

August 2015

6880: Improving Revenue Collection in Sierra Leone

Inception Report

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Adam Smith
International

Acknowledgements

This Inception Report presents a detailed assessment which was undertaken in Sierra Leone between 4 May 2015 and 3 August 2015. A core team of experts in revenue reform was mobilised to undertake this analysis, with expertise across domestic tax, customs, extractives and non-tax revenue, as well as tax law and policy, governance, human resources and training, internal audit, and information technology. Information was obtained through a series of meetings with officials from the Government of Sierra Leone (GoSL), in Freetown, Lungi Airport, Makeni, Bo, Kambia/Gbalamuya, and from the study of documents and statistical data related to government revenue in Sierra Leone from a number of different sources including, various ministries, government agencies and international development institutions.

The Adam Smith International team is grateful to Madam Haja Kallah-Kamara, the Commissioner-General of the National Revenue Authority, who made her staff available to work with the team during the Inception Phase of the project and who arranged meetings with key stakeholders including the NRA Board. A similar level of cooperation was provided by Mr Idrissa Kanu (Director of MoFED's Revenue and Tax Policy Department) and his staff and this was also highly appreciated. In addition, a number of officials, from across all departments of the NRA, met with the team and provided detailed information and insights. The team is also grateful to the development partners who met with the team, shared information and collaborated to ensure the best outcomes for the Government of Sierra Leone. Needless to say, the input of all of these stakeholders was crucial for the development of this Inception Report. Adam Smith International looks forward to a productive and successful collaboration going forward.

Acronyms

ACC	Anti-Corruption Commission
ADDIE	Analysis, Design, Development, Implementation, Evaluation (training model)
AfDB	African Development Bank
ALIC	Africa Link Inspection Company
ASI	Adam Smith International
ASYCUDA	Automated System for Customs Data Administration
BEPS	Base Erosion and Profit Sharing
BRP	Business Resumption Plan
CDW	Curriculum Development Workshop
CED	Customs and Excise Department (of the NRA)
CG	Commissioner-General (of the National Revenue Authority)
COTS	Commercial Off-The-Shelf
CPS	Customer Perception Survey
DFID	Department for International Development
DMIS	Debt Management Information System
DTD	Domestic Tax Department (of the NRA)
DTIS	Domestic Tax Information System
ECF	Extended Credit Facility (IMF)
EI	Extractive Industries
EIRB	Extractive Industries Revenue Bill
EIRT	Extractive Industries Revenue Taskforce
EIRU	Extractive Industries Revenue Unit (of the NRA)
FAST	Flexible Anti-Smuggling Team
FATCA	Foreign Account Tax Compliance Act (US)
FCAS	Forestry Cadastral Administration System
GDP	Gross Domestic Product
GiZ	Gesellschaft für Internationale Zusammenarbeit (German aid agency)
GoSL	Government of Sierra Leone
GST	Goods and Services Tax
HR	Human Resources
IMF	International Monetary Fund
ICA	Internal Controls and Audit (NRA department)
IDR	Informatics Disaster Recovery
IT	Information Technology
ITAS	Integrated Tax Administration System
KCM	Key Client Manager
KPI	Key Performance Indicator
Le	Leones (Sierra Leonean currency)
LTO	Large Taxpayers Office
MAFFS	Ministry of Agriculture, Forestry and Food Security
MCAS	Minerals Cadastre Administration System
MDA	Ministry, Department or Agency (of GoSL)
MIS	Management Information System
MoFED	Ministry of Finance and Economic Development
MoU	Memorandum of Understanding
MRPD	Monitoring, Research and Planning Department (of the NRA)
MMMR	Ministry of Mines and Mineral Resources
NASSIT	National Social Security and Insurance Trust
NGO	Non-Governmental Organisation
NMA	National Minerals Agency

NRA	National Revenue Authority
NTR	Non-Tax Revenues
NTRS	Non-Tax Revenue System
NTRU	Non-Tax Revenue Unit (of the NRA)
OARG	Office of the Administrator and Registrar General
OECD	Organisation for Economic Cooperation and Development
OTP	Order to Pay
PAYE	Pay As You Earn
PFM	Public Financial Management
PFMICP	Public Financial Management Improvement and Consolidation Project
PTT	Presidential Performance Tracking Table
RAB	Revenue Administration Bill
RDF	Revenue Development Foundation
RIIU	Revenue Investigations and Intelligence Unit (NRA unit)
RTPD	Revenue and Tax Policy Department (MoFED)
SCSAS	Staff Competency and Skills Audit Survey
SLEITI	Sierra Leone Extractive Industries Transparency Initiative
SMT	Senior Management Team (of the NRA)
SMTO	Small and Medium Taxpayers Office
SOP	Standard Operating Procedures
STRIP	Short Term Revenue Improvement Programme
TIN	Tax Identification Number
TNA	Training Needs Assessment
ToR	Terms of Reference
UNCTAD	United Nations Conference on Trade and Development
US	United States (of America)
VIPS	VAT Information Processing System
WCO	World Customs Organisation

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A. Executive Summary

1. Introduction

Revenue mobilisation is a key instrument for the Government of Sierra Leone (GoSL) in achieving its ambitions for poverty reduction; delivering its Agenda for Prosperity; increasing financial independence; and achieving middle income status.

This inception report lays the foundation for a three-year programme of support to GoSL. The programme will be financed by the UK's Department for International Development (DFID) and will be implemented by Adam Smith International, in partnership with Ecorys, the Revenue Development Foundation, the Centre for Customs and Excise Studies and the International Centre for Tax and Development. ASI has ensured strong complementarity between current and planned assistance through other donor-funded projects.

The programme aims to increase domestic revenue in Sierra Leone by supporting the modernisation and improvement of the National Revenue Authority and the Revenue and Tax Policy team of the Ministry of Finance and Economic Development (MoFED).

The programme is split into five Outputs:

- » Output 1: Improved tax policy and legislation
- » Output 2: Improved governance, organisational effectiveness and transparency
- » Output 3: Domestic Tax Department modernised and improved
- » Output 4: Customs and Excise Department modernised and improved
- » Output 5: Extractive Industries Revenue Unit and Non-Tax Revenue Unit modernised and improved

This report includes an assessment of each of these five areas and recommends activities to modernise operations and improve performance. These activities are organised into a three-year work plan.

The proposed programme of support has been developed collaboratively with counterparts in the NRA (and MoFED in relation to Output 1). It has been presented to, and debated by, both the NRA's Senior Management Team and Board and their feedback has been incorporated. The final report is therefore as much their product as it is that of the project team.

During the the Inception Phase, the project team also took the opportunity to provide the NRA with some support in addition to completing the programme design work. This was important for the NRA and the project team to get to know one another, build relationships and to be in the best possible position to deliver on the project once the Implementation Phase begins. Appendix 1 provides a summary of the additional support provided during the Inception Phase.

1.1. Revenue Authority

The National Revenue Authority (NRA) is a semi-autonomous government revenue authority established by an Act of Parliament on the 13th September 2002. Operations commenced the following year, in 2003. With the goal of increasing domestic revenue collection and decreasing donor dependence, its primary mandate is to assess and collect tax revenues on behalf of the Government of Sierra Leone (GoSL).

1.2. Revenue

Total NRA revenues have increased significantly since the creation of the NRA. The revenue to GDP ratio has changed much less, although 2010-2013 did see slightly higher ratios than the immediately preceding years. Total NRA collections for 2014 amounted to Le 2,174bn, reflecting a decline on 2013 collections of approximately 1.7%. This can be attributed to the closure of the two largest iron ore mines and the economic impact of the Ebola outbreak, which hit revenues substantially in the latter half of the year.

Sierra Leone's revenue performance is weak compared to other West African economies (the revenue to GDP ratios in Cote d'Ivoire, Senegal and Liberia are approximately 16%, 20% and 26% respectively) and Sub-Saharan Africa as a whole, where the revenue to GDP ratio averages around 22%¹. Whilst it would not make sense for the Government of Sierra Leone to aim to match OECD tax takes of 30-45% of GDP given the very different economic structure, GoSL should, over time, be looking to increase its revenue to GDP ratio significantly.

Looking at revenue collections by tax type, it can be seen that income taxes (both personal and corporate) provide for 42% of Sierra Leone's revenues, with GST providing for a further 20%. A further 20% of revenues came from non-GST Customs and Excise. Extractives and Non-Tax Revenues account for most of the remainder. Further detail can be found in Figure 3, below.

1.3. The previous DFID-funded support project

DFID has been the main funder of technical assistance to the NRA since the authority's establishment in 2002. The previous comprehensive DFID-funded support project, "Support to the Sierra Leone National Revenue Authority – Phase II" implemented by Crown Agents, ran from July 2009 to March 2013. Whilst progress was made in a number of areas, it was noted that a high proportion of the recommendations made during the course of the programme were not implemented. ASI was asked to provide a brief assessment of why this was the case, such that lessons could be incorporated into the design

¹ Source: World Bank Databank, 2012 data

of this project. The view of the project team is that there are three main reasons which together account for the lack of implementation in some areas of the previous project:

- » The high number of recommendations – with more than 700 recommendations in total;
- » Inadequate ownership of recommendations (and possibly inappropriate recommendations) due to an insufficiently collaborative process for arriving at recommendations; and
- » Insufficient support with implementation.

The design of this project and the approach and ethos of the project team as evidenced during the Inception Phase will ensure that these issues are avoided.

1.4. Other Donor-funded Assistance to the NRA and MoFED RTPD

During the Inception Phase of this project, the project team has met with other partners providing assistance to the NRA and/or MoFED RTPD to ascertain their current and proposed future areas of assistance to ensure that project activities complement rather than duplicate other donor-funded assistance. These include:

- » Public Financial Management Improvement and Consolidation Programme (PFMICP)
- » DFID-funded NRA line management positions
- » African Development Bank (AfDB)
- » Gesellschaft für Internationale Zusammenarbeit (GIZ)
- » International Monetary Fund (IMF)
- » Overseas Development Institute (ODI)
- » European Union (EU)

1.5. Next Steps

Following the validation of this Inception Report, a team of international and Sierra Leonean experts will work in collaboration with their GoSL counterparts to implement the activities described in the work plan. These activities will support the modernisation and improvement of the National Revenue Authority and the Revenue and Tax Policy team of MoFED.

2. Needs Assessment

Domestic revenue increases are achievable through a combination of revenue policy (primarily the responsibility of MoFED) and revenue administration (primary the responsibility of the NRA) reforms. Revenue administration is considered under the three functional areas of the NRA – the Domestic Tax Department (which primarily deals with personal and corporate income taxes including employee PAYE and a range of withholding taxes, as well as domestic GST); the Customs and Excise Department (which deals primarily with import duties, GST on imports and excise taxes – the main one being on petroleum), and Extractives and Non-Tax Revenues (the most significant being mineral licenses and royalties; most are assessed by MDAs but collected by NRA).

Of the three functional areas of the NRA, the project believes that the area with the greatest revenue potential is domestic taxes. Within that area, the project believes that the single most important initiative for sustainably increasing domestic revenue collections in Sierra Leone will be procurement and implementation of an ITAS solution.

The focus and resourcing of the project aligns to these priorities, with emphasis on the domestic tax department and forthcoming IT reforms over the life of the project, as well as significant shorter-term revenue increases from targeted non-filing and tax arrears compliance follow up (including out-calls from NRA's planned "call centre"), more targeted taxpayer audits, and more effective data matching, before ITAS is implemented.

2.1.1. Revenue Policy

In the revenue policy area, the mix of tax and other revenue types and the rates charged are reasonable and comparable with those of developing countries and of regional economies. In general, there is no strong need for policy reform and the focus of the project in this area will be to develop capacity (including for revenue forecasting and policy development), as an investment for the long-term. The exception is the amount of revenue foregone through a relatively high level of both legal and illegal revenue concessions and exemptions. It is understood that this has developed through to a desire to attract investors to Sierra Leone, but many decisions have been made without a proper analysis of the benefits versus costs of granting such concessions. It is also recognised that political and contractual issues will likely mean that any significant changes in this area, whilst certainly worthwhile, are likely to be in the medium- to long-term.

2.1.2. Governance, Organisational Effectiveness and Transparency

NRA Governance has improved substantially over the past couple of years. The Board is playing a more effective role and the relationship between the Board and the NRA management has improved significantly, as has the relationship between the Commissioner General and the Minister of Finance. This is fundamentally the result of new appointments in the roles of Chairman of the Board and Minister of Finance. Assistance with governance issues will still be important to institutionalise, embed and build on some of the positive developments, but the project's involvement in this area will be more limited than previously envisaged, freeing up resources for other aspects of the project.

The most important thing to improve organisational effectiveness will be the support to improve the NRA's IT systems. The

key system improvement is discussed in Section 2.1.3 below. The project will also support the CG and Senior Management to drive improved organisational effectiveness through their leadership of the organisation.

Whilst the project will support specific measures to improve transparency, some of the most significant benefits to transparency will come from administrative improvements throughout the project. For example, the multiple automation initiatives are not designed as 'transparency initiatives' but will result in significant improvements in this area.

2.1.3. Domestic Tax Department

Of the three functional areas of the NRA, the area with the greatest revenue potential is domestic taxes. As is common developing countries, tax policy is generally much stronger than tax administration, the latter being more affected by limited resources and human capacity, even with the relative advantage of a semi-autonomous (rather than core public service) revenue authority structure. It is much easier to develop and pass laws than it is to implement them.

Given the tax administration's relatively limited resources, there is a need to balance scarce resources between helping taxpayers who are prepared to voluntarily comply under self-assessment systems and actively following up non-compliers with emphasis on the latter (an area still in its infancy in Sierra Leone) being reliant on risk-based analysis including data matching with external sources.

The project believes that the procurement and implementation of an ITAS solution is the single most important initiative for sustainably increasing domestic revenue collections in Sierra Leone. Such a system could routinely carry out a number of important tasks currently being carried out by NRA staff or not being conducted at all. It is therefore appropriate that the primary focus on the project is on preparing for and supporting the introduction of an "off the shelf" integrated tax administration system (ITAS), much of the funding for which is available through the PFMICP multi-donor project.

Other priority domestic tax administration reform needs include:

- » Tidying up the taxpayer database – over 34,000 TIN numbers have been issued (many for one time importers with no tax liability) but only up to 5,000 taxpayers are being actively managed by NRA. Over 2,500 have been registered for GST but it is known that at least 1,000 should be deregistered
- » Routinely following up taxpayers who fail to file tax returns – this is only happening in the Large Taxpayer Office which deals with the largest 185 taxpayers. Greater attention is needed to issuing default assessments after initial warning reminders
- » Introducing shorter more focused (e.g. single revenue type) taxpayer audits to enable a greater coverage of the taxpayer population than more in depth comprehensive audits covering all revenue types
- » Using data matching (comparing tax database with largest importers, government contractors, etc) to assist with selection of taxpayers for audit follow up and for identification of taxpayers "outside the system"
- » Improving the identification of tax arrears cases (data is readily available for GST but not for other tax types) and developing a strategy with focus on both new and larger debts – almost 90% of GST arrears is over 3 months old, much of which is likely to be uncollectable
- » Introducing tax refunds – the current tax system loses credibility by taxpayers only being able to carry credit balances forward
- » A need to specifically focus on improving domestic GST administration – for 2015 domestic GST collections are expected to only be 9% of NRA total collections (in comparison income tax comprises 43%) – with a need to focus on use of GST invoices, taxpayer display of GST certificates, matching significant GST input claims with those who should be showing as output revenue, checking GST outputs of taxpayers not paying GST on their imports, etc

2.1.4. Customs and Excise Department

Customs revenue collections are significantly smaller than domestic tax revenues and are likely to remain so as cross-border free trade initiatives are progressively introduced. This is in line with international trends and recognises the non-revenue roles of Customs, namely trade facilitation and border security. Revenue administration improvements by Customs are still expected to be achieved, by similar focuses on improved processes and on improved enforcement through improved risk management, but it is recognised that these are not likely to be on the same scale as the increases possible with domestic tax reform. Revenue policy improvements by progressive reduction of duty waivers could also assist with Customs revenue increases in the longer term.

2.1.5. Extractives and Non-Tax Revenues

Following the delay to the start of this project resulting from the Ebola outbreak, the context has changed significantly. The extractives sector has weakened significantly during 2014 due to falling iron ore prices and the closure of the two largest mining companies. The project still expects the extractives sector to be a major driver of growth in the medium- to long-term; however the weaker sector, alongside the individually negotiated agreements with mining companies, means that shorter-term revenue increases in this area are likely to be muted.

Nonetheless, the project feels that capacity support to the Extractive Industries Revenue Unit (EIRU) will be a critical investment for the longer-term and the project will provide support in this area. However, it is noted that the AfDB will be providing very similar support in this area, and therefore ASI has actively engaged with the AfDB (as well as other partners providing support in this sector) to ensure complementarity and avoid duplication. The capacity support to the EIRU under

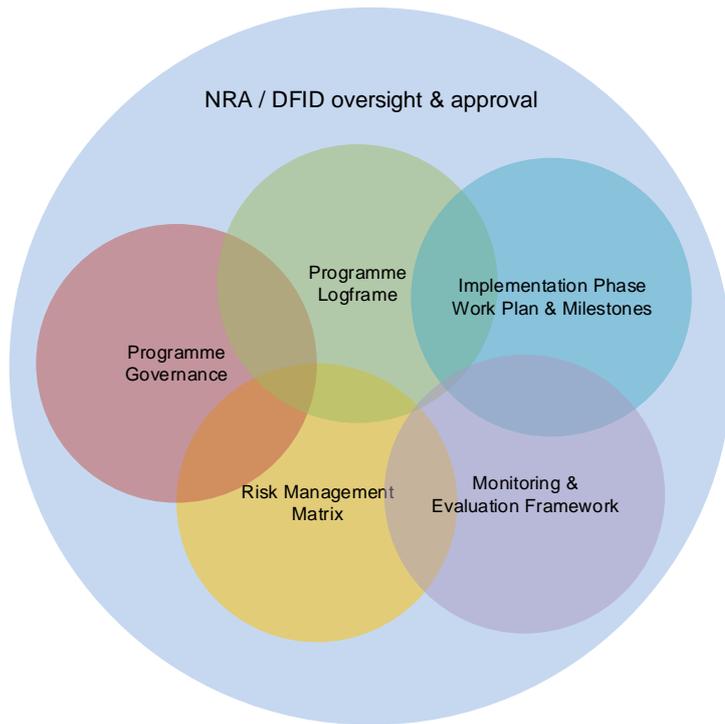
this project will therefore be more limited than originally envisaged, freeing up resources for other aspects of the project.

