FINANCING EDUCATION IN SIERRA LEONE THROUGH DOMESTIC TAXATION
Acknowledgment

This report is based on research undertaken between November to December 2017 by the Education for All Sierra Leone in partnership with ANCEFA and Global Campaign for Education. This report has been written by Abu Bakarr Kamara.

Special thanks go to ................. of EFA-SL, ....... staff of the ............and the Coalition members. EFA-SL, is fully responsible for the content of the report, including any omissions or errors.
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## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ANCEFA</td>
<td>African Network Campaign on Education for All</td>
</tr>
<tr>
<td>ASYCUDA</td>
<td>Automated System for Customs Data</td>
</tr>
<tr>
<td>BAN</td>
<td>Budget Advocacy Network</td>
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<td>DTIS</td>
<td>Domestic Tax Information System</td>
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<tr>
<td>EFA-SL</td>
<td>Education for All Coalition Sierra Leone</td>
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<tr>
<td>EIRU</td>
<td>Extractive Industries Revenue Unit</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GST</td>
<td>Goods and Service Tax</td>
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<td>IMF</td>
<td>International Monetary Funds</td>
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<td>LGFD</td>
<td>Local Government Finance Department</td>
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<tr>
<td>MNEs</td>
<td>Multi-National Enterprises</td>
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<tr>
<td>MoFED</td>
<td>Ministry of Finance and Economic Development</td>
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<tr>
<td>MWT</td>
<td>Management Fees Withholding Tax</td>
</tr>
<tr>
<td>NRA</td>
<td>National Revenue Authorities</td>
</tr>
<tr>
<td>NTR</td>
<td>Non-Tax Revenue Department</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PAYE</td>
<td>Pay As You Earn</td>
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<tr>
<td>PCA</td>
<td>Post Clearance Audit Unit</td>
</tr>
<tr>
<td>PIT</td>
<td>Personal Income Tax</td>
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<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>TINs</td>
<td>Taxpayer Identification Numbers</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organizations</td>
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</table>
Executive Summary

Globally there are some fundamental challenges in education – with 121 million primary or lower secondary age children out of school (EFAGMR 2015) and 250 million children who are in school but not learning. The new Sustainable Development Goal on education establishes ambitious targets around universalising primary and secondary education of good quality, ensuring access to early childhood education, advancing technical and vocational education, youth and adult literacy. Current resources for education in developing countries like Sierra Leone are stretched and the effects of this include a decline in people confidence in public education, an increasing fragmentation of provision and the spread of for-profit fee charging schools – with worrying impacts on equity and quality. This presents serious challenges for those who believe in the fundamental equalising power of education. Parents living in poverty in Sierra Leone and around the world see education as the key passport to social mobility for their children. If we want to create more equal and fair societies, education is the bedrock. Today we need a radical shift, a rebuilding of confidence in the capacity of the governments to finance public education that is of good quality – and that can only come from a substantial scaling up of investment. Piecemeal change will not do.

Education is a long term investment that requires predictable financing. It is not a short-term, one-off, quick win. The major returns to investment in education accrue over 10 or more years (when a child completes their education and contributes to their society). This is a major challenge in Sierra Leone that overwhelmingly makes short and medium term investment decisions, driven by Medium Term Expenditure Plans (supported by the IMF) and the political demands of electoral cycles. Another fundamental reason why education requires predictable financing is that the biggest single costs are recurrent costs – especially for teacher salaries. To achieve the first target of the SDG, universalising access to primary and secondary education, will require the employment of thousand more trained teachers in Sierra Leone and pay them well. The quality of a country’s education system depends on the extent to which the country has committed to ensuring all its teachers are trained, qualified and motivated. The big education challenges need systemic solutions and sustainable financing – features that are most closely identified with taxation.

In a bid to provide alternative to finance the educational system in Sierra Leone, EFA in partnership with ANCEFA conducted this study which is geared towards generating evidence on the potential of taxation to generate sustainable revenue to improve public spending on education in Sierra Leone. The study looked at the following:

- To establish the connection between taxation and investment in education.
- To quantify ‘missed’ taxation revenue in Sierra Leone due to among other factors tax evasion and avoidance; tax expenditures; weak and porous tax systems; limited tax base and informality of economies.
To quantify, using existing budgetary trends, the difference that the ‘missed taxation revenue’ could have made in implementing educational activities, if they had been allocated and spend on education in Sierra Leone.

To provide a synthesis of good practices, challenges and opportunities of using tax revenue to improve the quality and quantity of public spending on education that has proven to make positive changes in education Sierra Leone.

The study is both quantitative and qualitative. It surveys secondary data to establish the connection between taxation and investment in education. The report also attempts to estimate revenue forgone as a result of harmful tax practice and weak global and domestic policy regulatory framework. The data used in this report was predominantly collected from published sources by the Government of Sierra Leone such as the Education Sector Plan; Census report and Budget Estimates. Information on specific issues relating to challenges in the tax administration was collected through in-depth interviews with the head of Tax Policy Unit of the Ministry of Finance and Economic Development, two senior officers in the Monitoring, Research, and Planning and Domestic Taxes Departments of the National Revenue Authority.

The study identified the following options to finance the education sector in Sierra Leone:

∇ Revenue losses in the mining sector

- Increasing Shandon (previously Africa Mineral) rate of corporate income tax from 25% to 30% could raise $30 million extra a year by 2020;
- Eradicating mining companies’ exemptions to pay import charges (i.e. customs duties and the GST on imports) could raise nearly $50 million more per year by 2018;
- Introducing a Resource Rent Tax, as proposed by the government in its Extractives Industries Revenue Bill, could increase revenues by $45 million a year by 2020.
- Introducing strict transfer mis-pricing rules will at the minimum save the country $5.7 million annually;
- Operationalizing the ASYCUDA world at the port will reduce revenue loss from trade mis-invoicing by an average $8.7 million annually

Combining these five sources could raise revenue of $ 108.4 million in the next few years.

∇ Revenue losses in the agriculture sector

- Ensuring that Agricultural companies pay their correct taxes as per the national revenue laws will bring $18.8 million a year over the next 10 years.

