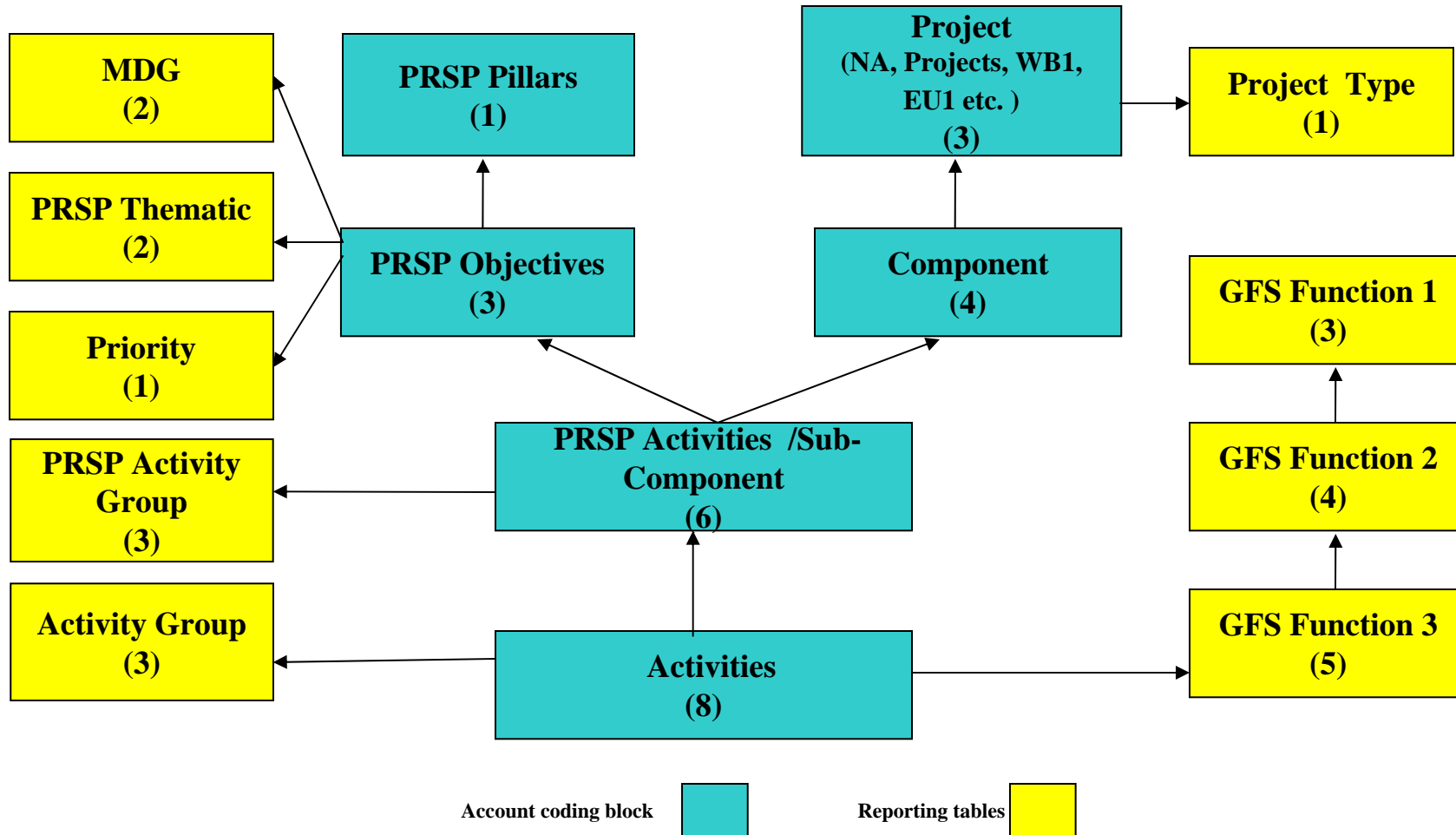


FreeBalance®



Performance Measurement

- Allocation of funds





IFMIS Overview



- ❖ Purchasing
- ❖ Revenue
- ❖ Assets
- ❖ Inventory
- ❖ Appropriations
- ❖ Expenditure
- ❖ General Ledger
- ❖ Reporting



Records Management



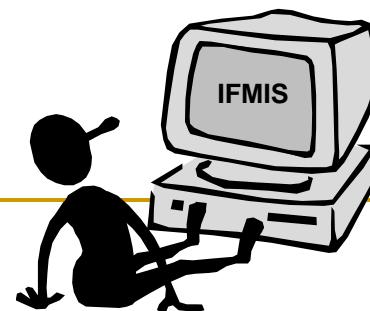
Three logical categories:

- **Authorisation controls** - only those transactions that are truly necessary to accomplish objectives in the Govt's strategy
- **Recording controls** - authorised (and only authorised) transactions are taken into the accounting records
- **Custody controls** - ensure that, once recorded, the assets that they represent exist.