The collection of non-tax revenues can also be improved, but such improvements are not expected to be significant given the limited “collection” mandate that NRA has in relation to MDAs. Many MDAs are themselves under-resourced and their capacity and willingness to focus on revenue collection and their assessment role naturally limits the amount the NRA can collect. There has also been an increasing practice developing of allowing some MDAs being allowed to keep their own revenues.

3. Programme Design Documents

Documentation of the each of the five elements of the programme design are included in Section D of this report. Together these five elements complete the Inception Phase milestone of the project (see Figure 1, below).

Figure 1: Elements of Programme design



B. Introduction

1. Programme Background

Revenue mobilisation is a key instrument for the Government of Sierra Leone (GoSL) in achieving its ambitions for poverty reduction; delivering its Agenda for Prosperity; increasing financial independence; and achieving middle income status.

This inception report lays the foundation for a three-year programme of support to GoSL. The programme will be financed by the UK's Department for International Development (DFID) and will be implemented by Adam Smith International, in partnership with Ecorys, the Revenue Development Foundation, the Centre for Customs and Excise Studies and the International Centre for Tax and Development.

The programme aims to increase domestic revenue in Sierra Leone by supporting the modernisation and improvement of the National Revenue Authority and the Revenue and Tax Policy Department (RTPD) of the Ministry of Finance and Economic Development (MoFED). Ultimately, the intended impact of the programme is to increase the share of the Sierra Leonean national budget that comes from domestic resources; to support the country's long-term goal of transformation into a self-reliant middle income country.

The programme is split into five Outputs:

- » Output 1: Improved tax policy and legislation
- » Output 2: Improved governance, organisational effectiveness and transparency
- » Output 3: Domestic Tax Department modernised and improved
- » Output 4: Customs and Excise Department modernised and improved
- » Output 5: Extractive Industries Revenue Unit and Non-Tax Revenue Unit modernised and improved

This report includes a needs assessment of each of these five areas and sets out the support that will be provided under this project. These activities are organised into the Implementation Phase Work Plan & Milestones.

The proposed programme of support has been developed collaboratively with counterparts in the NRA (and MoFED in relation to Output 1). It has been presented to, and debated by, both the NRA's Senior Management Team and Board and their feedback has been incorporated. The final report is therefore as much their product as it is that of the project team.

During the Inception Phase, the project team also took the opportunity to provide the NRA with some support in addition to completing the programme design work. This was important for the NRA and the project team to get to know one another, build relationships and to be in the best possible position to deliver on the project once the Implementation Phase begins. Appendix 1 provides a summary of the additional support provided during the Inception Phase.

2. Sierra Leone National Revenue Authority

The National Revenue Authority (NRA) is a semi-autonomous government revenue authority established by an Act of Parliament on the 13th September 2002. Operations commenced the following year, in 2003. With the goal of increasing domestic revenue collection and decreasing donor dependence, its primary mandate is to assess and collect tax revenues on behalf of the Government of Sierra Leone (GoSL).

The Sierra Leone tax administrative system has undergone considerable changes since its inception. 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, the introduction of the Domestic Tax Information System (DTIS) in 2013, and the establishment of the Extractive Industries Revenue Unit (EIRU) in 2014.

3. Revenue in Sierra Leone

Total NRA revenues have increased significantly since the creation of the NRA. The revenue to GDP ratio has changed much less, although 2010-2013 did see slightly higher ratios than the immediately preceding years. More detail can be found in Table 1, on the following page.

Comparable figures for 2014 will be available in the NRA's 2014 Annual Report, which is currently in draft form. The Monitoring, Research and Planning department (MRP) informed the project team that Total NRA collections for 2014 amounted to Le 2,174bn, reflecting a decline on 2013 collections of approximately 1.7%. This can be attributed to the closure of the two largest iron ore mines and the economic impact of the Ebola outbreak, which hit revenues substantially in the latter half of the year.

Recent GDP growth has been strongly linked to iron ore exports. With the decline of the global iron ore price in 2014, the World Bank predicted that revenue in 2015 would start to dwindle against targets for expected GDP growth, unless counterbalanced by greater domestic revenue mobilisation.² The Bank notes that this challenge remains.

Sierra Leone's revenue performance is weak compared to other West African economies (the revenue to GDP ratios in Cote d'Ivoire, Senegal and Liberia are approximately 16%, 20% and 26% respectively) and Sub-Saharan Africa as a whole,

² <http://www.worldbank.org/en/country/sierraleone/overview>

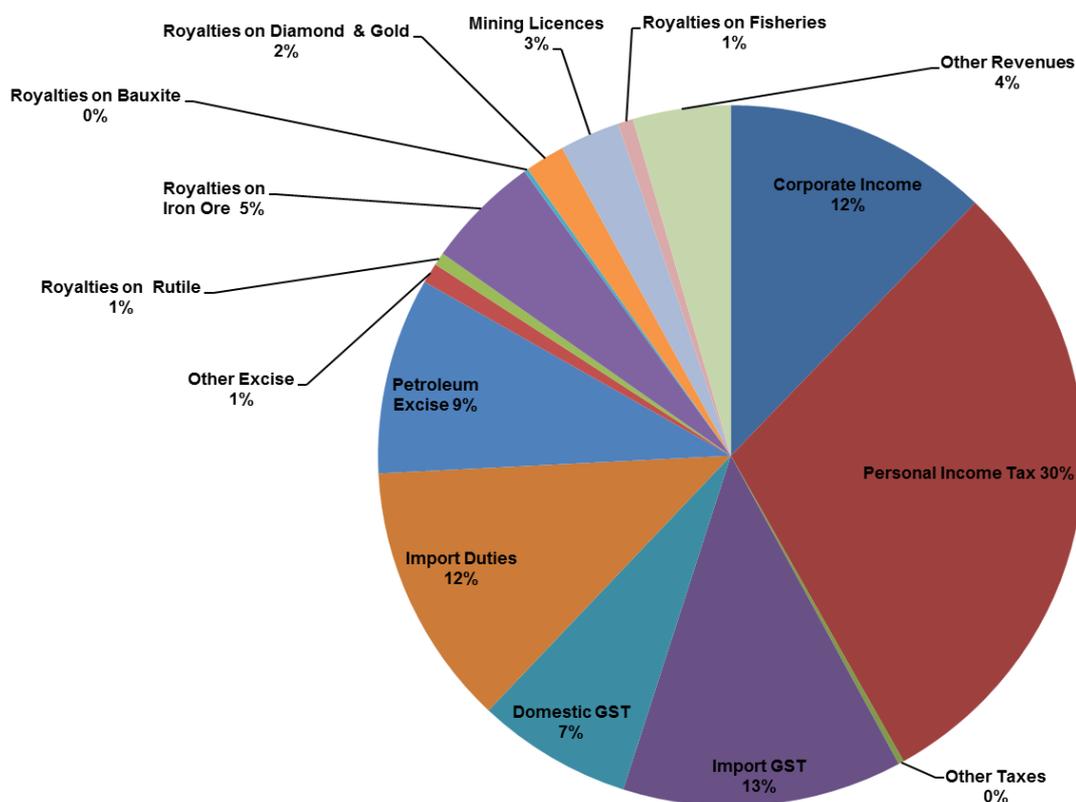
where the revenue to GDP ratio averages around 22%³. Whilst it would not make sense for the Government of Sierra Leone to aim to match OECD tax takes of 30-45% of GDP given the very different economic structure, GoSL should, over time, be looking to increase its revenue to GDP ratio significantly.

Table 1: Sierra Leone Revenue Performance, 2001-2013 (in Billions of Leones)⁴

Year	Nominal GDP	Total NRA Collection	Revenue Increase	% Growth in Revenue	Revenue as % of GDP
2001	1,507.7	201.5	-	-	13.4%
2002	1,964.6	231.8	30.3	15.0%	11.8%
2003	2,310.8	277.8	46.0	19.8%	12.0%
2004	2,894.1	340.1	62.3	22.4%	11.8%
2005	3,518.2	389.1	49.0	14.4%	11.1%
2006	4,206.6	463.9	74.8	19.2%	11.0%
2007	4,966.2	501.9	38.0	8.2%	10.1%
2008	5,873.4	615.6	113.7	22.7%	10.5%
2009	6,537.1	700.3	84.7	13.8%	10.7%
2010	7,605.3	955.7	255.4	36.5%	12.6%
2011	9,578.6	1,428.8	473.1	49.5%	14.9%
2012	15,330.2	1,874.8	446.0	31.2%	12.2%
2013	17,284.9	2,212.5	337.7	18.0%	12.8%

Looking at revenue collections by tax type, it can be seen that income taxes (both personal and corporate) provide for 42% of Sierra Leone's revenues, with GST providing for a further 20%. A further 20% of revenues came from non-GST Customs and Excise. Extractives and Non-Tax Revenues account for most of the remainder. Further detail can be found in Figure 2, below.

Figure 2: Distribution of NRA Collections by Tax Types⁵



³ Source: World Bank Databank, 2012 data

⁴ Source: NRA 2013 Annual Report

⁵ Source: NRA 2013 Annual Report

4. The previous DFID-funded support project

DFID has been the main funder of technical assistance to the NRA since the authority's establishment in 2002. The previous comprehensive DFID-funded support project, "Support to the Sierra Leone National Revenue Authority – Phase II" implemented by Crown Agents, ran from July 2009 to March 2013. Whilst progress was made in a number of areas, it was noted that a high proportion of the recommendations made during the course of the programme were not implemented. ASI was asked to provide a brief assessment of why this was the case, such that lessons could be incorporated into the design of this project. The view of the project team is that there are three main reasons which together account for the lack of implementation in some areas of the previous project:

- **High number of recommendations** – The previous project made more than 700 recommendations in total.⁶ There does not appear to have been a clear prioritisation of these recommendations. Implementing this number of recommendations would have been incredibly difficult for any organisation to manage. The approach of this project is to focus on a more manageable number of concrete milestones (37 over three years). These are broken down into manageable activities and sequenced so that no one part of the organisation is focused on too many activities at once. Joint M&E processes will also enable us to quickly identify when activities are delayed or off track, so that we can resolve obstacles together and get back on track.
- **Inadequate ownership of recommendations (and possibly inappropriate recommendations) due to an insufficiently collaborative process for arriving at recommendations** – There is some feeling within the NRA that recommendations were presented to them, rather than arrived at together, with their active involvement. They did not in all cases agree that the recommendations were appropriate. The approach of this project is to embed advisors with their counterparts and so far as possible to arrive at recommendations jointly. This, along with frequent updates to the CG and the Senior Management Team (as set out in the Project Governance arrangements), will ensure the full involvement and ownership of the NRA.
- **Insufficient support with implementation** – Whilst some support is needed to identify problems and what needs to be done, it's fixing the problems and implementing the recommendations that is the really difficult part, and that is where the NRA needs the most support. The approach of this team is to work side-by-side throughout the implementation activities; monitoring progress, identifying risks and obstacles and finding solutions together. This approach has a strong track record of delivering results.

The design of this project and the approach and ethos of the project team as evidenced during the Inception Phase will ensure that these issues are avoided.

5. Other Donor-funded Assistance to the NRA and MoFED RTPD

During the Inception Phase of this project, the project team has met with other partners providing assistance to the NRA and/or MoFED RTPD to ascertain their current and proposed future areas of assistance to ensure that project activities complement rather than duplicate other donor-funded assistance.

5.1. Public Financial Management Improvement and Consolidation Project (PFMIPC)

The World Bank managed 'Sierra Leone: Public Financial Management Improvement and Consolidation Project' (PFMIPC) is a four-year multi-donor assistance programme that commenced in late 2013. It is managed by the World Bank but funds are also contributed by DFID (the largest contribution), the European Union and the African Development Bank. Component 3 of the PFMIPC programme is focused on "supporting the strengthening of revenue mobilisation and administration systems". As with other donor programmes operating over the past year, progress has hampered by the Ebola outbreak and progress on the "revenue" component has to date been limited.

PFMIPC currently has \$US 4,560,400 allocated to the Revenue component, of which US\$ 290,000 has been earmarked for three areas of assistance to MoFED RTPD and the remaining US\$ 4,270,400 has been allocated to NRA assistance. The largest component of this is US\$ 1,900,000 allocated for the acquisition of ITAS hardware and software. The total cost of the ITAS software and hardware acquisition is likely to be up to US\$ 5,500,500; therefore, whilst a very significant contribution, this still leaves a significant funding gap. Under PFMIPC, the largest components of the funding are allocated to:

» Hardware & Software for ITAS	US\$ 1,900,000
» Technical implementation services for ITAS	US\$ 740,000
» Project Management for ITAS	US\$ 450,000
» Resident Specialist Advisor for Mineral Tax Unit	US\$ 380,000
» Short Term TA for Specialist Mineral Tax Unit	US\$ 278,400
» Initial Support for Accommodation Cost (Specialist Mineral Tax Unit)	US\$ 45,000

After joint discussions with PFMIPC and the NRA to discuss how this project and PFMIPC could collaborate to provide the best overall package support to the NRA, it was provisionally agreed that this project would cover the technical implementation services and project management for ITAS, freeing up the PFMIPC budget allocations for these components. With planned support to the Extractive Industries Revenue Unit coming from the AfDB, and this project to a lesser extent, additional resources can also be freed up in this area. This means that PFMIPC now has up to US\$ 3,500,000 available to fund ITAS hardware and software, subject to the World Bank's budget reallocation decisions.

⁶ Crown Agents final report for Phase II, dated October 2013

On the basis of expected costs, additional funding will need to be identified to make up the remaining shortfall in funding for ITAS procurement.

The PFMICP identified funding allocations for MoFED RTPD were for items complementary to, but not duplicating the assistance requested from the current project.

5.2. DFID-funded NRA line management advisors

Following the completion of the previous DFID-funded revenue improvement project, "Support to the Sierra Leone National Revenue Authority – Phase II" in March 2013, and pending the establishment of this project, DFID began separately funding four NRA line management positions covering the roles of Special Advisor to the CG, Commissioner of Customs, Deputy Commissioner of Customs, and IT Specialist. These positions were taken up in early 2014. Increased recognition of the severity of the Ebola outbreak in August 2014 resulted in these advisors being asked to leave Sierra Leone, and the two Customs advisors ceased providing assistance at that time. The Special Advisor to the CG and the IT Specialist recommenced their contracts in April 2015, just prior to the start of the 3-month inception phase of this project. DFID continues to fund these two positions.

This project considers there to be good potential for these roles to be complementary to the work of the project, in particular where experience and skillsets are complementary. For example, the experience of the current Special Advisor to the Commissioner-General has focused on Customs whilst the experience of the Team Leader of this project has focused on direct taxes. During the Inception Phase, the Team Leader has shared an office with the DFID-funded Special Advisory to the CG.

The project has also provided advice to DFID on whether the currently vacant Customs line management positions should be filled. This issue now requires discussion between DFID and the Commissioner General of the NRA.

5.3. African Development Bank (AfDB)

The African Development Bank is not currently providing any assistance to NRA except through their contribution to PFMICP. However, the AfDB does have a planned programme of technical assistance, which was delayed as a result of the Ebola outbreak. Under its proposed assistance, the AfDB intends to fund two items which could potentially overlap with assistance planned through this project.

The first of these is a twelve-month consultancy to support NRA's Extractive Industries Revenue Unit. On the basis of indications that this support was likely to commence in late 2015 or early 2016, it was agreed that this project would provide similar support to the EIRU up until the AfDB consultant commenced work in Sierra Leone with a period of overlap to ensure continuity of support.

The second area of proposed support is the funding of a revenue mobilisation study, however, after examining the Terms of Reference, it was recognised that the purpose of this study is quite distinct from that of the tax gap analysis proposed in this project, and as such the results will be complementary rather than duplicative.

5.4. Gesellschaft für Internationale Zusammenarbeit (GIZ)

GIZ is currently funding of a Revenue Development Foundation (RDF) developed cadastral system for the National Minerals Agency covering royalties and licence fees paid by mining companies and which comprises the biggest single area of NRA's non-tax revenue collections. Subject to cost effectiveness, this project proposes to fund a similar development for forestry leases.

5.5. International Monetary Fund (IMF)

The IMF is not currently providing assistance to the NRA and has not been doing so for some time as a result of the Ebola outbreak. However, two missions are scheduled for September 2015. One is due to focus on educating stakeholders on the provisions of the Extractive Industries Revenue Bill, which to date has not been universally supported by GoSL. During the Inception Phase work of this project, information was gathered on some of the issues that may have hindered the progress of this Bill, which could assist the forthcoming mission.

The second is due to focus on a proposed Revenue Management Bill where the focus is on processes for improving the recording of costs of exemptions and concessions provided through Sierra Leone's revenue laws. The results of this mission are expected to be complementary to proposed project work in the same area.