∇ Other Revenue Generation Options

- Restructuring of the PIT Maximum Rate

Of the over Le 50 billion additional revenue with the introduction of the extra 5% PAYE for those earning excess of Le 2 million as per the 2016 budget, we are proposing that 5% of the additional revenue from this PAYE be earmark for the Education Sector.
Potentials in withholding 10 Percent Tax on Rented Commercial Properties

Strengthening the collection of the 10 percent rented properties and earmark 5% to the Education will bring additional $1,050,000 annually.

Fines and Money Recovered from Corruption Cases

We are recommending that corruption recovery money be set aside to finance the Education.

The government of Sierra Leone has the potential to raise an additional resource to finance its educational programmes geared towards achieving Universal Education. This can be done through the above measures.
1.0 Introduction

Globally there are some fundamental challenges in education – with 121 million primary or lower secondary age children out of school (EFAGMR 2015) and 250 million children who are in school but not learning. The new Sustainable Development Goal on education establishes ambitious targets around universalizing primary and secondary education of good quality, ensuring access to early childhood education, advancing technical and vocational education, youth and adult literacy. Current resources for education in developing countries like Sierra Leone are stretched and the effects of this include a decline in people confidence in public education, an increasing fragmentation of provision and the spread of for-profit fee charging schools – with worrying impacts on equity and quality. This presents serious challenges for those who believe in the fundamental equalizing power of education. Parents living in poverty in Sierra Leone and around the world see education as the key passport to social mobility for their children. If we want to create more equal and fair societies, education is the bedrock. Today we need a radical shift, a rebuilding of confidence in the capacity of the governments to finance public education that is of good quality – and that can only come from a substantial scaling up of investment. Piecemeal change will not do.

Despite great progress made recently in increasing access to education, the goal of all children completing primary education is still not a reality. About 14 percent of primary-school-aged children (more than 240,000) are currently not in school. To achieve the SDG, Sierra Leone need to enroll these out-of-school children and then encourage them to stay in school until the completion of the cycle. The primary completion rate (PCR) according to the 2011 SLIHS was low compared to regional neighbors and other countries in sub-Saharan Africa. At 73.8 percent, Sierra Leone’s PCR was more than ten percent below the sub-Saharan Africa average of 80.3 percent, and below regional neighbors in Liberia, Cote d’Ivoire, and Ghana. Nationally, 5.2 percent of primary school age Sierra Leonean students were repeating them school year at the time of the 2011 SLIHS and the multiple-year repetition rate was 11.8 percent. All of the above will require more investment into the education sector in Sierra Leone which domestic taxation can be one source to finance it.

Education is a long-term investment that requires predictable financing. It is not a short-term, one-off, quick win. The major returns to investment in education accrue over 10 or more years (when a child completes their education and contributes to their society). This is a major challenge in Sierra Leone that overwhelmingly makes short and medium-term investment decisions, driven by Medium Term Expenditure Plans (supported by the IMF) and the political demands of electoral cycles.

Another fundamental reason why education requires predictable financing is that the biggest single costs are recurrent costs – especially for teacher salaries. Example in the Sierra Leone 2013 budget, out of Le 536.5 billion allocated for education, Le 348.5 billion was for the wages and salaries for teacher. To achieve the first target of the SDG, universalizing access to primary and secondary education, will require the employment of thousand more trained teachers in Sierra Leone and pay them well. The Sierra Leone education sector estimated that to achieve universal primary and secondary education will cost Le1,833,804 million (US$621.6 million), of which an average of 53% annually would be financed from domestically generated revenue. The quality of a country’s education system depends on the extent to which the country has committed to ensuring all its teachers are trained, qualified and motivated.

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1 Education Status report 2013 – Ministry of Education Science and Technology
Multiple studies have demonstrated that teachers – and the level of teacher knowledge about their subject – are the most important determinant of education quality. UNESCO estimates indicate that around half of teachers in Africa, for example, have had no training, while other studies show that teacher salaries have approximately halved in real terms over the last 40 years. Data shows that in one-third of all countries, less than 75% of teachers have been trained according to national standards. But not all potential sources of finance are suitable for addressing the challenge of deploying more teachers; for example, aid budgets rarely cover teacher salaries – except in the case of general or sector budget support – because aid is seen as both too short term and too unpredictable. Governments are reluctant to employ a teacher with such funding as they are aware of need to continue paying the salary long after the end of a particular aid project. This is also a problem with many other innovative financing mechanisms which may offer short-term funding but struggle to guarantee sustainable financing over decades. There are of course additional challenges that arise with any innovative funding based on loans (given the renewed debt-repayment challenges faced by many developing countries) or funding that depends on charging fees (given the known impact these have on equity and exclusion in education) The big education challenges need systemic solutions and sustainable financing – features that are most closely identified with domestic taxation

1.1 Purpose of the Research

The purpose of the research is to generate evidence on the potential of taxation to generate sustainable revenue to improve public spending on education in Sierra Leone.

1.2 The objectives of the research

- To establish the connection between taxation and investment in education.
- To quantify ‘missed’ taxation revenue in Sierra Leone due to among other factors tax evasion and avoidance; tax expenditures; weak and porous tax systems; limited tax base and informality of economies.
- To quantify, using existing budgetary trends, the difference that the ‘missed taxation revenue’ could have made in implementing educational activities, if they had been allocated and spend on education in Sierra Leone
- To provide a synthesis of good practices, challenges and opportunities of using tax revenue to improve the quality and quantity of public spending on education that has proven to make positive changes in education Sierra Leone.
- To suggest concrete recommendations to governments, international community and non-state actors on how governments of Sierra Leone can maximize their tax revenue and subsequently improve public spending on education

1.3 Methodology

The study is both quantitative and qualitative. It surveys secondary data to establish the connection between taxation and investment in education. The report also attempts to estimate revenue forgone as a
result of harmful tax practice and weak global and domestic policy regulatory framework. The data used in this report was predominantly collected from published sources by the Government of Sierra Leone such as the Education Sector Plan; Census report and Budget Estimates. Information on specific issues relating to challenges in the tax administration was collected through in-depth interviews with the head of Tax Policy Unit of the Ministry of Finance and Economic Development, two senior officers in the Monitoring, Research, and Planning and Domestic Taxes Departments of the National Revenue Authority.

