PRESS RELEASE ON THE 2014 GOVERNMENT BUDGET
5th December 2013

The Budget Advocacy Network (BAN) is a Network of Civil Society Organizations in Sierra Leone committed to work on government budget and its related issues to enhance pro poor policies and programme. BAN carefully studied the 2014 budget and came up with some brief observations and recommendations. This brief statement on the 2014 Budget is as a result of a quick review of the national budget presented by the Minister of Finance and Economic Development to Parliament on 29th November 2013. BAN will later follow this press statement with an extensive analysis of the 2014 Budget Statement and share the findings to all the stakeholders. We want to commence this statement by commending the government for proposing to pilot the Health Insurance Scheme; establish the Skills Development and Small and Medium Enterprises funds; and develop the Transformation fund. We also applaud government for proposing to broaden the tax base by firstly reducing duty and GST waivers; combating tax evasion; and enhancing transparency and accountability in revenue collection and also for opening more space for CSOs participation in the budget preparation processes..

Education
Allocation to primary and secondary education has been drastically declined over the years and this is even worst in 2014 when the budget is heavily skewed towards tertiary education. In 2014, less than 13.6% of the total education budget is allocation to primary education while tertiary education receives more than 75% The Gross Domestic Product (GDP) for education in 2014 is 3.2% which is far below the global bench mark of 6% of GDP for education. In 2013 Sierra Leone failed the Millennium Challenge Corporation (MCC) indicator for primary education expenditure because of lack of adequate investment. If Sierra Leone is to obtain high score on the MCC indicator and achieve Education for All more investment is needed to the primary education. Also, one of the Education for All goals is to allocate 50% of the education budget to basic education. We acknowledge the need to invest in tertiary education, but see it as imperative that this does not happen at the expense of investments in primary education. For a pro-poor and development oriented budget it is essential that the primary level of education is allocated more.

Health
The health budget as a percentage to the total government budget decrease from 10.5% in 2013 to 9.7% in 2014. We are very much concerned about such reduction considering the numerous challenges facing the Free Health Care and the health sector in general. This percentage is far below the government's commitment to achieving the Abuja Deceleration (15% of the total government budget to the Health sector); and it is very likely that Sierra Leone will not meet the Abuja Target and the Millennium Development Goal by 2015. Furthermore, Sierra Leone failed the MCC indicator for health spending in 2013. The proposed expenditure as a percentage to the GDP for 2014 is 1.8%. If the median for GDP expenditures for the MCC remain the same as last year, Sierra Leone needs to increase its current budgetary allocation by 60% if we are to meet the health indicator for the MCC in 2014. Furthermore, transfers to the local council for health services have been reduced by 48% from 2013 to 2014 (From Le 34.4 billion in 2013 to Le 17.8 billion in 2014).

Public Debt
Based on the 2014 budget, the total country's debt is Le 6 trillion and the budget deficit for 2014 is Le 944 billion which has to be financed by borrowing. This will further increase the country debt. Looking at trends, the country's tax to GDP is not growing sufficiently compared to the increasing budget deficit. The cost of servicing debt is even more than the

health budget in 2013 and illustrates the challenges associated with the widening budget deficit. Example in 2014 public debt charges is Le 444.2 billion

Fiscal Policy

While we acknowledge the statement of the Minister of Finance to broaden the country's tax base, we call on Government to ensure that the increase should be progressive, meaning that the burden should not fall on the poorest sectors of society. One such potential for increase is ensuring that multi-national companies pay their fair share of tax to the country. One particular promising avenue of reform could here be to target the many tax incentives granted to foreign investors.

Budget transparency on tax expenditures

The budget presented by Government must be commended for being comprehensive and clearly structured. However, as with previous years there is one glaring omission in the budget in that it does not contain any information on tax expenditures. These are costs associated with lost tax revenue from reduced tax rates granted to various groups. Government data show that the revenue losses from these tax incentives amount to close to 10% of GDP. Considering that this is more than the total budget allocation to priority sectors such roads, health and education it is concerning that this large expenditure is nowhere to be found in the budget. We commend the Government for having taking the first steps to propose to publish a tax expenditure analysis through the Revenue Management Bill. We hope that Government will pass this important piece of legislation in the coming year so that next year's budget will include transparency on the costs of tax incentives.

Decentralization

Fiscal decentralization has reduced by 10% from 2013 to 2014 (i.e. from Le 80 billion in 2013 to Le 71 billion in 2014). The reduction is mainly on the health sector as the delegated function for Tertiary hospital has come back to the central ministry. This means that our decentralization process is slowly being cradled and if this trend continues it will have the potential to greatly affect the country's decentralization process. Given the fact that there is an ongoing process to ensure that Ministries Department Agencies fully devolve all functions listed in the local Government assumption of function by the close of December 2013.

Commercial Bank Interest Rate

One of the impediments to promote private sector investment in Sierra Leone is the high interest rate of lending by commercial banks. While we appreciate the effort of Government in reducing the interest rate of the treasury bond, we call on them to adopt an appropriate measure to ensure that the lending interest rate is reduce to encourage private sector investment and increase access to loan by Small and Medium Enterprises

RECOMMENDATIONS:

- Increase budgetary allocation to the health sector to meet the MCC indicator and Abuja target
- Increase budgetary allocation to the council to foster decentralization
- Reduces our country debt
- Commercial banks to reduce their lending interest rate
- Government to upscale its investments in education to reach the Education for All benchmark of allocating 6% of GDP to this important sector. Furthermore, Government should break the trend of increasingly focusing on

funding tertiary education. The sectoral allocation to the primary level of schooling should be drastically increased from the proposed 13.6% in the 2014 budget to at least 50% of the total education budget. Also, If Sierra Leone is to pass the MCC indicator on education and achieve education for all , the government should double up it effort including increase budgetary allocation to the primary education.

- If the median for GDP expenditures remain the same as last year, Sierra Leone needs to increase its current allocation by 60% if we are to meet the health indicator for the MCC in 2014. We call on government to drastically increase investment in the health sector.
- We call on government to increase its tax revenue so that the budget deficit will be reduce over the years and hence reduces our country debt.
- We also call on government to limit discretionary tax incentives granted to mining companies and to publishing all tax revenue forgone as a result of tax incentives.
- Government investment to the local councils should be increased to promote local development.

Conclusion

BAN sees the budget as an important tool for development and there is the need for all Stakeholders to work together to ensure effective budget implementation. We therefore call on the Media and other stakeholders to take active interest and collaborate with BAN to achieve this goal. We call on government to adequately invest in the human development of all Sierra Leoneans.

About BAN

The Budget Advocacy Network (BAN) is a Network of Civil Society Organisations in Sierra Leone committed to work on budgets and budget policies to enhance policy making and implementation for sustainable and equitable development. BAN was established in 2006. BAN consists of local and international organizations such as Christian Aid (CA). Campaign for Good Governance (CGG), Network Movement for Justice and Development (NMJD), Western Area Budget Education Network (WABEAN), ActionAid International Sierra Leone (AASISL), Search for Common Ground (SFCG), and the Transparency International (TISL)

For further information please contact
Abu Bakarr Kamara
Coordinator- Budget Advocacy Network
bansecretariat@gmail.com
Tel: +232-33-354955