The IMF has previously offered to redraft the Income Tax and GST laws following the passing of the Revenue Administration Bill, a law which consolidates all of the administrative provisions of the different tax and customs revenue laws and which has recently passed through Cabinet subject to amendments in certain areas. This project is proposing to provide that support instead of the IMF.

5.6. Overseas Development Institute

MoFED RTPD is currently receiving assistance from two advisors funded by the Overseas Development Institute (ODI), one through ODI's Budget Strengthening Initiative (BSI) and one through the ODI Fellowship scheme. The BSI Adviser currently focuses on extractive industries revenue issues and acts as Secretary to the Extractive Industries Revenue Taskforce (EIRT), however his contract will soon expire. The ODI Fellow will take over the responsibility for much of the division's work on the extractive industries, including the role of Secretary to the EIRT. The current ODI Fellow will be in place until January 2017 at which point he will be replaced by a new ODI Fellow. This project intends to provide complementary support to MoFED RTPD. During the first few months of the Implementation Phase, this support will

be part-time and focused on tax gap analysis work. From early 2016, the project will embed an advisor in the RTPD closer to full time, who will support the team on a day-to-day basis.

5.7. European Union

The European Union is not currently assisting the NRA other than through their funding support of PFMICP. They have previously funded the construction of the joint Sierra Leone/Guinea border post building at Kambia/Gbalamuya which is shared by Sierra Leonean and Guinean authorities. The EU is proposing to provide additional technical assistance to review and support the operations of that border post, as well as establishing a similar joint border post building for Sierra Leone/Liberia. These initiatives will be complementary to this project.

5.8. Future donor assistance needs

As noted above, the proposed ITAS hardware and software procurement is currently not fully funded and additional funding will be needed for this. In addition, funding of up to \$US 3.5m will be needed to fund the proposed upgrade of ASYCUDA ++ to ASYCUDA World. The current project has offered to assist with locating additional donor support and, in line with both the NRA and PFMICP, envisages ITAS being the higher priority from a revenue potential perspective.

Initial enquiries were made about the potential for GoSL to fund part of these costs, but it was noted that GoSL is currently proposing to dedicate considerable capital funding to the NRA for the construction of a new Revenue House in Freetown, which would consolidate the numerous, and not fit for purpose, office buildings that the NRA currently rents.

6. Next Steps

Following the validation of this Inception Report, a team of international and Sierra Leonean experts will work in collaboration with their GoSL counterparts to implement the activities described in the work plan. These activities will support the modernisation and improvement of the National Revenue Authority and the Revenue and Tax Policy team of MoFED.

C. Needs Assessment and Implementation Planning

The programme is split into five Outputs:

- » Output 1: Improved revenue policy and legislation
- » Output 2: Improved governance, organisational effectiveness and transparency
- » Output 3: Domestic Tax Department modernised and improved
- » Output 4: Customs and Excise Department modernised and improved
- » Output 5: Extractive Industries Revenue Unit and Non-Tax Revenue Unit modernised and improved

During the three-month inception period for the project, an assessment was undertaken in each of these areas. The findings are set out below and form the basis for the programme work plan and resourcing.

Section 1: Output 1 – Revenue Policy and Legislative Framework

1. Introduction

Governments have a number of ways of financing their spending, including the imposition of taxes, user fees and charges for services, income from government-owned organisations, loans and grants (both internal and external) and from printing money. The focus of the project is on increasing revenue from taxes (both domestic taxes and customs duties) and from user fees and charges (non-tax revenues). This requires revenue policy, as well as revenue administration to be effective. Whilst revenue administration is primarily the responsibility of the National Revenue Authority, responsibility for revenue policy falls primarily to the Ministry of Finance and Economic Development (MoFED). The legislative framework encapsulates both the policy and administrative framework.

Desirable attributes of revenue policy and legislative frameworks include:

- » The benefit principle – those who benefit should pay
- » Ability to pay – progressive systems, where those earning higher incomes pay a higher proportion of their income in tax, introduce vertical equity compared with proportional and regressive systems
- » Neutral – horizontal equity e.g. different types of income taxed the same
- » Economic efficiency – recognising that taxes create distortions in markets
- » Adequacy – revenues cover administrative costs and fund government activities over time
- » Simplicity – with low administrative costs and low compliance costs

Desirable features in Sierra Leone include:

- » A revenue policy which broadens the tax base and improves the efficiency of the tax system
- » A government that is better informed about the cost of tax expenditures
- » A comprehensive, improved and accessible legal framework for taxation

2. Revenue Policy

2.1. Context and Current Situation

Based on an analysis of the legislative framework and current practice in Sierra Leone, there is no strong need for changes in tax or non-tax revenue types or rates, which are reasonable and comparable with those of developing countries and of regional economies.

The main policy area of concern is the amount of revenue foregone through a high level of concessions and exemptions. This is common in many developing countries, where the ability of governments to grant tax exemptions can be a significant instrument through which governments command support and political financing.

It is understood that the practice of exemptions in Sierra Leone has developed through to a desire to attract investors; however, these decisions are generally made at a political level and apparently without an analysis of the costs and benefits.

2.2. Needs Assessment

The project consulted MoFED's Revenue and Tax Policy Division (RTPD) as well as the NRA's Monitoring Research and Planning department (MRP) on GoSL's technical assistance needs in this area, recognising that MoFED has the primary responsibility for setting revenue policy in Sierra Leone.

Together with RTPD and MRP, the project has identified four specific areas where assistance is required:

2.2.1. Revenue Forecasting Capacity

Both RTPD and MRP expressed a need for improved revenue forecasting capacity. RTPD felt that development of a micro-simulation model may complement their existing IMF-provided macroeconomic model. This is driven by a desire for the revenue target setting process to be better informed. Initial steps will be:

- » conduct of a data review to understand what data exists, what does not and what would be reasonably obtainable;
and
- » conduct of a needs assessment, to identify modelling requirements, assess current tools and agree on future needs.

Following these two steps, the project would identify appropriate model(s) and build the capacity of officials to: use the models; feed in updated data when available; and understand the mechanics of the model such that they are able to tweak it and thereby to extend its shelf-life. This could take place as a combination of formal training and working side-by-side to use the models once in place. There would be value in MoFED staff having stronger ownership of the model and a deeper understanding of its functioning.

2.2.2. Revenue Policy Development

MoFED (through RTPD) has primary responsibility for setting revenue policy for the Government of Sierra Leone. Currently, RTPD's policy development capacity is limited. A key constraint is the lack of a clear understanding of revenue potential (by tax type and by sector) under the current legal and policy framework as well as an incomplete picture of revenue collections. Therefore, the first exercise that the project will support in this area is a comprehensive tax gap analysis. The benefits of developing an in-depth understanding of Revenue Potential and the Tax Gap by tax and by sector can be substantial, allowing governments to set ambitious, yet realistic, revenue targets as well as enabling the NRA to allocate its resources more intelligently across departments to maximise collections. The project is aware that the AfDB plans to conduct a 'Revenue Mobilisation Study' and has confirmed that the scope of this study is different and complementary.

This tax gap study is likely to identify and/or confirm policy areas requiring further attention (e.g. the costing of concessions and waivers or the underperformance of a particular tax type). The project is therefore likely to provide additional support to RTPD, but the specific focus will be flexible to the findings of the tax gap analysis and changes in the political and economic environment. Additional support of this nature would be decided by mutual agreement between RTPD and the project team. It would also be possible to provide additional support to build RTPD's capacity for effective tax policy development, such as the development of "ready reckoner" tools or training in more sophisticated policy costing techniques.

MRP requested assistance with its planned research on broadening the tax base. In particular, MRP would like to:

- » conduct a study on the revenue potential of the informal sector in Sierra Leone; and
- » conduct a comparative analysis of the tax exemption regimes of countries in the sub-region

MRP also requested capacity building assistance to develop a database for monitoring tax exemptions, building on the current recording in respect of duty waivers.

During the Inception Phase, and in response to the needs identified above, the project commenced two activities. First, it started work on a Revenue Potential Study in respect of Personal Income Tax (PIT), using data from the NRA, Statistics Sierra Leone and the National Social Security and Insurance Trust (NASSIT). This work is ongoing but already points to a significant shortfall between PIT collections and the revenue potential. Second, the project began a process of identifying all of the concession and exemption provisions in Sierra Leone laws and has considered what steps Sierra Leone can take to better measure the potential benefits and costs of such provisions through efforts to calculate and report "tax expenditures", a topic also due to be addressed by a September 2015 IMF mission.

Accurately calculating the value of tax expenditures is a key step. In this regard:

- » For custom duty waivers, the total value of duties waived is available from NRA and updated regularly. MoFED claimed to have had some success in monitoring such waivers through compliance activity with the NGO unit, however they claimed that financial constraints hindered a larger effort.
- » For GST exemptions and zero-ratings, NRA's DTD have provided such data in the past. Future focus could be on areas such as mining, telecoms and insurance which were identified by MoFED as more controversial areas. The revenue impact from expanding the GST base to particular areas could be modelled so that policy makers will be informed on the potential benefits. The broader economic/social impacts from including items in the GST base also needs to be considered as there may be good reasons why they are currently excluded/zero-rated.
- » For income tax exemptions and concessions, future review work will be needed as such information is not recorded

For mining companies, the cost of deviations from the Mines and Minerals Act 2009 is calculable for large companies through MoFED's mining revenue forecasting model. An audit of goods the waivers are being used for is necessary and should be possible through AYSCUDA. The NMA could produce a list of items deemed necessary for mining/exploration purposes for which duty waiver can be claimed.

During the Implementation Phase, the project will continue the exercises started above as they lead into the conduct of a comprehensive tax gap analysis.

2.2.3. Training on International Taxation Issues

MoFED is not currently well-equipped to manage international tax issues and initiatives. For example, a number of countries have made requests for double taxation agreements. These have not been actioned – indeed all issues relating to double taxation agreements are currently suspended – based on IMF advice that Sierra Leone would likely receive little or no benefit from such agreements in the current environment. The project will support RTPD to:

- » review and assess existing agreements;
- » develop a process for managing requests, focusing on major trading partners;
- » build RTPD capacity so that they can increasingly take primary responsibility, in conjunction with the Ministry of Foreign Affairs, for this activity; and

- » if MoFED decides to lift the suspension on double taxation agreements, develop RTPD's skills to ensure new and amended agreements can be negotiated in the best interests of Sierra Leone.

In addition, the project will support RTPD as necessary with training on the implications of US's Foreign Account Tax Compliance Act (FATCA) and OECD's Base Erosion and Profit Sharing (BEPS) initiatives.

2.2.4. Building the MoFED-NRA working relationship, particularly with regards to information sharing

A strong and collaborative working relationship between MoFED and the NRA will be crucial for Government's tax policy and administration objectives. It is believed that having a project presence in both MoFED and the NRA working towards the same goals will play an important role in strengthening this relationship.

Improved data and information sharing will be essential and the project will support this by encouraging and developing protocols for the sharing of raw data and Key Performance Indicators. Other means of strengthening the relationship and delivering on common goals will also be considered, together with MoFED and the NRA, such as regular scheduled meetings, embarking on joint project teams comprising team members from both organisations, the introduction of joint working groups, staff exchanges or short secondments.

2.2.5. Additional needs

In addition, RTPD identified potential value in the project supporting the team to conduct a taxpayer survey or study. MoFED will be sharing an example of such a study with the project team, which will enable a further discussion on this possibility. A further need identified included the preparation of a National Tax Policy. RTPD responded positively to the recommendation that such a policy statement would be of value in Sierra Leone, however felt that this could be progressed without project assistance, and indeed that the division would benefit from leading this process. It was agreed that the project would remain available for ad-hoc advice in this area.

3. Legislative Framework

3.1. Context and Current Situation

The NRA administers the revenue laws covering income tax, GST, excise duty, customs duty and tariffs, payroll tax, foreign travel ticket tax and non-tax revenue. The NRA has a statutory function to recommend to GoSL amendments and other improvements to the revenue laws. In order to fulfil this function the NRA is required to keep the revenue laws under review and to identify amendments that be made to other laws.

Although some of the laws have been enacted relatively recently, none has been reviewed or substantively updated since its original enactment to ensure that it serves the current and anticipated national tax policy objectives. Currently, none of the laws has implementing regulations (as anticipated in each law) to provide the detailed machinery of the administration of each law and to provide guidance to the NRA and taxpayers alike on their assessment and compliance obligations. Several Customs regulations have been drafted and one (a Customs "brokers" Regulation) is currently before Parliament. The project also reviewed a draft Customs valuation regulation, a draft Customs advance ruling regulation and draft GST regulations during the inception phase, all of which had been drafted by NRA advisors under previous technical assistance programmes. Similarly, a limited amount of administrative guidance has been issued, but is far from comprehensive.

The anticipated Revenue Administration Bill, drafted under a previous technical assistance programme and progressed with project assistance during the inception phase, will provide for a harmonised administrative framework for the revenue laws and will result in deletion in each revenue law of the existing administrative provisions.

The NRA has made available some of the revenue laws on its website for staff and taxpayers to refer to. Not all laws are available, and those that are available are not consolidated up to the Finance Act 2015, being the most recent amendment to the revenue laws, and are thus incorrect statements of the law. (During the inception phase, the project prepared and provided to NRA and MoFED updated consolidations of the Income Tax Act 2000 and GST Act 2009). The format of the available laws is not as user-friendly as it could be.

Indeed, the NRA has no dedicated institutional capacity for policy formulation and legal support. It has no formalised process to guide policy development and the preparation of laws and other legal instruments needed to give effect to the policy. Current capacity is spread over a number of Departments: the Domestic Tax department; Customs & Excise; Monitoring, Research and Planning; and Corporate Services. The responsibility for development of policy and the preparation of legal instruments is allocated to departments on a task or project basis. The legal capacity in the NRA currently does not play a significant role in policy formulation and law development. There is only one qualified lawyer in Corporate Services. Her focus to date has been on corporate legal support; however the NRA intends to involve her in policy formulation and law development in future. The liaison and reporting structures with MoFED are not clear or formalised.

The main driver of policy formulation and legal development is the annual national budget in which NRA contributes to the policy formulated by MoFED and contributes draft legislation. This is driven by the Domestic Tax Department as the majority of budget measures have an impact on the taxes that are administered by DTD. Amendments are routinely included in annual Finance Acts.

3.2. Needs Assessment

NRA has identified a review and update of the revenue laws as a priority, following on from the enactment of the Revenue Administration Bill. The review and update would need to cover the law, associated regulations and administrative guidance. The review and update would ideally be premised on implementation of a national tax policy statement (to be developed) and the enactment of the Revenue Administration Bill.

Together with the NRA, the project identified a number of technical assistance needs with specific laws and regulations, many of which have been progressed during the inception phase as noted above. These needs include:

- » the development of clear policy positions;
- » the drafting of laws, regulations and administrative guidance to give effect to the agreed policy positions;
- » process management covering legislative reforms, including political and stakeholder consultation, buy-in and approval; and
- » the development of a user-friendly, comprehensive and accessible database of revenue legislation for use by NRA and taxpayers.

To facilitate project assistance, the NRA will need to determine internal responsibilities for policy and legislative development, giving consideration to whether additional legally qualified staff are needed. The NRA has indicated that it would like legal capacity to be built not only within Corporate Services but also within specified units under DTD and CED. The project also intends to include relevant staff from MoFED's Revenue and Tax Policy Division in legal capacity building support.

The project will provide support to scope, undertake and project manage a review of each of the revenue laws, in light of the Revenue Administration Bill, future Budget measures and any national tax policy statement. In each case, the review will identify the most appropriate type of legislative intervention, such as a Bill, regulation or administrative guidance. The review will also include development of stakeholder engagement, political buy-in, and awareness and education activities. The project will use the review as an opportunity to provide on-the-job capacity building assistance to relevant officials.

Support will also be provided to assist the NRA to update its website, to include every revenue law and associated regulation as well as administrative guidance, in a user-friendly format and style. Additional forms of media will be considered to improve the accessibility of revenue laws and a process for ensuring that the website is updated will be developed.

Specific legislative measures that the project will support are included under Sections 3, 4 and 5 below, which cover Domestic Taxation Department, Customs and Excise Department and Extractives and Non-Tax Revenue.

Key Elements of Support: Revenue Policy and Legislation

Strengthening Revenue Policy

- » Strengthening MoFED and NRA revenue forecasting capacity – conducting a data review and needs assessment, identifying and customising appropriate model(s) and building staff capacity
- » Supporting MoFED and NRA to improve the revenue policy framework – Tax gap analysis and policy development support (e.g. concessions/ waivers, capturing the informal sector, development of a ready reckoner)
- » Building the MoFED-NRA relationship – with a focus on information sharing (data, KPIs etc.) and consideration of regular meetings, joint project teams and staff exchanges
- » Training on international tax issues – Double Taxation Agreements, training on FATCA implications and OECD's BEPS initiatives including transfer pricing

Strengthening Revenue Legislation

- » Support the passing and implementation of the Revenue Administration Bill
- » Review of revenue legislation in light of a proposed National Tax Policy statement, the Revenue Administration Bill and future Budget measures, and support to implement findings
- » Review of Excise Act and Customs Tariff Act
- » Preparation of Income Tax Act regulations
- » Preparation of Customs regulations in collaboration with PFMICP
- » Build institutional capacity to carry out end-to-end legislative processes

Section 2: Output 2 – Improved Governance, Organisational Effectiveness and Transparency

1. Introduction

An analysis of the current situation and needs along with the corresponding support planned under this project is set out below under the following headings:

- » NRA Strategic Direction, Priorities and Resources
- » NRA Board, Internal Audit and Stakeholder Management
- » Human Resources and Capacity Building
- » Foundational IT reforms
- » Transparency and Integrity

2. NRA Strategic Direction, Priorities and Resources

2.1. Context and Current Situation

The NRA's strategic direction and priorities are guided by the NRA Strategic Plan 2013-2017 along with the 2015 Presidential Performance Tracking tables (PTT). The PTTs set out annual priority deliverables as agreed with His Excellency the President. Both the Strategic Plan and the PTT sit within the wider context of the Government of Sierra Leone's 'Agenda for Prosperity' (2013-2018).