1.4 Limitations of the study
This study hopes to quantify missed taxation revenue in Sierra Leone. However, owing to the paucity of data only few sources of revenue potentials were identified. For instance, there are no estimates available on the magnitude of revenue forgone due to thin capitalization practices of multinational companies operating in the country. Furthermore, even data on tax expenditure in the study focuses on a select number of foreign companies and taxes. Thus estimates of potentials of taxation to generate revenue reported in this study, though significantly large, presents only a partial picture of what is the reality in the country. Furthermore, comprehensive data on the progress on the SDGs in terms of financing is difficult to get since the costing of the SDGs indicators is not available.

2.0 Tax Policies and Revenue Trends
One major administrative reform that took place in the Sierra Leone tax system was the creation of a semi-autonomous revenue administration. Following an in-depth study on the revenue generating departments of the Income Tax and the Customs & Excise a semi-autonomous revenue administration called the National Revenue Authority (NRA) was created in 2002 by an Act of Parliament. This Act mandated the NRA to collect both direct and indirect tax revenues. Following this creation, a modernisation reform programme which came through recommendations by a 2004 IMF Fiscal Affairs Department Mission began. Since the modernisation of revenue administration initiative was recommended and embraced by fiscal authorities in the country, several programmes have been implemented. Reforms have ranged from the formation of the Non-Tax Revenue department (NTR) in 2004, the introduction of Taxpayer Identification Numbers (TINs) in 2009, the launching of the Automated System for Customs Data (ASYCUDA++) and the implementation of the Goods and Services Tax (GST) in 2010, establishment of the Domestic Tax Department (DTD) in early 2011 and Post Clearance Audit Unit (PCA)\(^2\) in 2011, the introduction of the Domestic Tax Information System (DTIS) in 2013, introduction of small and medium term regime in the same year (2013), and the establishment of the Extractive Industries Revenue Unit (EIRU) in 2014.

\(^2\) This unit is meant to serve as a fiscal safety net and to reduce intrusive examinations through risk audit based approach. In principle, this task is performed on all persons/companies involved in the accomplishment of customs formalities (import & export). The exercise is done to ascertain the correctness and completeness of all declarations and to further assess compliance with laid down Customs laws and regulations. As a trade facilitation tool, the PCA is anchored on a comprehensive annual audit plan.
2.1 Outcomes of reform measures in tax administration in Sierra Leone

The trends in domestic revenue\(^1\) to GDP resulting from major reform measures undertaken by the National Revenue Authority in Sierra Leone are shown in Figure 1.

Figure 1: Trends in Domestic revenue to GDP ratio

Source: Government budget profile (2002 - 2018)

Figure 1 shows that in the first few years of the formation of the Revenue Authority, revenue collection surged from a low 7% of GDP prior NRA to peak at 12.0% in 2003, but subsequently declined to about 10.1% in 2007. It gradually increased to 10.7% in 2009 before remission again to 9.3% in 2010. This scenario is not uncommon as experience from other countries that have implemented administrative reforms similar to those introduced in Sierra Leone in 2002 show similar trend. Recognizing this trend, fiscal authorities in Sierra Leone embarked on conscious efforts to continuously deepen the reforms whilst at the same time consolidating the earlier successes through further expansions in the revenue base and modernisation of the operations of the authority to avoid the risk of a relapse into inefficiencies, corrupt practices and complacency on the part of the champions of the reform.

\(^1\) Domestic Revenue defined as tax and non-tax public revenues excluding grants
With that, domestic revenue to GDP increased steadily to a high 12.5% in 2013 but declined to 10.6% and 10.1% in 2014 and 2015 respectively, owing to the twin shock of the Ebola outbreak and a drop in global commodity prices in the same period. The drop-in commodity prices resulted in the administration of two major mining companies – African Minerals Limited and London Mining. Figure 1 further indicates that at 10.3% in 2016 Sierra Leone tax-to-GDP ratio is far below the tax-to-GDP ratio of low income countries average of 15%, and lower than most countries in Africa (see Figure 2).

**Figure 2: Sierra Leone Revenue GDP compared to other selected countries**

![Graph showing Sierra Leone Revenue GDP compared to other selected countries](image)

*Source: IMF, Regional Economic Outlook 2016*

### 2.1 Domestic Revenue Trends

Table 1 below shows Government projected and actual revenue collections reported for the period 2013 to 2016 and their share of GDP. The domestic revenues are mainly taxes and grants are from donors. Domestic revenues have been rising in absolute terms and as a proportion of all revenues but not in terms of proportion of GDP. As a percentage of GDP, the revenue collected decreased from 13.2% in 2013 to 12.1% in 2016. Even with the mining boom Sierra Leone domestic revenue still does not reach the average 15% for sub Sahara Africa. As a percentage to the total government revenue, the domestic revenue fluctuated with no steady growth. In 2013, it was 81% and it goes down to 70% and 67% in 2014 and 2015 respectively. It then moved to 80 in 2016. This implies that Sierra Leone revenue projection is not predictable and it will greatly affect planned expenditure over the years.
Table 1: Revenue Trends (2013-2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>Projection</th>
<th>Actual</th>
<th>Actual (% of GDP)</th>
<th>% of actual domestic revenue to total gov. revenue</th>
<th>Projection</th>
<th>Actual</th>
<th>Actual (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,066,076</td>
<td>2,280,013</td>
<td>13.20%</td>
<td>81%</td>
<td>613,931</td>
<td>547,600</td>
<td>3.2%</td>
</tr>
<tr>
<td>2014</td>
<td>2,581,290</td>
<td>2,226,200</td>
<td>10.30%</td>
<td>70%</td>
<td>639,568</td>
<td>959,476</td>
<td>4.5%</td>
</tr>
<tr>
<td>2015</td>
<td>2,389,978</td>
<td>2,330,159</td>
<td>10.10%</td>
<td>67%</td>
<td>796,524</td>
<td>1,164,553</td>
<td>5.1%</td>
</tr>
<tr>
<td>2016</td>
<td>2,559,339</td>
<td>2,888,732</td>
<td>12.10%</td>
<td>80%</td>
<td>798,083</td>
<td>726,709</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

*Source: Government Budget profile (2013-2018)*

The figure 3 below shows that the main source of the domestic revenue for government is through Income Tax followed by GST and then Custom and Exercise duties. Even though Sierra Leone has so many minerals but it contribution towards domestic revenue is very small compare to the other taxes.