Probity



- Authorised, complete and accurate records should be available to provide evidence that these controls are functioning properly and consistently.
- Reliable evidence in the form of records is critical to improve performance in the public service
- Enhances *accountability* and inhibits corruption.



PEFA



- Public Expenditure and Financial Accountability
- Workshop held to undertake an *internal* assessment
 - *country ownership*
- Action plan for improvement developed
- Common Action Plan monitored by PFM Oversight Steering Committee

Lessons



- 'REAL' Political will
- Design – SOUR
- Procurement – turnkey solution with local sub-contractor
- Testing – customised reports
- Infrastructure – power, communication
- Post implementation support
- Sequencing and collaboration of multi-donor support (procurement rules)
- Human resource capability - training

Lack of FM capability



- Lack the skills (know how), knowledge (know what) and behaviours and attitudes (know why).

Causes:

- The resources necessary for the job are not available
- Ability improperly assessed during the selection process
- The technical requirements of the job have radically changed
- *Peter Principle*; where people are typically promoted to one grade above their level of competence

Performance



- Minimum requirements of a job, three factors, labelled 'AMO', are necessary:

Factor

Employee must

- Ability have job skills and knowledge, including how to work well with others
- Motivation feel motivated to do the work, and to do it well
- Opportunity is able to use their skills and contribute to team and organisational success

Purcell *et al.*, (2000)

Task performance



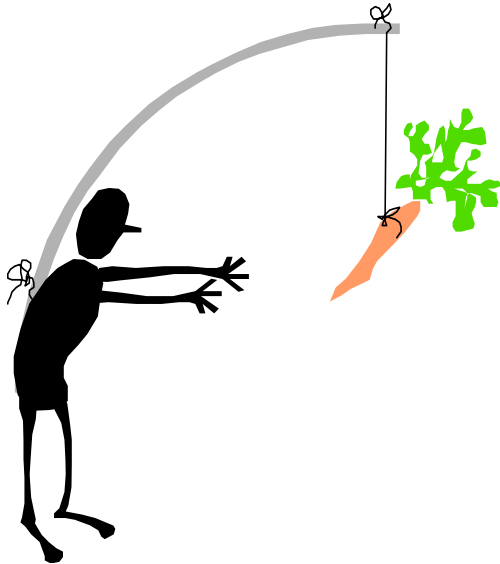
- Determinants of tasks performance:
- Performance = Ability, Motivation (Effort)
- Ability = Aptitude, Training, Resources
- Motivation = Desire, Commitment

Maier (1973) and Lawler (1973)

Capacity Building



- To overcome the problem of poor performance due to lack of ability:



- **Refurbish**
- **Retrain**
- **Redeploy**
- **Reassign**
- **Release**

Warning



- Technology alone won't make governments accountable and transparent
- Distinguish between what technology can achieve and what management uses technology to achieve
- Avoid the inept use of IFMIS as it is not the only tool to ensure a sound PFM system
- Integrated approach that involves changes in *structure*, *culture* and *leadership*

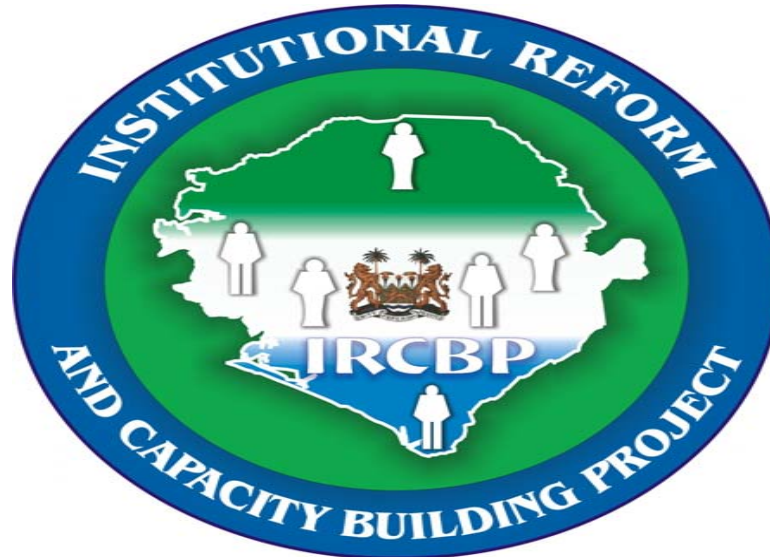


Next Goal



- Change of attitude and behaviour (**Culture**)
- Fuse IS/IT strategy with SHRM practices that fosters commitment to Govt's goals
- Build capacity in core competencies
- Fair & effective Reward & Sanction System
- Roll-out IFMIS
- Impact assessment
- Transform mindset and uphold fundamental principles of ***openness, integrity, honesty, selflessness, objectivity and accountability.***

Thank you for your attention



Giving Voice To The People

www.ircbp.sl

Tel: (00) 232 22 222689

Email: wcole@ircbp.sl