The Agenda for Prosperity succeeds the Agenda for Change, the NRA's current Strategic Plan follows a 2008-2012 Strategic Plan and the PTT process is now in its sixth year. Each of these strategic documents and the processes around them are relatively well understood and embedded within the NRA, at least at senior levels.

Since the NRA Strategic Plan was written, the context has changed significantly. First, the extractives sector weakened considerably during 2014, suffering from the combined impact of a global slump in iron ore prices and the closure of Sierra Leone's two largest iron ore mines. Second, the Ebola pandemic has had a significant impact on the economy and therefore on current revenue potential. Nonetheless, the Strategic Plan still provides a sound general direction for the organisation, focusing around four strategic goals:

- » To enhance revenue mobilisation to deliver on NRA's mandate and ensure sustainable fiscal revenue for government by improving voluntary compliance.
- » To improve customer satisfaction, public perception and trust in the Authority by delivering quality and consistent services, building professionalism and staff integrity.
- » To improve efficiency and effectiveness in business processes through modern technology.
- » To develop our human capital and strengthen organisational and institutional capacity.

The Strategic Plan includes a number of Key Performance Indicators (KPIs), designed to enable progress to be measured. The selection of KPIs does not appear to include the most appropriate measures of success in all cases and have not been baselined or consistently measured.

The 2015 PTT includes 26 'deliverables' and 13 'projects'. The PTT appears to be a highly effective means of focusing NRA activity and driving implementation and the NRA is proud of the gold or silver position it has now held for several years when ranked among other MDAs. It is therefore extremely important that the targets included within the NRA are well considered and are focused on the key priorities which will drive improved performance. Whilst some of the 2015 targets are highly appropriate, such as the overall revenue target agreed with MoFED and the IMF, others are currently unlikely to be the most appropriate focus of the NRA's resources.

2.2. Needs Assessment

The NRA has strong foundations to build on, including well established processes for determining its strategic direction and priorities and a strong emphasis on delivery of these priorities, particularly in regard to the PTT. There are four key areas where improvements can be made:

2.2.1. Updating the NRA Strategic Plan

The NRA is keen to update its Strategic Plan later in 2015 to account for the significant contextual changes since it was written. This is valid and also provides an opportunity to strengthen the plan more generally, and to provide clearer direction in areas where the NRA now has greater clarity on its objectives, e.g. IT. The project will support the NRA to conduct this review early in the Implementation Phase. However, it will be important to keep this process light-touch and avoid a time-consuming process which distracts from implementation. This review will include:

- » Reviewing performance against the plan to date
- » Updating the plan to take account of the changed context, in particular the economic impact of Ebola and the weakened extractives sector
- » Incorporating significant advances in the NRA's thinking, e.g. relating to IT infrastructure
- » Improving the focus and clarity of the document
- » Strengthening the KPIs and monitoring framework

Further detail on the need for improved selection and monitoring of KPIs is covered in the following section, titled 'NRA Board, Internal Audit and Stakeholder Management'.

2.2.2. Improving strategic focus across the organisation

The NRA's Strategic Plan includes some operational elements which are also reflected in more comprehensive Operational Plans. There is a need to reinforce this process to ensure that Operational Plan objectives are understood by NRA staff and are reflected in their individual performance appraisal targets. In its support in updating the Strategic Plan, the project will support NRA in making a clearer distinction between "strategic" longer term objectives which should change little over time and more specific "operational" objectives including those in PTTs which tend to change from year to year. The latter should form the basis of NRA's Operational Plans and those annual operational objectives need to be incorporated into individual staff objectives to ensure that all NRA staff are directly supporting NRA's objectives.

2.2.3. Improving the focus of PTT targets

It will be important to ensure that the annual priorities in the NRA's PTT are aligned to the NRA's Strategic Plan and are focused on the things which will have the highest impact on revenues, both in the short-term and the longer-term. The project will support the NRA in the development of its PTT targets for 2016, 2017 and 2018. The will take the form of assistance to identify the KPIs which provide the best measure of NRA performance and the discrete projects or reforms that will have the highest revenue impact. The project will also support the NRA to engage with MoFED and State House so that the NRA is well equipped to explain its proposals and to critically assess proposals put forward by others.

2.2.4. Improved predictability around the level and timing of resources and strengthened budgeting processes

As a semi-autonomous agency, the National Revenue Authority Act 2002 provides that the NRA receives funding from GoSL of 3% of the total annual revenue collected, payable in equal quarterly instalments before the beginning of each quarter. In reality, the NRA has not received the full 3% from MoFED since 2009. The outstanding balance at 31 March 2015 was in excess of 70 billion Leones. It also takes an average of one month for funds to be released to the NRA each quarter. Improved predictability around the level and timing of resources would enable improved planning and budgeting and thereby support improved performance against revenue objectives and delivery of reform priorities. The project will therefore review current funding arrangements and recommend changes to the NRA and MoFED. Recommendations may include accepting a level of resourcing lower than the 3% of total revenues prescribed by the NRA Act in return for the introduction of measures to ensure improved predictability regarding the level and timing of funding. In addition, the NRA could improve its performance by ensuring better alignment between resources and revenue priorities. The project will therefore support the NRA to improve internal budgeting processes.

3. NRA Board, Internal Audit and Stakeholder Management

3.1. Context and Current Situation

There have been a number of recent improvements to NRA Governance, particularly relating to the functioning of the Board and the relationship between the Board and the NRA management. Positive developments include:

- » A much stronger relationship between the Board, the CG and the SMT, following the appointment of a new Chairman to the Board
- » Improvements to the functioning and administration of the Board
- » A more collaborative relationship between the Commissioner-General and the Minister of Finance and Economic Development, following a change in Minister
- » The Board acting independently of management to assess NRA performance. For example, the Board recently visited several provincial NRA offices and reported back on its findings. The NRA management is currently implementing a number of the Board's recommendations
- » The relationship between ICA (the Internal Controls and Audit department) and the CG, the SMT and the Audit Committee has improved, moving from primarily confrontational communications to more constructive interactions
- » The Audit Committee is now more robust, with an effective Chairperson providing both support and challenge to NRA management
- » Introduction of a Board Governance Charter
- » Creation of an Integrity Committee and a recently approved Integrity Policy
- » Drafting of a Sexual Harassment Policy and Whistleblowing Policy

Further steps must be taken in order to ensure continued improvements to the functioning of the Board, Internal Audit and the management of external stakeholders. The specific needs are detailed in the following section. Addressing these challenges is important for improving the performance of the NRA as a whole; however they should be seen in an overall context of the positive developments outlined above.

3.2. Needs Assessment

During the Inception Phase, the needs assessment identified several areas where the NRA would benefit from support:

- » Strengthening Board effectiveness

- » Internal Controls and Audit
- » Stakeholder Management
- » Management Information Systems

3.2.1. Strengthening Board effectiveness

With the planned retirement of the current Secretary to the Board in early 2016, there is a risk that some of the progress made with the Board and its administration begin to unwind. Helping the NRA to mitigate this risk will be critical, particularly during the first year of the project. The project will work closely with the Admin & HR and Corporate Services departments to ensure that succession plans are made, that the recruitment process is transparent, that Board administration procedures are effectively transitioned and that training and mentoring is provided to the new Board Secretary. The project will also look to enhance Board administration procedures, which are currently primarily paper-based, including improving the system to track and communicate Board decisions and introducing electronic filing and sharing of Board materials.

For Board effectiveness to improve significantly, the Board needs to receive better information on which to hold management to account and make recommendations to management. The Board receives figures on total revenue collections but very limited additional data on which to assess NRA performance. Whilst covered in this section, this need runs deeper than making information available to the Board. The NRA Commissioner-General and Senior Management Team also require this information in order to manage organisational performance effectively. Resolving this issue is not simply a matter of information sharing. The project will support the NRA to identify the Key Performance Indicators on which NRA performance should be measured and to design and embed systems for data collection and timely and accurate reporting. The KPIs should derive from both the core functions of the authority as well as specific reform objectives. The KPIs identified should inform other project support on improving the focus of the NRA's PTT, the content of Annual Reports, and information sharing with MoFED.

The project will also support a Good Governance Workshop planned for October/November 2015, which stems from previous DFID funded support to the NRA. It will potentially include State House and other MDAs as well as the NRA and will provide an opportunity to consolidate the progress the NRA has made with governance to date and to further build the capacity of the NRA Board and SMT. A concept note for the workshop is currently under development by the NRA. The project will review the concept note and work with the NRA to refine it to ensure maximum benefit is achieved. The project will continue to work with Board, the CG and the SMT for the duration of the project to support them to better understand their respective roles and responsibilities and to deliver effectively.

The NRA has formed a Working Group to review the NRA Act by the end of 2015. The project will support this group to identify deficiencies with the existing Act, focusing on governance/resourcing aspects that have evolved over the past thirteen years, since the Act was passed, as well as other issues relating to the NRA's mandate alongside MDAs with non-tax revenue collection. This work will result in a policy paper, with any amendments required being supported under the project's workstream to improve the revenue policy and legal framework.

In addition, the project will support the implementation of the Board Governance Charter, which requires that an annual Board self-evaluation process be undertaken. The project will work with the Corporate Services department to undertake a pilot evaluation and support future evaluations during the course of the project, looking to improve the process each year. The project will also place emphasis on supporting the Secretary to the Board to ensure the findings are implemented. The project will also support the NRA to finalise its Code of Corporate Governance, currently being drafted, and to implement it across the organisation.

3.2.2. Internal Controls and Audit

Integrity, transparency and accountability remain at the centre of good public sector governance. In this context a well-resourced and effective Internal Controls and Audit department (ICA) can play a key role in the governance arrangements within the NRA. By providing assurance on the effectiveness of an NRA's internal control environment and identifying opportunities for performance improvement, internal audit can make a valuable contribution to achieving NRA's objectives and to managing the Authority's risks.

ICA reports to the Audit Committee of the Board but also has a functional reporting relationship with the Commissioner-General. ICA has a vision statement which aims at establishing and embedding such assurance, by having in place a modern internal audit function that is dynamic, professional and forward looking, working in partnership with management to achieve change that positively contributes to NRA achieving its strategic goals and operational objectives.

ICA has made progress since 2012, for example the introduction of an improved standard reporting template. The thrust of support to ICA will be to further strengthen the professionalism, performance and the quality of ICA outputs. The overall objective of the support will be to help the Deputy Director and the staff of ICA to achieve the vision that they have included within the NRA ICA Strategy 2013-2017, as set out below.

“Our Vision is:

By 2017, we want to be a well-respected, credible and well established Internal Audit Department, valued by Management, providing internal audit services in the spirit of Partnership with objectivity, fairness, openness and in accordance with the highest professional and ethical standards of the Institute of Internal Audit International.”

This is a Vision worded in such a way that clearly moves from the past operating environment to that of a modern internal audit environment – realising the vision will be challenging but achievable.

Further support is required for ICA to achieve its vision and towards conformance with the *International Standards for the Professional Practice of Internal Auditing* (Institute of Internal Auditors 2013). There is a need to consider diversifying the range of types of internal audit with consideration being given to separate pre- and post- implementation audits of IT reforms, management audits, financial audits, and programme evaluations with both the Audit Committee and Commissioner-General playing a key role in selecting the audit areas each year. There are also a need to improve ICA's relationship with the Office of the Auditor-General to ensure that that office can place greater reliance on ICA's outputs in its own external audit processes and a need for ICA to build networks to share best practices with ICAs of other MDAs. In addition, there is a need to improve the perception of ICA internally and to ensure that timely and effective action is taken by management on the findings and recommendations raised within internal audit reports.

3.2.3. Stakeholder management

The NRA is accountable to many external stakeholders and each stakeholder has different requirements. Reporting to stakeholders, other than the Board and State House, is currently an area of weakness for the NRA. Other important stakeholders include taxpayers, MDAs (in relation to non-tax revenue collection), taxpayer representative groups (e.g. the Institute of Chartered Accountants in Sierra Leone), donors, NRA staff. NRA management relationships with staff are detailed under the "Human Resources and Capacity Building" section of this report. The project will support the identification of external stakeholders and the drafting of an engagement strategy for each. The project will then support the implementation of these strategies, working with the NRA to improve stakeholder engagement, collaboration and information sharing, including supporting the development and implementation of MOUs with additional stakeholders.

The Annual Report is the NRA's main accountability document. The NRA is required to submit its annual report, through the Minister of Finance, to Parliament. Contrary to the requirements of the NRA Act 2002, the 2014 Annual Report has not yet been presented to MoFED or to Parliament. The main reason for this delay relates to the Auditor General not having signed off the NRA's accounts, and this is an area that needs to be reviewed to ensure more timely accountability reporting. The NRA's 2012 Annual Report is the most recent available on the NRA website. The project will support MRP to improve the processes for producing the Annual Report and the timeliness of its submission to the Minister of Finance and Parliament.

The project will also support the NRA to improve the content of the its Annual Reports. Current Annual Reports include comprehensive revenue collection data, some duty waiver analysis and narrative reports from the NRA's departments and units. Examples of more informative annual reports from revenue authorities in other African countries were shared with NRA during the Inception Phase. Work to develop Key Performance Indicators for the NRA will contribute to improving the content of NRA Annual Reports.

Finally in this area, and recognising the importance of taxpayers as the most important stakeholder of the NRA, the project will also support the NRA to complete a Customer Perception Survey (CPS), planned to take place later in 2015. The last CPS was undertaken in 2008. The project provided input into the NRA's plans for the survey during the Inception Phase and will support the NRA to analyse the data to produce clear findings as well as supporting implementation of the findings. The project will also support further CPSs to help shape future NRA reforms.

3.2.4. Management Information Systems

There are currently two main Management Information Systems (MIS) within the NRA:

- » Microsoft Dynamics Great Plains – used by the Admin & HR and Finance & Budget departments
- » MRP MIS – developed for the Monitoring, Research and Planning department

The main problem the NRA has identified with use of the former is a limited ability to produce required reports, although this is likely to have been partly contributed to by limited training and post implementation support after that system was introduced. The latter has not been able to be "turned on" by MRP staff and is thus not being used.

The project will review the two main MIS systems in the NRA and related processes. The project will then support the NRA to implement the findings from the review to ensure that the systems are 'fit for purpose' and to build capacity to use them more effectively, including strengthening reporting capabilities.

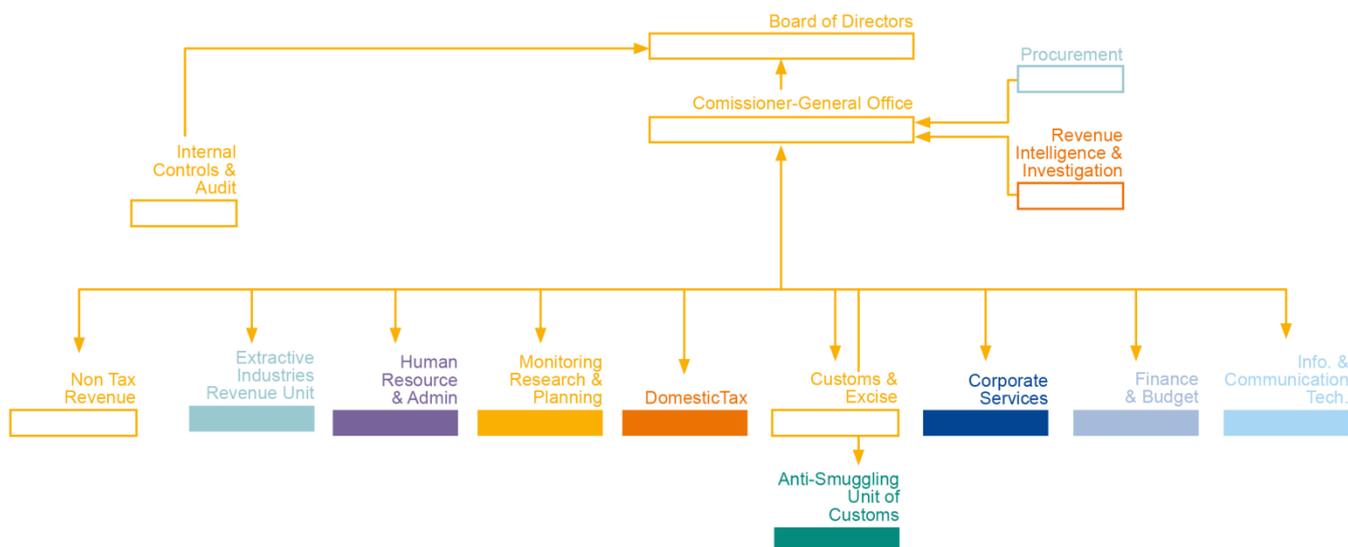
In addition, the project will support the capture of business requirements for the NRA's support service departments to ensure that these needs are built into the design for ITAS, with a focus on identifying key DTD reporting requirements.

4. Human Resources and Capacity Building

4.1. Context and Current Situation

The basic structure of the NRA is set out below.