**Figure 3: Composition of Domestic Revenue (2013-2016)**
2.3 Reasons for low revenue collection

2.3.1 Tax Incentives and duty free concessions

One major reason for such relatively low revenue-to-GDP ratio is the tax incentives granted to specific taxpayer groups through targeted tax deductions, credits, exclusions and tax holidays in the tax system of Sierra Leone.

Sierra Leone provides investment and mining companies with numerous arrays of tax incentives. These tax incentives, either provided through tax laws, any other law or any administrative order or agreement (called by whatever name), that allow special exclusion, exemption, or deduction from the tax base or which provide special credit, preferential rates of tax or a deferral of tax liability that includes tax holidays, duty exemptions, exemptions from royalty, etc. have revenue implications. In addition, the system under which these tax incentives are provided in Sierra Leone to mining companies is on a case-to-case basis without any unified approach or any broad policy framework and uniform legal basis (See Table 2).

Table 2: Broad Policy Framework on Tax Incentives

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Lease Rent</td>
<td>US$500,000</td>
<td>As in law</td>
<td>US$200,000 in 2011 &amp; adjusted annually by 3% (USD XXX in 2014)</td>
<td>As in law</td>
<td>As in law</td>
<td>US$400 in 1989 &amp; adjusted annually by 5% (USD XXX in 2014)</td>
<td>As in law</td>
</tr>
<tr>
<td>Royalty</td>
<td>Precious stones (incl. special stones) – 6.5%; precious metals – 5%; Other minerals – 3%</td>
<td>As in law</td>
<td>Precious stones – (excl. special stones) – 6.5%; Special stones – 8%</td>
<td>As in law</td>
<td>As in law</td>
<td>0.5% through 2014; 3.5/4% from 2015</td>
<td>Precious stones – (excl. special stones) – 6.5%; Special stones – 8%</td>
</tr>
<tr>
<td>Corporate Income Tax (CIT)</td>
<td>30%</td>
<td>25%</td>
<td>35% or as in law if lower</td>
<td>Years 1-3-6%; Years 4-10 – 25%; Year 11 onwards – 30% or as in law if lower</td>
<td>As in law</td>
<td>Exempt through 2014; 37.5% or as in law if lower from 2015</td>
<td>25%</td>
</tr>
<tr>
<td>Resource Rent Tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Sierra Leone is the world third producer of iron ore, also rich in Diamonds, Titanium Ore (Rutile), Illumenite, Bauxite, Gold, Manganese, Cocoa, Coffee, Fish, Ginger. Also has rich agricultural soil for the production of sugar and ethanol operates numerous large scale mines.
| Capital Allowance | SL 40-20-20-20 | As in law | As in law | As in law | As in law | As in law |
| Loss Carry Forward | 10 years from start of production | As in law | Unlimited | Years 1-10-limited such that tax is not less than 15% of tax due if no loss carry forward; No carry forward thereafter | As in law | Unlimited | As in law |
| Turnover Tax | 3.5% if chargeable income is below 7% of turnover (and no acceptable audited account is submitted) | Exempt | Exempt | Exempt | Exempt | 0.5% through 2014; 3.5% from 2015 | Exempt |
| Contractor Withholding Tax (CWT) | Residents – 5%; Non-residents – 10% | Exempt | As in law | Years 1-6-5%; Years 7 - 10 – 10%; As in law thereafter | Exempt | Exempt | Years 1-7 - 5%; As in law thereafter |
| Dividend Withholding Tax (DWT) | 10% | 5% | As in law | Years 1-6-5%; Years 7 - 10 – 10%; As in law thereafter | Exempt | Exempt through 2014; 10% from 2015 | Years 1-7 of production - 5%; Years As in law thereafter |
| Interest Withholding Tax (IWT) | 15% | Exempt | As in law | Years 1-5-5%; Years 6 - 10 – 10%; As in law thereafter | Exempt | Exempt through 2014; 10% from 2015 | As in law |
| Management Fees Withholding Tax (MWT) | Residents – 5%; Non-residents – 10% | 5% | Exempt | Years 1-6-5%; Years 7 - 10 – 10%; As in law thereafter | Exempt | 10% | Years 1-7-5%; Years As in law thereafter |
| Duties & Taxes on Capital Imports | Variables rates but minimum of 5% | Exempt | 5% or as in law if lower | Years 1-8-1%; Years 9 - 10 – 2.5%; As in law thereafter | As in law | Exempt through 2014; 5% from 2015 | 5% or as in law if lower |
| Duties & Taxes on Other Imports | Variables rates but minimum duty of 5% & GST of 15% | Exempt | 5% or as in law if lower | Years 1-5-20% of prevailing rate; As in law thereafter | As in law | Exempt through 2014; 5% from 2015 | As in law |
Community Development Fund | 0.1% of gross revenue | As in law | 0.25% | 1% | 1% | 0.1% | 0.25%

Source: Tax Policy Unit of the Ministry of Finance and Economic Development database 2015

What is more worrisome is the fact that currently there is also no formal structure in place to monitor the potential benefits of tax incentives granted to businesses such as job creation, skills, technology transfer, etc. Besides, since these incentives, particularly those granted to mining companies, are granted on individual basis, not a uniformed legal basis and broad policy framework, decisions to grant these incentives could favour one set of investments or concessionaires over the others. This, however, violates the efficiency criteria for any tax system requiring it to be neutral; create neither major distortions in consumption and production. More importantly most of the agreements, especially those benefiting the mining and commercial agricultural companies, were never made public until recently – agreements widely believed to contain some fiscal stabilisation clauses.

Transparency can improve accountability and answerability in various ways. At the country level, the public disclosure of revenue statistics and budgets can help build accountability for taxes paid and public services delivered. At the international level, greater transparency can help to address issues such as misuse of transfer pricing, financial reporting by Multinational Enterprises and tax evasion. Encouraging transparency in exemptions and tax incentives (for instance, exemptions on aid-funded goods or tax holidays for Multinational Enterprises) is consistent with encouraging debate on tax simplification objectives and efforts to reduce discretionary decision making (OECD, 2012).