Figure 3: NRA Organogram



The NRA has undergone a number of structural changes in recent years. Most notably, these have included:

- » a restructuring of the Domestic Tax Department to merge the previous Income Tax and GST divisions and to reflect recommended taxpayer segmentation, including the creation of the Large Taxpayer Office (LTO) and the Small and Medium Taxpayer Office (SMTO)
- » establishment of the Extractive Industries Revenue Unit, currently reporting to the Commissioner General

Some changes have resulted from an internal review of the organisational structure, which was approved by the Board. Further recommendations from the review are yet to be implemented and include plans for additional satellite local offices.

In total, NRA had 513 staff as at June 2015, with most being located in DTD, CED and the Admin & HR department. There were many unfilled vacancies, this being partly due to office accommodation limitations (particularly in Freetown where all NRA premises are rented) and partly due to funding limitations. Following a reassignment process in DTD, most of the vacancies in that department are at the basic officer level, whereas for CED and Admin & HR most of the vacancies are at middle management level. NRA is however currently conducting a reassignment exercise in CED and plans to subsequently conduct a similar exercise in Admin & HR.

In general the total number of NRA staff is considered to be on the low side compared with countries with similar populations. It is however recognised that there is currently a low taxpayer base in Sierra Leone, but as other suggested project initiatives are progressed it can be expected that taxpayer numbers will increase significantly putting more pressure on NRA staff resources.

In recent years, staff basic salary levels have been significantly increased meaning that NRA has become an “employer of choice” when compared with other public sector organisations, but as is common in other countries salaries cannot compete with the private sector for certain specialist positions. The judicious use of non-salary benefits such as the targeted payment of allowances and the provision of training opportunities can and are being used to assist, although many staff view this as not being administered in a fair and transparent manner.

The introduction of increased salary levels also replaced the previous annual process of salary review and progression based on satisfactory performance. As a consequence, the linkage between performance appraisal and salary payment has been removed with the result that the performance appraisal process has lost its significance and is danger of being supported by both NRA management and staff.

NRA management have expressed significant capacity building needs but there is no systematic process for responding to these needs, with training needs generally being met in a reactive ad hoc manner as opportunities arise. The NRA MRP department has made plans for a Staff Competency and Skills Audit Survey of NRA staff but this has not as yet progressed awaiting funding approval.

NRA has a small training unit within its Admin & HR department, but the training plans provided to the project team were more of a training “wish list” than a concrete training plan. Management training courses prepared by previous technical assistance projects have not been recently used. The DTD have created their own “train the trainers” programme and the project team assisted with some of that training during the Inception Phase. The other NRA departments do not have similar programmes.

4.2. Needs Assessment

Work undertaken during the Inception Phase indicates four priority needs:

- » Ensuring the organisational structure and staffing is fit to deliver on the NRA’s revenue and reform objectives, in line with its updated Strategic Plan
- » Supporting the NRA leadership to deliver maximum impact, through a more efficient use of time, enhanced support systems and improved performance management
- » Improving staff engagement by the NRA leadership, through enhanced communication of decisions, policies and activities to all NRA staff
- » Sustainably building staff capacity, across the NRA

4.2.1. Ensuring the organisational structure and staffing is fit to deliver on the NRA’s revenue and reform objectives, in line with its updated Strategic Plan

Given recent and ongoing changes to the organisational structure, the NRA leadership is rightly cautious of additional change, conscious of the risk that too much change may distract from delivering results. Nonetheless, our expectation is that some structural changes will be necessary during the course of the project. In particular, some adjustment to staffing levels will be a prerequisite to the effective implementation of an ITAS system. Other pressure points relate to the number of legally qualified staff, the number of IT network support and database administrators, and the level of resourcing dedicated to risk management particularly in relation to intelligence gathering/data matching.

The project will use the NRA’s updated Strategic Plan to assess the NRA’s organisational requirements to prepare for where the NRA wants to be in approximately three years’ time. The assessment of organisational requirements will include the functional and numeric human resources, the capacity and the financial resources needed to support implementation of the NRA’s updated Strategic Plan. The recommendations will aim to minimise structural change but at the same time to ensure that the NRA is set up to implement its Strategic Plan and to achieve its revenue objectives. The project will then support the NRA to develop a Transition Plan, based on the organisational requirements identified.

4.2.2. Supporting the NRA leadership to deliver maximum impact, through a more efficient use of time, enhanced support systems and improved performance management

The Commissioner-General has a hands-on approach to leading the organisation and takes great pride in achieving results and delivering on commitments. Reporting structures and support systems around the CG mean that the impact of this drive is not maximised. The time of the leadership is one of the NRA’s most important commodities. Used effectively, it will drive rapid change within the NRA and ensure that results are achieved. Improvements to administrative systems such as diary management, briefing and follow up on decisions would have a multiplier effect in terms of the NRA performance and the impact of the project. Further efficiencies may be possible through increased delegation and reducing the number of direct reports to the CG where feasible and appropriate. The project will take the following approach to support more effective and efficient use of the Commissioner-General’s time and development of the SMT:

- » Conducting a Time and Motion Study to identify efficiencies and support closer alignment between the Commissioner-General’s time and her revenue and reform priorities
- » Reviewing the administrative support systems within the Office of the Commissioner-General, including diary management, commissioning of briefings and advice and follow up on decisions and supporting implementation of improvements
- » Developing “as-is” delegation matrix, identifying bottlenecks and recommending improvements to existing protocols and procedures
- » Reviewing current reporting lines with a view to reducing the number of direct reports to the CG where feasible and appropriate
- » Supporting the leadership and management development of the SMT through advice, information and coaching

There is also a need to review and reinforce the performance appraisal process in order to:

- » Improve staff awareness of the NRA’s strategy and priorities
- » Tie staff performance to the organisational strategy and the achievement of the NRA’s priorities
- » Developing staff through performance feedback and identification of development needs

4.2.3. Improving staff engagement by the NRA leadership, through enhanced communication of decisions, policies and activities to all NRA staff

The Senior Management Team is fully engaged with the strategy and objectives of the organisation and plays a key role in informing and engaging with decisions taken by the Commissioner-General and the Board. The Commissioner-General holds regular SMT meetings in which she seeks advice from her management team and updates them on decisions which

have been taken. This information and level of engagement doesn't consistently cascade to lower levels of the organisation. The Commissioner-General used to hold 'town hall meetings' to update the wider NRA staff but these meetings were put on hold to ensure compliance with Ebola regulations. Consequently, engagement with the wider NRA relies entirely on SMT members to cascade communications with their teams and to escalate issues raised by more junior staff. In practice, this mechanism is only partially effective and many teams are insufficiently engaged with the NRA's organisational strategy, decisions, policies and activities.

The project will strengthen staff engagement mechanisms, including support to develop a regular staff 'newsletter', introduction of email 'user groups' and examining the feasibility of an intranet site. In relation to the first of these, the project envisages initiating a regular staff newsletter by drafting monthly updates for the CG (which not only report on recent developments but more importantly focus on upcoming issues) and continuing this for 6 months with a view to that function then being continued by NRA's Corporate Services department.

4.2.4. Sustainably building staff capacity, across the NRA

The NRA staff is one of the organisation's greatest assets. Some individuals are highly capable and experienced. Nonetheless, staff capacity remains an important constraint to improving NRA performance and increasing revenues. In particular, the capacity at more senior levels is very thin. Most if not all departments have a capable leadership but, in general, the level of staffing beneath is significantly less experienced. This has an impact on the performance of the departments but also exposes the NRA to unnecessary risk; it is reliant on a small number of people and has limited options if any of the current senior team were to leave the organisation. Limited succession planning compounds this challenge. The planned retirement of the Secretary to the Board is one such example.

The NRA HR and Training Department has limited capacity to support capacity development elsewhere in the organisation. Currently, the main role of the training team is that of a facilitator, making arrangements for in-country training and booking flights for staff members travelling abroad for training. This relatively weak central capacity is one reason that support to new teams has been limited. This is notable in the context of the Extractive Industries Revenue Unit, which was set up in mid-2014 and is very much still in start-up mode, requiring support to establish operational procedures and develop the skills to carry out its day-to-day functions effectively.

The project will build the capacity of NRA staff by supporting the planning, management and delivery of training for the Domestic Tax Department, Customs and Excise Department, the Non-Tax Revenue Unit and specialist units, including the Extractive Industries Revenue Unit.

In addition, it will improve the capacity of the NRA to develop the skills of its own staff through:

- » Working together with the Training Department to conduct a Training Needs Analysis, focused on NRA Senior Managers, Managers and Supervisors, reporting on identified training needs and recommended priorities;
- » Developing the capacity of the Training Department for planning, programme coordination, event facilitation, evaluation and record keeping;
- » Conducting a 'Training of Trainers' programme, supporting the Training Department to select and train NRA staff members as trainers; and
- » Improving the working relationship between the training function and the revenue departments.

The project will use the Instructional Systems Design methodology, which is based on the principle that the most effective learning environments are problem-based and involve the student in four distinct phases of learning:

- » Activation of prior experience
- » Demonstration of skills
- » Application of skills
- » Integration of these skills into real world activities

At the heart of Instructional Systems Design is the ADDIE model. The model consists of a cycle of five phases:

- » Analysis
- » Design
- » Development
- » Implementation
- » Evaluation

These phases are inherently flexible and can be adapted to fit the context. Figure 4, on the following page, sets the key elements of each phase as envisaged in support of the NRA.

The first step will be to begin by conducting a comprehensive 'Training Needs Assessment' which will incorporate NRA's planned Staff Competency and Skills Audit Survey. The assessment will cover not only technical/operational assistance but also extend to soft skills including management, computer usage, literacy/language needs. This will be informed by:

- » the project team's observations during the Inception Phase
- » a review of the NRA's core functions and objectives of the strategic plan, and an assessment of the skills required to deliver on these functions and objectives
- » further discussions and interviews with NRA staff as needed

It is worth noting that whilst commonly referred to as a 'Training' Needs Assessment, the scope of the assessment is broader than traditional 'classroom-based' training and will consider all forms of capacity building, including training, on-the-job coaching and mentoring, secondments or exchanges and study tours.

The results of the TNA will guide the next steps of the ADDIE model, but it is envisaged a major component will be the development of "train the trainer" processes across the NRA, allowing staff to receive training from NRA's own "experts" but with their own training to ensure that such training is effective and the results of it are tested.

Towards the end of the project timeframe, the project will assist NRA in examining the feasibility of introducing e-learning through the development of self-paced training modules that can be completed by staff whenever is convenient.

Figure 4: ADDIE model of Instructional Systems Design



5. Foundational IT reforms

5.1. Context and Current Situation

The NRA began to adopt technology in 2009, starting down the path to using information technology to administer its various revenue products. A decision was taken at that time not to consider an ITAS (Integrated Tax Administration System), as it was seen as too large a leap to move from manual processes to a fully automated environment. Instead, the NRA began to implement individual, 'stand-alone' applications to support the administration of taxes. Most of these applications were either procured from local Sierra Leonean firms or developed in-house using the NRA's own IT resources, whilst some modular or COTS (Commercial off-the-shelf) solutions were also used. The NRA has derived good value from these various solutions, and should be commended for their capacity to embrace technology to the degree they have; however, they are suffering in a number of areas as a result of what has evolved into a complex and stove-piped suite of products.

Notably, there are 14 different pieces of software in use or currently under development at the NRA, as of July 2015. These products do not interact with each other, making it impossible for the NRA to achieve economies of scale or streamlined processing because human intervention is required to transfer information between systems. For example, the system used to issue a TIN (Taxpayer Identification Number) does not link or share this data with either of the systems used to administer GST, or with the other Direct tax types. The TIN information has to be manually input between these various

systems. This causes delays and a high chance of errors, such as duplicate registrations of taxpayers and typographical / data entry errors.

Fragmented systems have also created major issues for reporting. For example, it is impossible for the NRA to accurately report on actual collections by tax type over a given period, other than falling back on the actual banked receipts on revenues physically deposited to the bank. Simple reports such as a list of all accounts in arrears, the arrears balances and the age of those arrears, can only be created for GST but not for direct taxes using existing systems. Similarly, a standard query such as a lodgement and payment history for an individual taxpayer will not produce a meaningful result. In response, the NRA has maintained separate ledgers in Excel spreadsheet and entering taxpayer transactional data in two different systems. Whilst perfectly understandable given the limitations of current systems, this serves to further increase complexity and inefficiency and reduce data integrity.

The project is therefore strongly supportive of the NRA's decision to move to an ITAS solution, which will replace the majority of these standalone systems and dramatically simplify the overall computing platform. This objective is included in the NRA's Presidential PTT (Performance Tracking Table). The observations of the project's IT expert during the Inception Phase confirm that the NRA is indeed ready to embark on an ITAS solution.

On the Customs side, the NRA has made an investment in the implementation of ASYCUDA++, which is a widely-used customs clearance system found in many countries around the world. The implementation has been undertaken well, but further integration needs to take place to derive full value from the software package (11 out of 16 modules are being used). The NRA is also planning for a software upgrade to ASYCUDA 'World' which is a more recent iteration of the ASYCUDA product and which (unlike ASYCUDA++) is web-based and supports an electronic single window.

The NRA is also undertaking some physical improvements to the Freetown port facility and as such is in a period of transition with regards to staff accommodation at the port. There are a number of buildings at the port that are in temporary use, resulting in challenges regarding the basic network infrastructure to maintain ASYCUDA availability throughout the working day.

5.2. Needs Assessment

5.2.1. Simplification and focus on ITAS implementation

The overarching recommendation for the NRA's IT strategy is simplification and focus. In practice, this means focusing on the preparation for, the procurement of and the implementation of a COTS, ITAS software system. This focus has been validated by the NRA leadership. As noted, the NRA has invested heavily in a variety of locally developed applications, and has derived significant value from these implementations to date. However, this evolving and widely dispersed approach towards IT systems has resulted in a large support burden and layers of complexity. As such, the approach of the project and our recommendation to the NRA is to establish a moratorium so far as possible on further interim solutions and additional applications, focusing all efforts on rationalising domestic tax systems into one stable and robust ITAS system. The amount of organisational change and the pressures for NRA staff to accept new procedures, catalysed by the adoption of an ITAS solution, means that all efforts need to be focused on the area with the largest return on investment for the NRA and the greatest long-term sustainability.

The project will support the NRA to procure and project manage the implementation of an ITAS software system, using experience in implementing such systems in other countries to support a competitive selection process. The expected activities for the ITAS procurement and implementation will be outlined in a detailed ITAS implementation plan to be developed early in the Implementation Phase and later updated with the selected provider. The key activities envisaged are included in the project Implementation Plan in Section D.3 of this report.

Before and during the Inception Phase, the NRA has been pursuing a number of interim solutions to provide functionality that will later be replaced by ITAS. The advice of the project is to put these types of initiative on hold where possible, given the short shelf-life they will have before being replaced by ITAS, the time and resources required to develop them and the need to focus those resources on activities to prepare for ITAS implementation, such as data cleansing. The NRA leadership has been open to this approach, however noted several cases in which commitments have already been made and a change of direction is difficult.

One example is the introduction of online services. As part of ITAS migration, a full suite of online / electronic services for taxpayers will be introduced. This includes the capacity to register for a TIN online, lodge tax returns online, make payments for taxes online, and a point of contact for taxpayers to obtain real-time data as to their account and lodgement status. However, the 2015 PTT envisages e-filing being introduced by the end of 2015 and NRA has already moved forward with a procurement process covering that and other, additional features that will be replaced once ITAS is in place. The project does not consider this an effective use of NRA resources but recognises that the NRA operates within a wider political context. The project has offered support to the NRA in pursuing an e-filing solution using more limited technology and resources, if that is seen to offer an acceptable compromise.

It must be pointed out that there are significant assumptions and risks associated with this component of the project, which are detailed in the Logframe assumptions and the project risk register. In particular, the software procurement is not yet fully funded (PFMICEP currently have up to \$US3.5m of an estimated \$US5.5m cost) and delays are an inherent risk of the

procurement process, as is the case with any moderately large procurement in this environment. The project will support the NRA to seek funding and to drive the procurements such that they run efficiently and transparently, but these components remain largely beyond the scope and influence of the project. It is important to note that the project is not able to fund the actual software acquisition, nor the underlying hardware or network infrastructure components.

5.2.2. Data cleansing

There is also a great and immediate need for the NRA to engage in a data cleansing exercise to bring their taxpayer data into a state ready for migration to their new ITAS system. This data cleansing initiative is not only necessary for improved IT functionality; it will have multiple benefits to the NRA and will contribute to a number of the work streams of this project. The project will support the NRA to take following approaches:

- » Validating the current registration database, including eliminating duplicate registrations, and registrations of companies/entities no longer operating in Sierra Leone.
- » Bringing lodgement histories up to date and determining a practical guideline for how far back into the past the NRA intends to enforce missing lodgements. For example, if a taxpayer missed a lodgement in 2009 but has since been compliant, does the NRA intend to attempt now to demand lodgement of a 6 year-old tax return? And do they intend to impose penalties on this?
- » Ensuring taxpayer accounts are accurate and ready for migration, ensuring current debit or credit balances are accurate, as well as any carry-forward implications such as accurate losses or credits.
- » Maintaining the integrity of cleansed accounts up until the time of migration. The cleansing work is intended to commence early in the Implementation Phase of the project and will need to be accurately maintained until ITAS is operational.

5.2.3. Strengthening IT support to the Customs and Excise Department

Regarding the proposed upgrade from ASYCUDA++ to ASYCUDA World, the 'World' version includes a number of advantages over the ASYCUDA++ model, most notably the concept of a 'single window' which will assist in the integration of customs brokerage services, pre-clearance information sharing, and general streamlining of the customs clearance process. However there are considerations about the timing of such a software upgrade. In particular, more fundamental, foundational work both on the technical and procedural side of ASYCUDA++ may be of more immediate benefit to the NRA and overall revenue situation. It is envisaged that PFMICP will fund the initial phases of this work, but no donor funding has yet been secured for the ASYCUDA World upgrade itself. The NRA will also need a resolution to the basic IT infrastructure challenges (such as networking infrastructure), which are limiting operations.

The project envisages offering technical assistance to the Customs IT team, with a specific view to enhancing the overall network up-time and observed IT support gaps in existence today. Further support will be provided in the development of IT Business Resumption Plans (BRP) and Informatics Disaster Recovery (IDR) plans, which are crucial for the logistics surrounding Customs clearances. This focus will complement and enhance the planned upgrade from ASYCUDA++ to the ASYCUDA World. PFMICP are funding the initial phases of this work, but no donor funding has as yet been secured for the software upgrade. Given the usual condition that technical assistance in this area must be provided by UNCTAD advisors, this project will only provide limited support to this initiative. This will include supporting the introduction of an interface between ASYCUDA and ITAS.

5.2.4. Strengthening the NRA Information Technology Department

The basic capacity of the NRA IT team is relatively strong compared to the IT capacity of a number of other developing countries. However, the transition to ITAS, and this extensive period of change for the NRA, will create new demands on the IT Department. In particular, the focus of the department will need to shift away from local application development and place greater emphasis on the provision of support services for the organisation. The Department's capacity to develop Business Resumption Plans (BRP) and Informatics Disaster Recovery (IDR) strategies for the NRA as a whole, and to support the ongoing management of the IT platform, will also need strengthening. Finally, there would appear to be a skills shortage in overall networking support and database administration skills of the NRA IT department.

The project will embed a full-time IT Advisor to perform a detailed Training Needs Analysis and then to support technical training for specific IT skills to lay a support foundation for ITAS. The advisor will provide hands-on support to improve networking support and database administration and will act as a counterpart for the IT Director, and build capacity in the overall leadership of an IT Support division. Finally this advisor will support the development of BRP and IDR strategies for the NRA as a whole, and will also support the development of an IT Hardware procurement cycle, to assist the NRA in managing the total cost of ownership of their IT computing platform, building their capacity to self-manage the recurring costs and need to continually refresh and update their hardware platform, year to year.

5.2.5. Information Technology Support to the Non-Tax Revenue (NTR) Department

Non-Tax Revenue is an important revenue stream for the Government of Sierra Leone. The vast majority of these revenues are derived from a Minerals Lease Rental Tax. These leases are administered through RDF-developed MCAS software.

The project will support the development of an interface between ITAS and this existing software, enabling accurate revenue reporting and real-time access to revenue data from this revenue stream.

The NRA envisages administering Forestry Leases through a similar system to that used for minerals (FCAS), and which is based on GIS mapping of specific leaseholds (a function not available through ITAS). The project will support this, as well as supporting the interface between ITAS and that system.

Other revenue products in the NTR department contribute limited revenues, and also have a low volume of transactions. The project will support the eventual automation of these revenue products using the ITAS product, prioritising their migration according to the revenue impact and potential improvements to transaction processing.

5.2.6. Information Technology Support to the HR and Finance Departments

The NRA purchased a COTS package (Microsoft Dynamics Great Plains) designed to support payroll, HR and finance activities for the HR and Finance departments. The problems reported, such as reporting capability, do not appear to be with the software itself. It appears that implementation stalled due to a combination of issues around change management / user acceptance and insufficient user training.

The project proposes to reboot the implementation of Microsoft Dynamics Great Plains product through training and support to embed the software package within the NRA. The approach will be to form a team of 'SuperUsers' and adopt a 'Train the Trainer' model, and then engage in a systematic training of users, followed by appropriate change management processes to effectively implement and embed this software tool for the NRA.

5.2.7. Additional Information Technology Support Interventions

There are two additional shorter-term IT needs where the project intends to provide some support:

- » **Improvements to reconciliation processes:** At present, nearly all tax payments are made using the commercial banks as the collection agent. However reporting from banks to NRA has been deficient and has led to reconciliation issues which have been reflected as concerns by the Office of the Auditor General in their reports on the NRA. Whilst ITAS will eventually deal with this, the project recognises the urgency of this issue, given the state of existing systems and the challenge of matching payments to taxpayer lodgements. The project will support the NRA to address this challenge using two strategies:
 - » Urgent support involving largely business process reviews and analysis to address the current challenges and ensure a rapid improvement in reconciliation, enabling the NRA to build confidence whilst the ITAS solution is being procured and implemented
 - » Ensuring the ITAS solution considers an interface both with banking/payments systems as well as the Financial Management System in use at MoFED ('Freebalance'), thereby ensuring a long term technological solution for issues around financial integrity and reporting.
- » **Harmonisation of tax/business registration processes:** The project will explore the opportunities to harmonise TIN registration with the registration of corporates at the OARG. Further analysis will take place in the Implementation Phase to examine closely the work undertaken by the NRA and OARG to date, and the recommended approach will be tailored to achieve the most practical outcome. This may include harmonising both processes into one form and one processing step, or simply embedding ITAS workstations at the OARG office to at least offer a 'one stop shop' model for corporate registration and TIN registration.

6. Transparency and Integrity

6.1. Context and Current Situation

To maintain credibility with taxpayers and other stakeholders, revenue authorities need to demonstrate the highest levels of commitment to integrity through internal policies and processes that enforce appropriate standards of behaviours by NRA management and staff. They also be seen to be appropriately dealing with allegations of breaches of those standards.

The Core Values of the NRA are detailed in its Strategic Plan as:

“Integrity

We are committed to the highest standards of trust and honesty.

Transparency:

We will act in accordance with the letter and spirit of the law as all times and ensure full disclosure of information as and when legally required.

Accountability:

We will ensure that appropriate mechanisms exist for staff to be held accountable for their decisions and actions.

Equity:

We value individual differences and treat customers with dignity and respect.

Service Excellence

We will provide quality service to our taxpayers and other stakeholders, in order to facilitate tax compliance and minimize its associated costs.”

The NRA complements these published values with a comprehensive Code of Conduct which has been provided to and acknowledged by all NRA staff. In addition, the CG has recently signed an Integrity Policy and a Whistle-Blowing Policy which have been drafted. These complement NRA's Disciplinary Policy and Procedures.

The NRA has also established an Integrity Committee, which is chaired by the CG, and which considers the results of investigations into alleged breaches of the Code of Conduct, other NRA policies and internal frauds. The Revenue Investigations and Intelligence Unit (RIIU) has been given the responsibility of investigating internal frauds (as well as external fraud tax evasion cases).

In recent years, there have been highly publicised corruption cases involving senior NRA officials and bank staff, which after investigation, have resulted in dismissals. The CG advised the project team that she had recently dismissed three staff members, two of whom had taken information on another staff member to an external source and another who did not perform effectively (delegating a task to junior staff member, but failing to support them or check their work and missing the task deadline). She also advised that appropriate cases are referred to the Anti-Corruption Commission (ACC); these also used to be referred to the Police but levels of corruption within the Police meant this course of action has been discontinued.

As with other government agencies, the NRA has an ACC liaison officer who is the NRA's representative for coordinating action on Sierra Leone's National Action Plan which has been developed by a national steering committee to address the three challenges of improving public integrity, effective management of public resources and improving corporate accountability.

6.2. Needs Assessment

Codes of Conduct and appropriate policies are an important prerequisite in promoting the highest levels of integrity within the NRA. The NRA has recently developed an Integrity Policy and drafted a Whistle-Blowing Policy. More important is ensuring awareness of such policies throughout the organisation and compliance by staff at all levels.

The project intends to undertake an assessment of integrity within NRA, including a review of the Code of Conduct and relevant policies, including the Integrity Policy and the draft Whistle-Blowing Policy as requested by the NRA, and examine management and staff awareness and adherence to them.

The results of such a review would form the basis for the development of a comprehensive Integrity Strategy for the NRA that would be developed in conjunction with NRA's Integrity Committee. An Integrity Strategy would include a proactive action plan to incrementally improve standards of integrity within NRA and provide an indication to stakeholders that NRA management was committed to maintaining the highest levels of integrity.

The project would also assist in the implementation of the agreed strategy, including with the design of appropriate training on the strategy and establishing process for the future conduct of integrity audits within NRA.

One area of concern is the limited number of staff in the RIIU unit, which has been tasked with investigating internal fraud allegations as well as investigating potential tax evasion cases and leading NRA's intelligence gathering and data matching activities. Consideration needs to be given to reviewing the role and resourcing of this unit, as its current staff of four tends to be fully involved in investigation work, leaving little capacity to coordinate intelligence gathering and data matching for the CED Risk Management Unit and for DTD's Design and Monitoring Team.

It should also be noted that in addition to these more direct measures, that many of the other actions envisaged during the implementation phase will also improve NRA integrity more indirectly by reducing opportunities for corruption. For example, the progressive introduction of electronic filing, payment and other e-services, automating non-compliance follow up actions for non-filers and tax debtors, the establishment of a Call Centre and improved understanding of tax obligations through tax guides should also lead to reductions in the amount of interaction between taxpayers and NRA officials.

Key Elements of Support: Governance, Organisational Effectiveness & Transparency

NRA strategic direction, priorities and resources

- » Review NRA Strategic Plan, evaluate progress and support its revision, as required
- » Improve the strategic focus across the NRA, ensuring Strategic Plan objectives are reflected in Operational Plans and individual performance objectives
- » Improve the focus of PTT targets, ensuring that the annual priorities in the NRA's PTT are aligned to the Strategic Plan and focused on maximum revenue impact
- » Improve predictability around resourcing and strengthen budgeting processes, including a review of NRA financing arrangements and supporting better alignment between resources and revenue priorities

NRA Board, Internal Audit and Stakeholder Management

- » Support the design and implementation of a Good Governance workshop
- » Identify KPIs (e.g. arrears), and embed processes to ensure regular, accurate reporting
- » Support Board administration, including the transition to a new Board Secretary
- » Support review of NRA Act and the NRA Code of Corporate Governance and recommend amendments
- » Support NRA to update its Internal Audit Strategy, including exploring Internal Audit software needs, and improve acceptance and implementation of Internal Audit recommendations, strengthening the relationship between Internal Audit and other departments
- » Build Internal Audit capacity, likely in Control & Risk Self-Assessment, Project Audit, Performance Audit and IT Audit and support conformance with *International Standards for the Professional Practice of Internal Auditing*)
- » Improve the content and timeliness of the NRA Annual Report
- » Identify key stakeholder groups and drafting an engagement strategy for each and assist with the design and analysis of annual Customer Perception Surveys
- » Review MIS and support implementation of findings
- » Identify business requirements for NRA support services for IT reforms

Human Resources and Capacity Building

- » Ensure the organisational structure and staffing is fit to deliver on the NRA's revenue and reform objectives in line with its updated Strategic Plan
- » Support NRA leadership to deliver maximum impact, through more efficient use of time, enhanced support systems and improved performance management, (including reviewing and reinforcing the appraisal process)
- » Improve staff engagement, through enhanced communication of decisions, policies and activities to all staff (including a regular newsletter)
- » Sustainably building staff capacity, across the NRA, starting by conducting a Training Needs Assessment and then building NRA capacity to develop its own staff through Training of Trainers

Foundational IT Reforms

- » Significant support for ITAS procurement and implementation (N.B. quickest realistic timeline: contract by June 2016 and 'go live' by March 2017, assuming resolution of funding issues, and smooth procurement process)
- » Extensive data cleansing exercise to ensure readiness for transition to ITAS
- » Strengthening IT support to the Customs and Excise Department, including enhancing network up-time, developing IT Business Resumption Plans and Informatics Disaster Recovery Plans, supporting CED to make full use of ASYCUDA++ and limited support to the ASYCUDA upgrade (UNCTAD lead) to include ensuring an interface between ASYCUDA and ITAS
- » Embedded support to the IT Department, helping to resolve IT infrastructure issues and building skills to support a more advanced IT support function
- » IT support to the HR/Finance Department, rebooting the implementation of Microsoft Dynamics Great Plains through training and support to embed the software package within the NRA
- » Ensure interface between ITAS and existing mining lease database and proposed forestry database to ITAS
- » Additional support for the introduction of online services, improvements to reconciliation processes and harmonisation of tax/business registration processes

Transparency and Integrity

- » Integrity assessment including review of Code of Conduct and relevant policies
- » Support NRA to develop and implement an Integrity Strategy
- » Initiatives throughout the project indirectly improve integrity and transparency

Section 3: Output 3 – Domestic Tax Department Modernised and Improved

1. Introduction

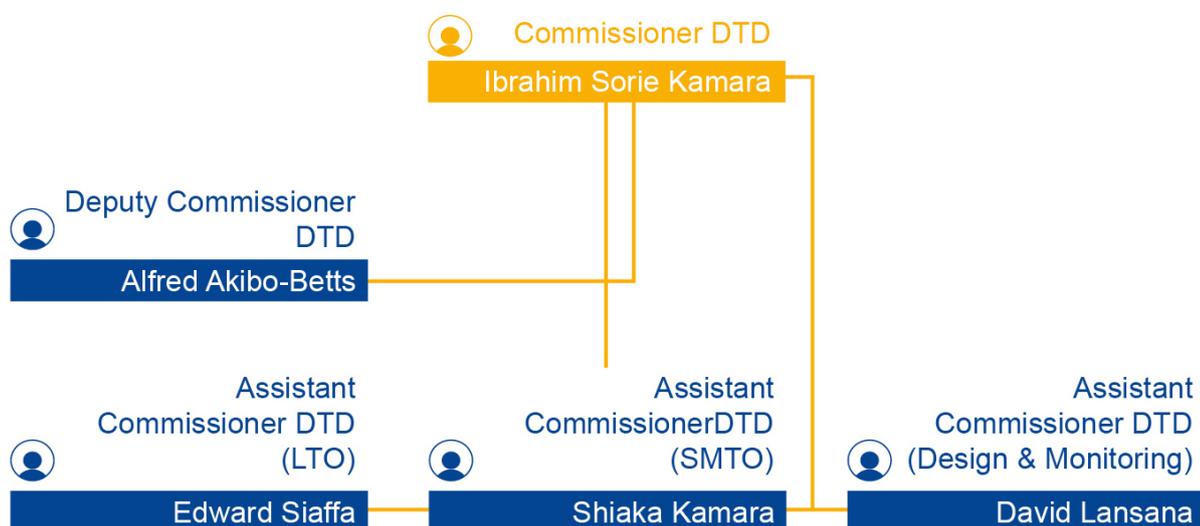
The Domestic Tax Department (DTD) collects around 50% of total NRA revenues (CED revenue collections are around 36% and non-tax revenues around 12%) and this is projected by the IMF to increase to around 56% in 2019.

DTD is responsible for collecting the main revenues of Personal Income Tax (approx. 650b Le), Corporate Income Tax (approx. 280b Le), and domestic Goods and Services Tax (approx. 280b Le). Personal income tax collections include collections for employee PAYE along with certain withholding taxes covered by the Income Tax Act including those on rental income, royalties, interest, dividends and contractor payments.

DTD currently manage 185 active taxpayers in the Large Taxpayer Office (LTO), approximately 1,000 medium taxpayers and around 3,500 small taxpayers. The LTO deals with taxpayers with an annual turnover over of Le 5.5bn as well as all taxpayers from some specialised sectors, which between them account for over 70% of DTD revenues.

DTD is headed by a senior management team of one Commissioner, one Deputy Commissioner and three Assistant Commissioners. Each of the Assistant Commissioners is responsible for one of three key areas: Large Taxpayer Office; Small and Medium Taxpayer Office (SMTO); and Design and Monitoring. The LTO and SMTO are operational areas, whereas the Design and Monitoring team deals with policy and strategy.

Figure 5: DTD Senior Management Team



The taxpayer segmented operational areas (LTO and SMTO) are further segmented across the following functional areas:

- » Taxpayer services (including registration and taxpayer education)
- » Tax return and payment processing
- » Tax audits, assessments and objections
- » Tax arrears and non-filer compliance

Separately, the Design and Monitoring team provides overall programme guidance.

In addition to the NRA Headquarters, there are currently three sub-offices in Freetown (Central, East and West) and three regional offices of Bo, Kenema and Makeni. There are also plans for further 'pilot offices' in Freetown and additional offices in the provincial towns of Kambia, Kono, Lunghi and Moyamba.

The Domestic Tax Department appears to be operating significantly below the required resourcing levels. DTD has an approved staff complement of 243, but is carrying approximately 100 vacancies according to their HR lists.

2. Taxpayer Services

2.1. Current Situation

2.1.1. Taxpayer Services

There are two operational Taxpayer Services teams, one for the LTO and one for the SMTO. Each of these teams is then sub-divided into Taxpayer Registration & Management and Taxpayer Education & Relationship Management. The SMTO Registration & Management team deals with all registration processing of Taxpayer Identification Numbers (TINs) for the NRA. This is currently processed on the TIN IT system. Since establishing the TIN register in 2008 there have been around

34,000 TINs issued. These have been registered in tandem with the Office of Administrator and Registrar General (OARG) since 2012 when the NRA and OARG established a joint registration process.

The Taxpayer Services team receives tax returns when handed in by taxpayers and issues lodgement receipts as they are received. Currently these receipt records are not input onto any system, but are recorded on spreadsheets. The returns are then sent to Returns Processing for keying onto either VIPS (GST) or DTIS (Direct Taxes) IT systems. In addition, Taxpayer Services deals with taxpayers who come into the office for specific enquiries or issues and conducts education campaigns in conjunction with the NRA's Communications team. Taxpayers can pay tax liabilities either at Taxpayer Services offices (selected banks have cashiers on site) or at banking premises.