In Sierra Leone a Revenue Management Bill was drafted and meant to be enacted since 2011, but progress has stagnant. This bill requires the government to publish a statement of its tax expenditure, detailing all tax exemptions, the beneficiaries and the revenue forgone. It also commits the Minister of Finance and Economic Development to review all tax expenditures and ensure that they meet the objectives of the budget, including revenue mobilisation. Furthermore, the Government of Sierra Leone committed itself in the Open Government Partnership National Action Plan (2016-2018) to publish all tax incentives granted twice during the year. However, no progress has been made so far in adhering to this commitment.

2.3.2 Informal Economy

Another challenge facing revenue administration in Sierra Leone is the high level of participants in the informal sector. Workers and companies operating outside the reach of the law or tax administration are

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5 The Ministry of Finance and Economic Development has since 2014 developed a Handbook on investment incentive guidelines and duty waiver procedures. The handbook summarises all investment incentives and import duty concessions that are provided for in current legislation, Income Tax Act 2000 (as amended), the Finance Acts 2010 and international conventions to which Sierra Leone is a signatory.

6 In the most recent past Sierra Leone has published the mining agreements for the five biggest mining operators in the country.
a major obstacle to broadening the tax base and collecting income taxes. In Sierra Leone, the informal sector is estimated to account for 42.9% of GDP (Elgin and Oztunali, 2012), slightly higher than that of sub-Saharan Africa average of 40 percent. Taxation of the informal sector may be labour intensive but could drive broader governance objectives by linking more people and traders to the state and banking system. Interviews with officials in the Domestic Taxes Department of the NRA indicate that taxing this sector is a way of building a culture of tax compliance among SMEs. One main opposition to the taxation of the informal economy, however, is sometimes raised on equity grounds, as the operators of informal sector firms are frequently low-income, thus making taxation of such firms potentially regressive. And the concerns are exacerbated if efforts to tax this sector also increase the risk of relatively coercive or corrupt behaviour by tax officials. (Joshi, Prichard and Heady - 2012).

2. 3.3 Weak Capacity of revenue authority

Furthermore, weak capacity generally characterised by poor governance is identified as one of major factors underlying low revenue uptake in Sierra Leone. Whilst published data was not available on staff numbers and competencies, weak capacity gap - such as inadequate skilled staff, inadequate Information Technology infrastructure, inadequate knowledge and expertise in transfer pricing issues, etc. - was identified by senior officials of the Domestic Taxes Department of NRA to have undermined the potential of the revenue administration to correctly ascertain the actual declared profit of companies. Exacerbating this capacity problem is the influence of globalisation which has seen the impact of borders decline due to the establishment of Multi-National Enterprises (MNEs). The huge foreign investment in Sierra Leone of US$1.58 billion between 2004 and 2014 due particularly to the influx of mining companies has come with challenges of transfer pricing and thin capitalisation. Such trend does put more pressure on the existing limited capacity of tax administrators and policy makers generally in Sierra Leone. Thus, what is needed now in the Sierra Leone Revenue administration is not to push for more taxation, rather to push for better taxation. Such efforts hold the potential to stimulate further growth and investment whilst also allowing for increased levels of tax collection.

3.0 Analysis of Education Budget Allocations Trends (2013-2017), Required Funding and Educational Aid to Sierra Leone

Total education allocation comprises allocations from the central government and local councils, and consists of recurrent and development expenditure and also wages and salaries. Table 3 below shows budgetary allocations to education for 2013-2017.

In 2015, the government of Sierra Leone achieved it commitments by allocating 20% of its budget to the Education sector. In 2016 and 2017, the budgetary allocation to the education sector decreased to 15% in each year. As a percentage to the GDP, Sierra Leone budgetary allocations to the education sector fluctuated between 3% to 4%. It should be noted that the education development budget (as opposed to the recurrent budget) is largely funded by donors. However, the actual disbursement to the education is most times half of what was allocated. Example, in 2015, out of Le 907.9 billion ($ 200.9 Million)
allocated to the education sector only Le 426.6 billion ($ 94.2 Million) was disbursed and spent. This means that more than half of the activities for that year was not implemented.
<table>
<thead>
<tr>
<th><strong>Ministry of Education Science and Technology</strong></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non- Salary Non-Interest Recurrent Budget</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Allocations- Ministry of Education Science and</strong></td>
<td>136,980,000,000.00</td>
<td>168,916,000,000.00</td>
<td>202,613,900,000.00</td>
<td>209,990,500,000.00</td>
<td>257,305,000,000.00</td>
</tr>
<tr>
<td><strong>Development</strong></td>
<td>27,155,000,000.00</td>
<td>35,344,000,000.00</td>
<td>173,719,500,000.00</td>
<td>33,556,000,000.00</td>
<td>66,567,000,000.00</td>
</tr>
<tr>
<td><strong>Foreign</strong></td>
<td>26,055,000,000.00</td>
<td>32,744,000,000.00</td>
<td>164,517,000,000.00</td>
<td>27,493,000,000.00</td>
<td>62,917,000,000.00</td>
</tr>
<tr>
<td><strong>Domestic</strong></td>
<td>1,100,000,000.00</td>
<td>2,600,000,000.00</td>
<td>9,202,500,000.00</td>
<td>6,063,000,000.00</td>
<td>3,650,000,000.00</td>
</tr>
<tr>
<td><strong>Transfer to Local Councils</strong></td>
<td>23,852,700,000.00</td>
<td>29,117,700,000.00</td>
<td>37,874,400,000.00</td>
<td>39,266,000,000.00</td>
<td>41,471,500,000.00</td>
</tr>
<tr>
<td><strong>Wages and Salaries</strong></td>
<td>348,499,000,000.00</td>
<td>559,446,000,000.00</td>
<td>493,687,000,000.00</td>
<td>415,995,000,000.00</td>
<td>455,255,000,000.00</td>
</tr>
<tr>
<td><strong>Total Education Budget</strong></td>
<td>536,486,700,000.00</td>
<td>792,823,700,000.00</td>
<td>907,894,800,000.00</td>
<td>698,807,500,000.00</td>
<td>820,598,500,000.00</td>
</tr>
<tr>
<td><strong>Total Non- Salary non Interest Recurrent</strong></td>
<td>665,576,300,000.00</td>
<td>917,193,600,000.00</td>
<td>837,996,700,000.00</td>
<td>1,196,168,400,000.00</td>
<td>1,553,991,700,000.00</td>
</tr>
<tr>
<td><strong>Budget Allocations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Development Budget</strong></td>
<td>1,205,637,000,000.00</td>
<td>1,592,151,485,200.00</td>
<td>1,667,060,783,771.00</td>
<td>1,518,032,000.00</td>
<td>1,473,083,000.00</td>
</tr>
<tr>
<td><strong>Foreign</strong></td>
<td>818,000,000,000.00</td>
<td>1,056,099,043,200.00</td>
<td>1,237,060,783,771.00</td>
<td>904,620,000,000.00</td>
<td>904,017,000,000.00</td>
</tr>
<tr>
<td><strong>Domestic</strong></td>
<td>387,637,000,000.00</td>
<td>536,052,442,000.00</td>
<td>430,000,000,000.00</td>
<td>613,412,000,000.00</td>
<td>569,066,000,000.00</td>
</tr>
<tr>
<td><strong>Total Wages and Salary</strong></td>
<td>999,093,000,000.00</td>
<td>1,360,916,000,000.00</td>
<td>1,580,618,000,000.00</td>
<td>1,650,669,000,000.00</td>
<td>1,806,035,000,000.00</td>
</tr>
<tr>
<td><strong>Total Transfer to Council</strong></td>
<td>80,000,000.00</td>
<td>71,437,400,000.00</td>
<td>88,585,700,000.00</td>
<td>91,840,500,000.00</td>
<td>96,235,600,000.00</td>
</tr>
<tr>
<td><strong>Total Budget</strong></td>
<td>3,210,079,000,000.00</td>
<td>4,155,592,000,000.00</td>
<td>4,457,351,000,000.00</td>
<td>4,638,840,000,000.00</td>
<td>5,443,741,000,000.00</td>
</tr>
<tr>
<td>GDP</td>
<td>17,141,422,000,000.00</td>
<td>20,775,300,000,000.00</td>
<td>23,636,323,000,000.00</td>
<td>24,582,000,000,000.00</td>
<td>30,411,000,000,000.00</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------------</td>
<td>----------------------</td>
<td>----------------------</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>% of Education Budget to the total budget</td>
<td>17%</td>
<td>19%</td>
<td>20%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>% of Education budget to the GDP</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Figure 4: Composition and trends in budgetary allocations (2013-2017)

3.1 Education Budget Allocation Versus the Agenda for Prosperity costing for Education

Table 4: Education Budget Allocation Versus the Agenda for Prosperity costing for Education

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Budget (Allocations)-Le/USD</th>
<th>Budget (Actual)-Le/USD</th>
<th>A4P costing (Estimate)</th>
<th>Difference between Actual Budget and A4P costing estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$536,486,700,000 ($123.8 Million)</td>
<td>$472,177,860,566.28 ($108.5 million)</td>
<td>$158.44</td>
<td>$49.94 Million</td>
</tr>
<tr>
<td>2014</td>
<td>$792,823,700,000 ($175.2 Million)</td>
<td>$404,185,000,000 ($89.3 million)</td>
<td>$175.52</td>
<td>$89.16 million</td>
</tr>
<tr>
<td>2015</td>
<td>$907,894,800,000 ($200.7 Million)</td>
<td>$426,488,000,000 ($94.2 million)</td>
<td>$190.32</td>
<td>$96.12 Million</td>
</tr>
<tr>
<td>2016</td>
<td>$698,807,500,000 ($93.2 Million)</td>
<td>$445,049,000,000 ($59.3 million)</td>
<td>$200.26</td>
<td>$140.96 million</td>
</tr>
<tr>
<td>2017</td>
<td>$820,598,500,000</td>
<td></td>
<td>$212.95</td>
<td></td>
</tr>
</tbody>
</table>
Table 4 and figure 5 shows that there is a huge gap between the actual budget and the estimated resources that is needed to address the A4P challenges on Education. Example in 2016, there is gap of $140.96 million between what is need and the amount disbursed.

3.2 The Required Education Spending

- The cost to implement the Education Sector Plan is Le 4.1 trillion, or USD 951 million over five years (2014-2018).
- Agenda for prosperity- The table 5 below shows the estimate for the education sector in the Agenda for prosperity which is geared towards addressing the following problems:
  - A high number of out-of-school children of primary school age, and low access to the secondary level, especially by girls (the high primary gross intake and enrolment rates hide these out-of-school children, since they include under- and over-age children).
  - 40% of children start grade one aged 7 or above.
  - High repetition rates.
  - Low completion rates especially for girls.

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual budget</th>
<th>A4P costing (estimate)</th>
<th>Difference between actual budget and A4P costing(estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>49.94</td>
<td>158.44</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>108.5</td>
<td>89.16</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>89.3</td>
<td>175.52</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>94.2</td>
<td>190.32</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>59.3</td>
<td>200.26</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$702.3</td>
<td>$937.56</td>
<td>$140.96</td>
</tr>
</tbody>
</table>
- Low quality education at all levels.
- Inadequate educational infrastructure to effectively and efficiently deliver education.
- Instructional hours low and not used efficiently.
- Mismatch between skills supply and labour-market demands (mining, agriculture, etc.).
- High illiteracy rate among youths and adults.
- Lack of governance and management capacity for education service delivery.

Table 5: Required funding for the Education Sector according to the A4P (Million USS)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>A4P Estimate</td>
<td>$158.44</td>
<td>$175.52</td>
<td>$190.32</td>
<td>$200.26</td>
<td>$212.96</td>
</tr>
</tbody>
</table>

The total estimate for the education sector according to the agenda for prosperity for the five-year period is $937.56 Million which is spread out in the table above with a funding gap of $60.62 million. However, the budgetary allocation for the education sector is far less than what was planned in the A4P. Example in 2016 the budgetary allocation to the education sector is $93.2 million while the A4P estimate is $200.26 million. Out of the budgetary allocations of $93.2 million only $59.3 million was disbursed spent.

- The Dakar declaration commits government to allocate 20% of its national budget to education or 4% to 6% of its GDP to education.

4.0 Financing Option for the Education Sector in Sierra Leone

4.1 Revenue losses in the mining sector

The Budget Advocacy Network’s report, Losing Out\textsuperscript{7}, which used figures obtained from the National Revenue Authority, estimated that the government lost revenues from customs duty and Goods and Services Tax exemptions alone worth Le 966.6 billion ($224 million) in 2012, amounting to an enormous 8.3 per cent of GDP. In 2011, losses were even higher – equivalent to 13.7 per cent of GDP. The annual average over the three years 2010-12 was Le 840.1 billion ($199 million).