2.1.2. Tax Return and Payment Processing

According to staff within the Returns Processing teams, they are up to date with keying in returns filed in both the LTO and SMTO for all tax types. The staff complement has recently increased to six in LTO and seven in SMTO, which currently appears to be sufficient to keep up with the keying in of data from returns. However, the DTIS system has only recently started being fully used across both divisions and has not yet been through the annual peak period when the filing of annual income tax returns are due in addition to other more periodic taxes.

With the DTIS system only recently coming online for SMTO, there is no historic data for small/ medium taxpayers. The LTO has been keying in data for a longer period. For this reason, it is not currently possible to fully assess tax return filing data from the DTIS system. The VIPS system has data going back to GST implementation in January 2010, but is distorted by approximately 1000 registered businesses which should never have been registered for GST purposes at the time of GST implementation.

Current IT links with banks are not providing the required data exchange from the banks to NRA systems to allow DTD to monitor taxpayer payments. This is putting a considerable unnecessary burden on processing staff trying to collate information; creating difficulties for identifying an accurate picture of ongoing taxpayer liabilities and credits; and making it impossible to properly reconcile bank payments with tax lodgements, an area of concern previously raised by the Office of the Auditor-General.

Refunds are not given to taxpayers, who contrary to law are simply asked to carry forward credits to later tax periods or are given the option to off-set them against other tax liabilities. The decision to change this process would need to be taken by MoFED rather than the NRA.

2.1.3. Tax Audits, Assessments and Objections

The LTO and SMTO each have Audit teams, which carry out reviews and audits of taxpayers, and Assessment and Objections teams which review tax assessments and process any objections and appeals against tax assessments.

Audit team managers receive the proposed audit programme with lists of taxpayers to be audited during the following six months based on a risk analysis. Audit teams complete comprehensive (covering all relevant tax types) audits on their selected taxpayers, but because of this comprehensive approach the audits take a long time to complete with the result that audit coverage of taxpayers is low.

The results of completed audits, in terms of additional tax assessed and tax credits/losses reduced are not routinely reported and no analysis has been possible of penalties and interest imposed as a result of audit activity.

2.1.4. Tax Arrears and Non-Filer Compliance

Data from Tax Arrears and Enforcement programmes has been difficult to obtain. The only concrete data obtained related to GST arrears which totalled over Le 81.5bn, as of June 2015. This equates to almost 18% of the total amount of GST collected in 2014 by the NRA. This is not unduly high, however 88% of these had been in arrears for over 90 days (and 11% had been in arrears for between 60 and 90 days) indicating a significant amount of old debt, which becomes increasingly difficult to collect.

DTIS arrears covering direct tax liabilities are unknown, due to inadequate information being sent to NRA by the banks. The DTIS banking module is however now coming online and this should resolve this data gap in future, but it still means little or no data is available in respect of past direct tax arrears.

The results of tax arrears collection are not routinely reported on. Apart from proposals to introduce a centralised Debt Management Unit across the NRA, there is a lack of operational strategy, which should be derived from analysis of tax debts. To illustrate, revenue authorities should distinguish between collectable and uncollectable debt, and identify the different actions necessary in respect of each, and should focus resources on "priority" debt areas, essentially the larger and newer debts.

The LTO is routinely monitoring the non-filing of tax returns by their due dates on Excel spreadsheets. For the larger number of taxpayers covered by the SMTO, this kind of approach is not practical and thus SMTO follow up on non-filing taxpayers is sporadic.

2.1.5. Design and Monitoring

The team is divided into six sections covering: Tax Technical and Rulings; Processes and Procedures; Taxpayer Services and Registration Policy; Tax Education Programmes; Tax Audit Policy; and Tax Information and Risk Management.

The Design and Monitoring team provides an important strategic role across DTD but is currently under-resourced with only three staff in post, from an approved staff complement of nineteen according to HR records. The other major issue for this team is the lack of data available, as highlighted in the above sections, to make credible decisions on policy and strategic plans. The primary limiting factor is the inadequacy of IT systems, but the team also struggles to get reports from other teams in DTD on a timely basis.

2.2. Needs Assessment

The needs assessment below covers the legislative framework for domestic tax, NRA Organisational Capacity and the five functional areas of the DTD:

- » Taxpayer Services;
- » Tax Return and Payment Processing;
- » Tax Audits, Assessments and Objections;
- » Tax Arrears and Non-Filer Compliance; and
- » Design and Monitoring.

Cutting across the DTD functional areas, the NRA identified a need to improve its management of 'medium' taxpayers, noting that there is an important and relatively large group of taxpayers falling just below the LTO threshold, who are dealt with by the SMTO and are thus not given the attention of taxpayers in the LTO. The project will support DTD to identify and implement strategies to better manage this taxpayer segment. Similarly, it was noted that the Small and Medium Taxpayer Regime has not been fully implemented. The project will support DTD with this implementation as well as supporting a post-implementation review of the regime at the appropriate time.

2.2.1. Legislative Framework

Building on the needs assessment of the legislative framework outlined in Section C.1, assistance will be provided in the following areas:

- » Assistance with the enactment and implementation of the Revenue Administration Bill
- » Following the passing of that Bill, updating of the unofficial consolidations of the Income Tax Act 2000 and GST Act 2009 (both of which the project updated during the inception phase) with a view to the new shorter consolidations potentially being enacted as official consolidations
- » Drafting of Income Tax Act Regulations covering issues such as the NRA's interpretation of who is an employee and who is a contractor
- » If necessary, assistance with the promulgation of GST Act Regulations (following the review of draft regulations completed by the project during the inception phase)
- » Assistance with a review of Sierra Leone's Double Tax Agreements (in conjunction with MoFED RTPD)

2.2.2. NRA Organisational Capacity

Enhancing the capacity of DTD personnel is a key component of ensuring success across the breadth of operational activities. DTD has a highly capable leadership and the project will provide coaching and mentoring support to maximise the impact of the senior team. The project will also conduct a comprehensive Training Needs Analysis (TNA) and subsequently implement a training plan incorporating a "train the trainer" approach that will improve the performance and impact of the workforce. In addition to a generic foundational approach the focus will be to relate the training to specific roles and individual work places.

Technical and other training will be supported by the drafting and distribution of comprehensive SOP Manuals for each DTD functional area to assist effective and efficient operations.

The project will also review the organisational structure to ensure that DTD is best placed to deliver the organisation's strategic plans and that it conforms to international standards. Focus will be on identifying what DTD needs to look like in 3 years' time in an ITAS environment and preparing a transition plan (as part of a wider NRA HR initiative) to move in that direction.

The team will also carry out a risk assessment review relating to the infrastructure of DTD sites that will provide a basis for strategic reform. Similarly, an evaluation of the deployment of equipment and resources will provide a basis for improving the alignment of resources with the NRA's Strategic Plan and priorities.

2.2.3. Taxpayer Services

The challenge facing the Taxpayer Services teams is to move from an entirely reactive role to a primarily proactive one. DTD plans to establish a 'call centre' which is envisaged to become a one-stop-shop for taxpayers (an NRA self-funded procurement process is under way). The project will support this initiative as well as plans for the Call Centre to assist DTD with taxpayer non-compliance activities by using any down time or off peak periods from taxpayer enquiries on 'out-call' campaigns to chase outstanding returns and payments. For this to take place, the capacity of call centre staff will need to be

developed and coordination between Taxpayer Services and the Tax Arrears and Enforcement DTD units will need to be improved. The project will also support the NRA to improve taxpayer services by streamlining processes for large taxpayers and supporting the future development of electronic services, including e-filing.

A number of activities are required in preparation for ITAS implementation, which the project will support. Recording of returns received is currently limited. Records will need to be improved for DTD to have better compliance oversight. A fundamental review of tax return forms is also needed to ensure that the right data is being collected for later input in the ITAS system. Considerable work will be needed to cleanse the NRA's TIN database, to identify all existing taxpayers and remove duplicate, non-trading and deceased entities. Individuals who have TIN numbers for non-tax purposes only (e.g. casual importers) will need to be separately identified to ensure that they are not subject to tax compliance follow up activity when ITAS commences. Around 1,000 taxpayers who were incorrectly registered for GST as part of the initial roll-out should also be removed from the GST register. The amount of work involved in database cleansing should not be underestimated and activities in this regard should commence as soon as possible.

The project will also assist DTD to improve taxpayer understanding of Sierra Leone's tax laws and of their obligations, including: the design and provision of "plain English" tax guides; ensuring that these and the latest versions of tax laws, regulations and public rulings are posted on the NRA website; and proactive taxpayer consultation and education programmes.

To assist with improvements in Sierra Leone's "Doing Business" rating for "starting a business", the project will support the further development of a Centralised Registration Unit for tax and business registration in conjunction with the Office of the Administrator and Registrar-General.

2.2.4. Tax Return and Payment Processing

Given the move towards an ITAS solution, the project focus will be on reviewing and modifying existing tax return and payment processes with a view to ensuring readiness for the future implementation of ITAS. Such support will build on PFMICP business process review work and will include assistance with the development of ITAS technical specifications and assisting where appropriate with ITAS procurement and implementation. This will also include assistance with the checking of taxpayer account debit/credit balances that would form the opening balances for ITAS, and with the production of post ITAS Standard Operating Procedure Manuals and training.

In the interim period prior to ITAS, there will need to be a review of existing systems (DTIS, DMIS and VIPS), which the project will support, to see what improvements can feasibly be made in the interim period before a new ITAS system is implemented. The project will also facilitate discussions with banks to ensure payment facilities provide both the appropriate services to taxpayers and relevant information and data to NRA on taxpayer payments with focuses on accommodating interim banking services (and proposed e-payments and m-payments) and on improving reconciliations.

The cleansing of the TIN register, activities to improve GST compliance and increased focus on data matching, could result in a considerable increase in the number of previously unidentified taxpayers to be brought into the system. Experience from other countries suggests that this could lead to an almost doubling of the number of active taxpayers. The effect of an increased volume of tax returns and payments for processing should be monitored and action taken as necessary.

Filing, payment and refund processes will need to be reviewed and mapped as necessary for reengineering in preparation for the ITAS implementation. Until any new system is launched, and subject to any interim introduced, the Tax Return and Payment Processing team are going to have to complete the vast majority of the keying in requirements for the NRA of tax declarations and payments made by all taxpayers on their returns. Post ITAS implementation, these resources can be reassignment to other work areas and activities should also be planned for. The project will assist with the change management processes related to the introduction of ITAS including planning for the reassignment of "processing" staff to other areas post ITAS implementation.

The absence of a tax refund process is not only contrary to the law but also impacts on the credibility of the tax system and creates incentives to underpay (rather than over pay and get a refund). The project will conduct a review in conjunction with MoFED with a view to moving towards the establishment of facilities and a bank account to make tax refunds in accordance with current legal provisions.

To assist with improvements in Sierra Leone's "Doing Business" rating for "paying taxes", the project will assist NRA with examining the feasibility of reducing the frequency of GST return filing from monthly to quarterly for smaller GST taxpayers, and the feasibility of merging employee PAYE and NASSIT withholding processes for employers.

2.2.5. Tax Audits, Assessments and Objections

The Design and Monitoring team provides six monthly programmes of audits to the LTO and SMTO. The number of audits programmed for the LTO (80) and SMTO (292) during the latest programme was adequate, but the actual number of audits completed was lower. This appears to be a result of the way in which audits are carried out with in-depth comprehensive audits lasting several months being the norm, rather than shorter reviews, focused on pre-identified high risk assurance checks. DTD needs to introduce a mix of audit types – some comprehensive, some single tax type, some risk-based only, some desk-based and some at taxpayer premises. The project will assist in a review of the audit programme with a view to complementing the current comprehensive audits with a range of shorter and more focused audits allowing a greater coverage of taxpayers receiving some form of audit each year.

Reporting processes covering the effectiveness of completed audits (e.g. additional revenue assessed compared with time spent, actions taken as a result of audits including penalties imposed, number of audit assessments objected to, results of consideration of such objections) were found to be limited and incomplete. Considerable work needs to be carried out on the recording of data and results and systems for recording and measuring the audit programme need to be introduced. The project will assist in introducing more comprehensive management reporting on the efficiency and effectiveness of the taxpayer audit programme.

Managers identified that many of their staff struggled with using various audit techniques, identifying and understanding revenue risks, commercial awareness of particular sectors and the legislative frameworks. In addition, standard processes and procedures along with reports and forms need to be designed and implemented across the audit teams with management assurance programmes introduced. Managers need to be able to oversee, monitor and assess that the audit programmes are being both completed to the required standard by staff and be able to feedback to Design and Monitoring that risk criteria currently being identified and measured are actually finding errors and getting results. The project will assist with the introduction of audit quality standards to ensure a standardised approach by all audit staff that also builds in management assurance checks.

The project will build audit capacity in all the areas outlined above and in doing so will also support the NRA to implement its Short-Term Revenue Improvement programme (STRIP II). This will target risk assurance activities around non-compliant taxpayers and encourage the use of the intelligence gathering capacity and skills of the RIIU that feed into risk planning by audit teams for their assurance programmes.

2.2.6. Tax Arrears and Non-Filing Compliance

Based on the limited data and information available it would appear that significant attention will need to be given to tax arrears across DTD. There are likely to be some large sums of tax arrears attributable to some of the largest taxpayers; and many more where smaller sums have accumulated over a considerable period. The age of debts needs to be quickly addressed, as the longer arrears are left the less likely the debt will be collected and the less likely the taxpayer is to comply in future. The project will review current processes for dealing with non-filers and late filers of tax returns, particularly in the SMTO, and identify improvements that might be able to be made prior to ITAS implementation.

DTD will need an Enforcement and Compliance Strategy to address both collectable and uncollectable debts, both of which are currently increasing over time. Collectable debts need to be actively pursued, starting with the largest and newest, through compliance and enforcement activities. Collection of the newest debt should include out-calls made through the Taxpayer Services 'call centre'. Uncollectable debt should be dealt with differently depending on the reason for the debt being uncollectable. For example, if a taxpayer has died, is permanently incapacitated or bankrupt, the debt should be cancelled through MoFED; if a debt is uncollectable because a taxpayer cannot afford to pay (and payment of debt by instalment is not feasible), cancellation could also be considered; if a debt is uncollectable because the taxpayer cannot be located, the debt should not be cancelled but flagged such that it can be reinstated if the taxpayer is located. The project will assist with an analysis of total tax arrears, between collectable and uncollectable debt and the development of an Enforcement and Compliance Strategy, building on the work started in 2014 to develop such a strategy, which was not completed. For collectable debt, the project will support the NRA to identify priority debts and the appropriate enforcement action to pursue them. For uncollectable debt, the project will assist NRA to identify cases where cancellation should be pursued, and those which should be flagged with the possibility of reinstatement.

Related to this, the project will also assist with DTD reporting on tax arrears to clearly distinguish between collectable and uncollectable debt, rather than simply total tax arrears. The NRA should be judged mainly on the progress it is making on reducing the collectable debt component.

Enforcement activities in chasing debts and outstanding returns are heavily influenced by the information available. Given that direct tax arrears under DTIS are currently largely unknown, it can be assumed that minimal activity has been carried out on these debts. Outstanding returns can be chased, however current activities appear to be limited. With the DTIS banking module coming online, the available information should provide a clearer picture of direct tax liabilities. The project will support NRA to ensure that its systems allow it to record details of arrears with direct tax liabilities early on in the Implementation Phase of the project.

The effectiveness of particular enforcement measures for dealing with delinquent filers needs to be reviewed. The NRA has advised that threats to "seal off" business premises, and actually doing so, have proved the most effective methods, although other methods such as garnishment or departure prohibition may be more effective in some circumstances. In general follow-up through Courts/legal processes tends to be the least effective method, given the resources required and the nascent state of the Court system in Sierra Leone. The project will assist NRA with updating its enforcement strategies for dealing with delinquent return filers and payers taking into account those actions which have proven to be more successful in dealing with non-compliance.

In providing assistance with all of the above, the project will also support the NRA with its STRIP II programme activities that relate to tax arrears and filing non-compliance and with the establishment of a centralised Debt Management Unit.

2.2.7. Design and Monitoring

The Design and Monitoring team will need to lead on operational reviews, both as part of the proposed operational reviews of processes and procedures and in preparation for both ITAS implementation. The team can then provide clear policy guidance for DTD.

The Design and Monitoring team is expected to support a number of Taxpayer Service/Tax Return and Payment Processing initiatives, including: the establishment of the NRA Call Centre; further streamlining the NRA-OARG tax and business registration facility; streamlining customer service processes for large taxpayers; the conduct of a post-implementation review of the Small and Micro Taxpayer Regime; examining the feasibility of improving the "Paying Taxes" Doing Business rating (e.g. through e-filing, extending the GST tax period for SMTO taxpayers, employer PAYE/NASSIT process merging); providing oversight on the TIN and GST register cleansing projects; and Taxpayer Audit/Tax Arrears and Non-Filer Compliance initiatives including STRIP II.

There is currently minimal intelligence fed into the audit programmes of identified activities by taxpayers both currently on the register and newly identified taxpayers. The RIIU should be feeding intelligence into both audit and design and monitoring teams to help increase knowledge and identify potential risks to tax revenues. Feedback from the audit teams on their findings should also help design and monitoring teams respond to the results that the auditors are finding and update and improve their risk assessments and future audit programme selections.

The project will support the Design and Monitoring team with the above-mentioned reviews and initiatives. This will include support to improve GST compliance focusing on use of GST invoices, taxpayer display of GST certificates, matching significant GST input claims with those who should be showing as output revenue, checking GST outputs of taxpayers not paying GST on their imports, etc. It will also include assisting with the building of intelligence gathering capacity and skills of the RIIU and Design and Monitoring team through data matching and other activities to feed into risk planning by the Audit teams for their assurance programmes.