Most of these tax exemptions were granted to foreign mining companies, notably Shandon (then African Minerals) and London Mining by then. There has been a massive rise in revenue losses.

\textsuperscript{7} Budget Advocacy Network, Losing Out: Sierra Leone’s massive revenue losses from tax incentives, April 2014
since 2009 - the result of tax incentives granted to the mining sector in relation to the major investments that took place during 2010-2012, notably concerning the huge imports of capital equipment and petroleum products.

These tax ‘expenditures’ could instead be spent on improving health services. Yet in 2011 the government spent more on tax incentives than on all its development priorities (agriculture, roads, health, education, energy, water and transport), and in 2012 spent nearly as much on tax incentives as on its development priorities. In 2012, tax expenditure amounted to an astonishing 59 per cent of the entire government budget or over 8 times the Education budget.

Another study from the Budget Advocacy Network titled " Are we getting the right prices and returns for our wealth? estimated that an average of US $83.7 million was forgone as corporate tax between 2004 and 2014 through trade mis-invoicing. And with the iron ore production since 2011, revenue loss from such practices actually increased from as low as US$ 14.1 million to US$ 205.95 million between 2010 and 2013. This estimated loss is considered conservative since it does not capture other IFF channels such as thin capitalisation.

Specifically, the study also estimates that between 2013 and 2015 a total of US$3.69 million was lost in respect of mis-pricing of iron ore sales, whilst US$1.28 million was lost due to mis-pricing in Bauxite trade for the same period. And for 2015, mis-pricing in Rutile trade resulted in a loss of US$0.773 million in respect of royalty payment.

**Option for financing the Education Sector from the Extractive sector.**

- **Increasing Shandon (previously Africa Mineral) rate of corporate income tax from 25% to 30% could raise $30 million extra a year by 2020;**

- **Eradicating mining companies’ exemptions to pay import charges (i.e. customs duties and the GST on imports) could raise nearly $50 million more per year by 2018;**

- **Introducing a Resource Rent Tax, as proposed by the government in its Extractives Industries Revenue Bill, could increase revenues by $45 million a year by 2020.**

- **Introducing strict transfer mis-pricing rules will at the minimum save the country $5.7 million annually**

- **Operationalising the ASYCUDA world at the port will reduce revenue loss from trade mis-invoicing by an average $8.7 million annually**

Combining these five sources could raise revenue of $ 108.4 million in the next few years.
4.2 Revenue losses in the agriculture sector

The government is also offering all agribusiness investors time-limited exemptions on corporate income tax payments and some import duties. But it has gone even further, giving individual foreign investors special tax deals which offer them still more concessions. For example:

- Addax Bioenergy Sierra Leone Ltd, which is establishing a sugarcane plantation, has been given a corporate income tax exemption for 13 years, reductions in withholding tax and the ability to write off some other expenditure against tax.
- Socfin, a Luxembourg-based company which is establishing an oil palm plantation, has been given (slightly different) extended reductions in corporate income tax, withholding tax and import duties.
- Goldtree, which is also establishing an oil palm plantation, has been given special deals on withholding taxes.

Researchers working for Sierra Leone’s Action for Large-Scale Land Acquisition Transparency calculated that the tax revenue losses to the country from the deals signed with these three companies concerning three taxes alone (corporate income tax, import duties and withholding taxes) amount to $188.1 million or $18.8 million a year over a ten-year period. The latter figure amounts to over half the government’s spending on Education in 2015.

Option for financing the Education Sector from the Agricultural sector

Ensuring that Agricultural companies pay their correct taxes as per the national revenue laws will bring $18.8 million a year over the next 10 years.

4.3 Other Revenue Generation Options

In this section, two (2) potential sources of revenue mobilisation have been identified and analysed for implementation. These sources include adjustment in the personal income tax (PIT) maximum rate and collection-led reform in the withholding 10 percent tax on rented properties.

4.3.1 Restructuring of the PIT Maximum Rate

The Budget Advocacy Network in their report titled “Fiscal Challenges in the Face of the Ebola Epidemic in Sierra Leone” proposed an adjustment in the PIT maximum rate from 30% to 35% on those earning excess of Le 5 Million Leones. However in the 2016 budget speech8 which has already been approved by Parliament, the government of Sierra Leone has imposed an addition of 5% on the current 30% PAYE for those earning above Le 2 Million Leones. This additional 5% will bring an estimate of additional over Le 50 billion revenue to government.

Option for financing the Education Sector

Of the over Le 50 billion additional revenue with the introduction of the extra 5% PAYE for those earning excess of Le 2 million as per the 2016 budget, we are proposing that 5% of the additional revenue from this PAYE be earmark for the Education Sector.
4.3.2 Potentials in withholding 10 percent tax on rented properties

As revenue mobilisation remains a major challenge for NRA, concerns are raised about the capacity to tap the full potential of all revenue collection streams. Among these is the 10 percent withholding tax on rented properties such as business shops and stores in the four regional head quarter towns of Freetown, Bo, Kenema and Makeni.\(^9\) Added to these four cities is Koindu city for the presence of diamond mining companies and other high profile businesses. Using data from the Local Government Fiscal Department of the Ministry of Finance and Economic Development (LGFD/MoFED), the potential of such a tax is analysed as shown in Table 6. A total amount of Le21.84 billion (US$5.04 million) per annum could have been realized as compared to actual collection of Le6.01 billion (US$1.39 million).

Table 6 : Potentials in Withholding 10 Percent Tax on Rented Commercial Properties

<table>
<thead>
<tr>
<th>Cities</th>
<th>F/town</th>
<th>Bo</th>
<th>Kenema</th>
<th>Makeni</th>
<th>Koindu</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Businesses shops/stores</td>
<td>18,500</td>
<td>1,084</td>
<td>1,100</td>
<td>1,200</td>
<td>775</td>
<td>22,659</td>
</tr>
<tr>
<td>Minimum cost of renting a business shop/store (in US$)</td>
<td>2,500</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Total cost of renting shops/stores (US$'million)</td>
<td>46.25</td>
<td>1.08</td>
<td>1.10</td>
<td>1.20</td>
<td>0.78</td>
<td>50.41</td>
</tr>
<tr>
<td>10% Withholding Tax on rental value of business shops/stores in (US$'million)</td>
<td>4.63</td>
<td>0.11</td>
<td>0.11</td>
<td>0.12</td>
<td>0.08</td>
<td>5.04</td>
</tr>
<tr>
<td>10% Withholding Tax (Le'million)</td>
<td>20,038</td>
<td>470</td>
<td>477</td>
<td>520</td>
<td>336</td>
<td>21,840</td>
</tr>
</tbody>
</table>

Source: Data on business shops/stores from LGFD/MoFED (2013); Exchange rate le4,332.50/us$1 from bsl (2013)

4.4 Fines and Money Recovered from Corruption Cases

Over the past five-year, series of cases have been prosecuted by the Anti-Corruption Commission of Sierra Leone some of which was won by the commission and as a result government resources were recovered. The table below shows the total amount of resources recovered.

---

\(^9\) Due to lack of disaggregation of residential property this component which can be very huge is excluded from our computation. Thus the amount computed for rental tax potential is very conservative
Table 7: Fines and Money Recovered from Corruption Cases

<table>
<thead>
<tr>
<th>Year</th>
<th>Charged to Court</th>
<th>Closed</th>
<th>KIV</th>
<th>Referred</th>
<th>Cautioned</th>
<th>Total Completed Case</th>
<th>Conviction</th>
<th>Recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5</td>
<td>22</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>31</td>
<td>8</td>
<td>1,729,751,149</td>
</tr>
<tr>
<td>2011</td>
<td>11</td>
<td>39</td>
<td>11</td>
<td>5</td>
<td>5</td>
<td>71</td>
<td>7</td>
<td>1,372,235,215</td>
</tr>
<tr>
<td>2012</td>
<td>10</td>
<td>48</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td>77</td>
<td>22</td>
<td>2,725,633,399</td>
</tr>
<tr>
<td>2013</td>
<td>18</td>
<td>13</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>43</td>
<td>6</td>
<td>1,458,730,910 + ($55,000)</td>
</tr>
<tr>
<td>2014</td>
<td>12</td>
<td>37</td>
<td>18</td>
<td>2</td>
<td>2</td>
<td>77</td>
<td>12</td>
<td>716,062,000</td>
</tr>
<tr>
<td>2015</td>
<td>7</td>
<td>61</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>83</td>
<td>1</td>
<td>63,967,000</td>
</tr>
</tbody>
</table>

Source: Joseph Fitzgerald Kamara  Five years of stewardship as Anti- Corruption Commissioner

We are recommending that corruption recovery money be set aside to finance the Education

5.0 CONCLUSION AND RECOMMENDATIONS

The government of Sierra Leone has the potential to raise an additional resource to finance its educational programmes geared towards achieving Universal Education. This can be done through reducing the revenue losses in the extractives and agriculture sector and earmark monies recovered from ACC and other areas.

This study explores opportunities and investment in education. In order to influence development outcomes relating to education, the report argues that the amount of additional revenue that can be generated from efficient tax policy and administration in Sierra Leone is substantial to create and maintain fiscal space critical to finance policies and programmes that are necessary for achieving quality, affordable and accessible educational system. The study identified and quantified main sources of potential tax revenue which include discretionary exemptions on imports; tax incentives granted foreign companies; and the huge informal sector.

The following are specific suggestions to improve taxation and allocation of resources to child right’s issues in Sierra Leone:

Government

a) Increasing African Mineral’s (Now Shadon) rate of corporate income tax from 25% to 30% could raise $30 million extra a year by 2020;

b) Eradicating mining companies’ exemptions to pay import charges (i.e. customs duties and the GST on imports) could raise nearly $50 million more per year by 2016;

c) Introducing a Resource Rent Tax, as proposed by the government in its Extractives Industries Revenue Bill, could increase revenues by $45 million a year by 2020;
d) Introducing strict transfer mis-pricing rules. This at the minimum will save the country $5.7 million annually;

e) Operationalize the ASYCUDA World at the port. This will reduce revenue loss from trade mis-invoicing and on average $8.7 million additional revenue will be generated annually.

f) The Revenue Authority to embark of revenue collection-led reform, particularly for withholding 10 percent withholding tax. Institutionalized third party collaboration could be a starting point. For instance, the NRA can sign a formal Memorandum of Understanding with local councils nationwide that have well-structured cadastral database system for businesses and existing rental properties to share information on commercial properties in their jurisdictions. Or similarly with other valued service providers such as the Electricity Corporation to demand receipt for payment of rental tax before allowed to recharge their electricity. Of course, this may require a cost on the service providers, such as adjusted in information in their software or system, which could be negotiated by the NRA.

g) Government should eliminate the discretionary exemptions on imports duties.

**Civil society**

h) Press government and parliament to implement the above measures.

i) Civil society should push for better taxation rather than more taxation. Such effort holds the potential to increase the revenue base without further burden on the tax payers.

j) Build the capacity of the Finance and Public Account Committee of Parliament so that it can effectively carry out its oversight role regarding tax expenditures.

k) Push for the promotion of transparency and accountability in the tax administration of the country. Transparency can improve accountability and answerability in different aspects. In Sierra Leone, CSOs should for the regular and timely disclosure of revenue statistics.

l) Push for the fiscal authorities to require multinational corporations to publicly disclose country reports which should entail their revenues, profits, losses, sales, taxes paid, subsidiaries, and staff levels as a means of detecting and deterring abusive tax avoidance practices.

**Development Partners**

m) Often most international partners exclusively intervene on capacity building efforts in revenue administrations in developing countries. For instance in Sierra Leone, the National Revenue Authority (NRA) has benefited significantly from DFID in the implementation of its modernisation plan. Whilst this approach is relevant there is also need for development partners...
to engage other stakeholders such as the civil society and legislators in their efforts to participate in tax dialogue, to monitor the operations of tax administrations, and to hold governments to account for their revenue and expenditure policies.

**Parliament**

n) Should carry out their oversight function effectively and hold the executive accountable on the administration of tax

o) Ensure that tax laws brought into the well of Parliament by the executive should come with cost benefit analysis so that the country will not lose if such law is pass.

p) Support and pass laws that will earmark certain amount of the domestic revenue to the education sector
6.0 References


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