Key Elements of Support: Domestic Tax Department

Strengthening legislation

- » Providing support for the enactment and implementation of the Revenue Administration Bill
- » Development of Income Tax Regulations and support for the promulgation of Income Tax and GST regulations
- » Review the impact of the revised Kyoto Convention and Harmonised System to ensure compliance

Building organisational capacity

- » Conducting a 'Training Needs Analysis' followed by implementation of a training plan, incorporating a 'train the trainers' approach and including support to a DTD 'Induction' programme
- » Coaching/mentoring for DTD leadership positions
- » Supporting the drafting and distribution of SOP manuals, focusing on areas that will not be significantly affected by ITAS
- » Support to identify key infrastructure and resource needs and options for meeting those needs

Strengthening compliance and enforcement in LTO and SMTO

- » Support the development and implementation of compliance and enforcement strategies for LTO and SMTO, including shortened audit types to increase coverage of taxpayers and combined audits with CED
- » Support the development and implementation of Risk Based Assurance and Compliance/Enforcement programmes, including STRIP II and GST reinforcement
- » Strengthen RIIU intelligence gathering and data matching for DTD Design and Monitoring team
- » Support DTD to review, develop and implement legislation for managing evasion and non-compliance
- » Introducing shortened audit types to increase coverage of taxpayers and combined audits with CED and introduce quality standards for audits
- » Supporting DTD to identify and analyse tax arrears, including development of strategies for dealing with uncollectable debt and focusing on high-priority collectable debt, e.g. call centre outcalls
- » Support the establishment of a centralised Debt Management Unit

Supporting the successful integration of DTD systems with ITAS implementation

- » Support DTD to develop and implement an ITAS Integration Plan
- » Support business process review/mapping required in preparation for ITAS

Improved customer services to facilitate taxpayer voluntary compliance

- » Support DTD to improve taxpayer consultation and education, including assisting with the design of taxpayer education materials
- » Support DTD to improve customer services, including the planned Call Centre for inward calls (and enforcement and compliance 'call-out' campaigns)
- » Support the streamlining and improvement of customer services for LTO to facilitate payments
- » Support the establishment of a centralised Complaints and Disputes Unit
- » Establish processes to introduce refunds, including supporting negotiations between the NRA and MoFED to try to establish facilities and a bank fund to make tax refunds
- » Further develop the Centralised Registration Unit one-stop-shop for tax/business registration with OARG and examine the feasibility of other Doing Business Improvement strategies

Improving alignment of DTD activities with customer segmentation

- » Support the NRA to better manage the tax affairs of 'medium' taxpayers
- » Support implementation of the Small and Micro Enterprise Regime

Section 4: Output 4 – Customs and Excise Department modernised and improved

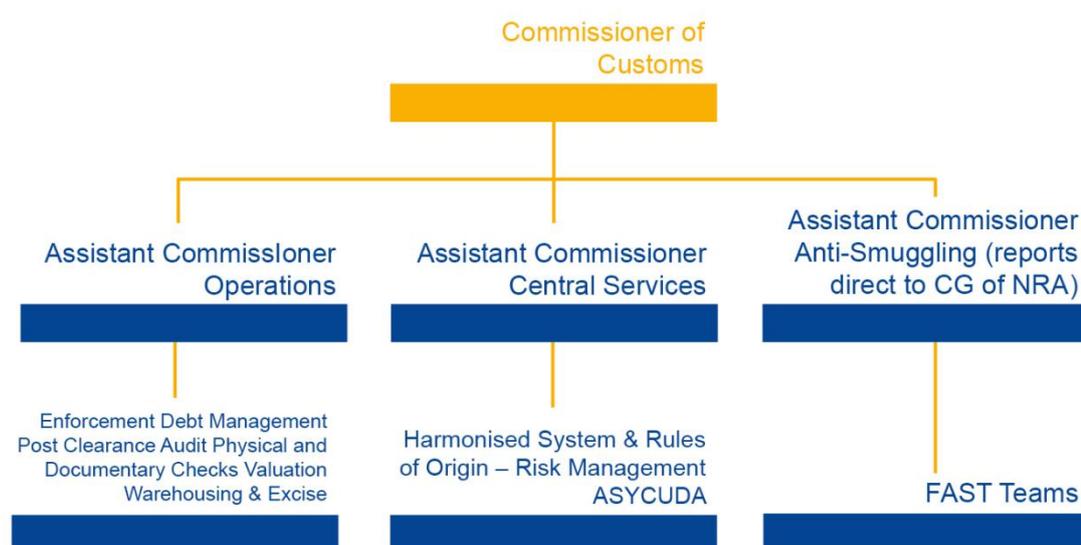
1. Introduction

The CED accounts for some 35% of Government revenues (including GST on imports) and is therefore a significant force for bringing revenue to Sierra Leone. This Section of the report explores the importance of CED's revenue enhancement role but also the vital trade facilitation and law enforcement and border security aspects of the service. The efficient coordination of revenue, trade and enforcement functions is the hallmark of a progressive Customs organisation, underpinning the need to facilitate trade and enhance revenues whilst also maintaining effective controls. The impact and effectiveness of each of these areas relies on a robust legislative framework and strong organisational capacity. An analysis of the current situation along with structured proposals for strengthening capacities in these areas is set out below.

2. Current Situation

The CED is an integral part of the NRA and the basic structure of the organisation of 137 people is as set out in the organogram below.

Figure 6: CED Organisational Structure



In recent years, CED revenues have amounted to approximately 35% of total revenues (20% net of GST). A similar proportion is expected to be maintained over the coming years. The table below sets out IMF projections of revenue performance for 2015 to 2019 inclusive (in millions of Leones).

Table 2: Projected CED Revenue Performance

	2015	2016	2017	2018	2019
Total projected revenues	2,208,652	2,550,946	2,923,451	3,3531,554	3,993,367
CED projected revenues (including GST on imports)	800.39 (GST 275.678)	974.434 (GST 365.080)	1098.509 (GST 431.680)	1194.069 (GST 504.160)	1302.791 (GST 588.971)
CED as % of total	36%	38%	37%	35%	33%

The revenue achievements of the CED compare well with other countries. In Liberia for example the Customs achieves an average of 30% of total revenues whilst in Western Europe an expected norm would be 40%. Other indicators also show that Sierra Leone fares well in a regional context. Ranked only 133 in the world by the United Nations for how well it facilitates trade across borders, Sierra Leone is still ahead of Guinea (141), Liberia (149) and Cote D'Ivoire (158). However, it is widely agreed that more can be done to improve the collection of Customs revenues. The gradual elimination and/or decrease of duty waivers and exemptions alone would generate significant additional funds. More fundamental opportunities for revenue reform are also available and are outlined in this Section.

2.1. Needs Assessment

2.1.1. Legislative Framework

The Customs Act was updated in 2011 but the Excise Act dates from 1982 and needs to be reviewed to ensure that it serves the current and anticipated national tax policy objectives. Similarly the Customs Tariff Act needs to be reviewed to ensure that it meets the needs of a modern service. During the Design Phase the project reviewed a number of draft Customs Regulations including a Valuation Regulation and a Customs Advance Ruling Regulation. This will be an ongoing requirement to support the capacity of the CED to draft qualitative Regulations and will include a review of the Customs Classification Regulations and the development of other required Customs Regulations, in continuation of planned PFM-ICP assistance in this area.

Sierra Leone recently ratified the revised Customs Kyoto Convention and the Harmonized System Convention. The project will provide support will to ensure that current and developing legislation is compliant with these Conventions.

2.1.2. NRA Organisational Capacity

Enhancing the capacity of CED personnel is a key component in ensuring the success of the organisation across the breadth of all operational activities. We will conduct a comprehensive Training Needs Assessment (TNA) and subsequently implement a training plan that will improve the performance and impact of the workforce.

At the senior levels (Assistant Commissioner and Head of Unit), there is strong potential and high levels of professionalism, however many senior staff lack experience. At the Manager level, capacity is reasonable but structured programmes of training and mentoring are needed to ensure continual development. At the Inspector levels, many staff lack basic awareness of powers and procedures and have poor report writing and communication skills. Within the Headquarters building in Freetown, there is a perceived lack of effective coordination between the Valuation, Examination and Classification sectors.

Technical and other training will be supported by facilitating the drafting and distribution of comprehensive SOP manuals for each customs regime and process (including ASYCUDA) to assist effective and efficient operations. The project's review of the NRA organisational structure will include CED and will ensure the department is best placed to deliver its Strategic Plan and that it conforms to international standards.

During the Inception Phase, visits were made to: the sea port in Freetown; Lungi airport; and the Border Crossing Point at Kambia/Gbalamuya. Customs controls at the sea port are efficient and well organised. They will be further improved when the planned new inspection facility is designed and constructed. However, road access into and out of the site is poor and a better traffic management system is needed in order to facilitate the faster movement of goods. At Lungi airport there is no passenger examination facility but it is understood that this will be resolved shortly. In terms of risk management it was found that there is no pre-arrival arrangement for checking passenger manifests. Additionally, it was learnt that 'Special Flights' approved by the Civil Aviation Authority can land at the airport without any Customs controls. Both of these areas represent significant risks and need review. During the visit to Kambia it was noted that there is no dedicated examination facility for trucks leaving cargo vulnerable to the elements particularly during the rainy season. Also there is no scanner which hampers effective customs control, although a cost/benefit analysis should be conducted to confirm whether the volume of trade and thus potential revenue benefit justifies such expenditure. More positively, the level of cooperation and coordination with counterparts in Guinea was good. The head of the Customs post said that revenue would be enhanced by the reintroduction of check points at key traffic spots. They were withdrawn in 2012 but proved to be cost effective in terms of revenue yield and the general preventative effect that high visibility achieved.

A programme of site visits was carried out by NRA Board Members in 2015 and concluded that Customs facilities in general are in a poor condition. Similarly, the effective deployment, adequacy and quantity of equipment and resources were also found to be questionable. At some border crossing points, Customs Officers do not have computers or links to ASYCUDA. Vehicles are also in short supply. A key project activity will be to design, plan and implement 'Flexible Anti-Smuggling Teams (FASTS) but currently this unit only has two vehicles to cover the whole country.

To support the NRA to address the infrastructure challenges identified in the Needs Assessment, a risk assessment of Customs estates and locations will be carried out which will provide a basis for a strategic reform. Similarly, an evaluation of the efficacy and deployment of equipment and resources will provide a basis for constructive change.

2.1.3. Revenue Enhancement

A key part of any Customs administration is the ability to value goods in an efficient, effective and transparent manner. The CED has recently drafted a regulation and user manual relating to valuation but the service needs to aspire to developing and adopting their own reference price database. The absence of such a facility in other Customs Administrations across the World has shown that Valuation processes are open to abuse and corruption and that revenues are significantly lower by comparison to those Administrations with price reference databases. Given the importance of Valuation, we will provide support and assistance to the design of a software programme so that the CED can adopt their own price reference database.

Similarly the pressing question of Customs Debts, which stood at Le 4bn in 2012, needs to be addressed and clear systems put in place to ensure that the system of deferred payments is efficiently and effectively managed. The debts

arose from importers who were allowed to defer payments, a practice which continues. The project will conduct an audit of debts owed to CED and make recommendations for change. Vigorously addressing the debts owed to CED would likely present significant opportunities to enhance revenues.

A review of customs transit procedures will also be conducted, recommending improvements to ensure that the system is operating efficiently and effectively.

2.1.4. Trade Facilitation

The facilitation of legitimate trade, supporting the Government targets of reducing the burden on the private sector and reducing the cost of trading across borders, whilst retaining effective risk management and law enforcement techniques should be the driving strategic trade-off of CED. During the Inception Phase, advice was provided and accepted by the CG on proposals and measures to implement as part of the World Bank 'Doing Business' and 'Trading Across Borders' programme for 2015/2016. In this area we will further support the implementation of proposals and measures adopted as part of the World Bank 'Doing Business' and 'Trading Across Borders' programme for 2015/2016. These include:

- » the introduction of a 'Blue Lane' on ASYCUDA to facilitate more post clearance audit controls;
- » establishing a Pilot Project of 'Pre-Arrival Exchange of Information' with at least one neighbouring country;
- » conducting a survey of clearance agents and brokers to assess needs and areas for improvement;
- » conducting a Training Needs Assessment of clearance agents and brokers and implementing a training programme as appropriate; and
- » conducting a review of the number of Customs paper documents with a view to rationalization.

Closely aligned to the World Bank programme, we will review the need and viability of introducing a cargo tracking system to encourage international trade with Sierra Leone.

A key element of trade facilitation is that a partnership approach with the trading community should be encouraged and supported. The Customs Gold Card scheme to simplify procedures for compliant traders has fallen into abeyance and needs to be reviewed and restored. This is also true of the Customs Consultative Committee. The Customs Gold Card scheme will be reviewed and restored to best effect. The project will also support the Customs Consultative Committee to meet the needs of the business sector. The Committee will address emerging trends and issues to bring Sierra Leone in line with international standards. These could include future Customs and Excise processes and private sector requirements related to the fledgling oil and gas industries.

Transparency and integrity of systems and processes are priorities in confidence building and the enhancement of revenues. A review of the ALIC pre-shipment inspection arrangements will be conducted so the respective roles with CED are clarified and coordinated and that best practices are introduced as appropriate.

ASYCUDA is the primary source of customs computerised data and has a vital role in simplifying procedures and facilitating trade. CED currently uses ASYCUDA++, however it is understood that only eleven out of sixteen modules are currently being used. The project will strive to encourage and support the CED to make maximum use of the current version of ASYCUDA.

The 'United Nations Conference on Trade and Development' (UNCTAD) has issued a 'Concept Paper' on the '*Implementation of ASYCUDA World & the Electronic Single Window in Sierra Leone*'. It comprises three areas which need to be addressed in order to be successful: Component A – Hardware, Software and telecommunications; Component B – ASYCUDA World and Electronic Single Window; and Component C – Capacity Building & Communications. It is clear that a number of stakeholders will need to be involved in the transition towards this desirable deliverable for which funding has not yet been identified beyond a small allocation in the PFMICP project. It is noted that Liberia already use ASYCUDA World and Guinea are proposing to shift from ASYCUDA++ to ASYCUDA World in 2016. The project will work with other stakeholders to achieve a successful transition to ASYCUDA World with the aim of implementing a 'single window' system in 2017/2018.

2.1.5. Law Enforcement and Border Security

The use and deployment of FASTs is recognised as a potent tool in tackling non-compliance and raising revenues. FASTs also play a significant role in combating the smuggling of prohibited goods. Currently, only two FASTs are operating in CED. This is not proportionate to the task. Accordingly, the project will:

- » Review existing systems and procedures relating to the use of FASTs
- » Support the planning and implementation of a revised deployment structure based on risk assessment principles (this will include reviewing existing MoUs and potentially introducing new MoUs to improve cooperation and coordinated with other law enforcement agencies)

The intelligence and investigation capabilities of CED are also limited. As such, the project will review the methods and procedures related to the gathering and use of intelligence and the investigation of offences and support implementation of improvements.

Success in Law Enforcement area can only be achieved through effective risk management. There are five staff (including Head of Unit) employed in the CED Risk Management Unit. Risk profiling has started but limited results have led to a review with recommendations which will be issued shortly. The project will evaluate this recently concluded report and lead the implementation of reforms to introduce effective and robust profiling to inform selectivity and produce better results.

The project will also support the CED to develop a high-level risk management strategy, in collaboration with the RIIU, to ensure ownership and governance from the top down. This strategy should combine risk profiling, risk management and risk assurance. Such an approach will better inform selectivity and improve results. To further enhance the process of risk management, the project will provide assistance to the design of a risk analysis programme as part of longer-term IT reform programmes.

The project will also support CED to address the specific risks identified during the site visit to Lungi airport by establishing a system of pre-arrival passenger checks and reviewing the status of 'Special Flights' to ensure that procedures are transparent and effective.

Finally, the project is happy to support the newly formed Customs Working Group, consisting of representatives from Sierra Leone, Guinea and Liberia, which will focus on the 'Post Ebola' era, identifying lessons to be learnt and best practice to be used.

Key Elements of Support: Customs and Excise Department

Strengthening legislation

- » Review the Excise Act and Customs Tariff Act
- » Development of Customs Regulations, in collaboration with PFMICP
- » Review the impact of the revised Kyoto Convention and Harmonised System to ensure compliance

Building organisational capacity

- » Improving 'Training Needs Analysis' followed by implementation of a training plan
- » Coaching/mentoring for CED leadership positions
- » Development of Operational Manuals for core processes (inc. ASYCUDA)
- » Support to identify key infrastructure and resource needs and options for meeting those needs

Revenue enhancement

- » Provide assistance for the adoption of a price reference database
- » Conduct an audit of Customs debts and make recommendations for change, including linkages with the proposed centralised Debt Management Unit
- » Support CED to conduct a review of Customs transit procedures

Improved trade facilitation

- » Support a pilot Pre-Arrival Exchange of Information project with a neighbouring country
- » Conduct a survey of Customs Clearance Agents and Brokers to identify areas for improvement
- » Review the number of paper documents relating to imports with a view to rationalisation
- » Introduce a 'Blue Lane' facility on ASYCUDA to facilitate increased post-clearance audit controls
- » Review arrangements for ALIC pre-shipment inspection to coordinate the respective roles of the company and CED and to inform advice on future arrangements
- » Support reinstatement of Customs Gold Card scheme
- » Support full use of ASYCUDA++ and a successful transition to ASYCUDA World by 2018 (inc. creation of a single window)
- » Review the need and viability of introducing a cargo tracking system

Strengthened law enforcement and border security

- » Review existing procedures relating to the use of FASTs, plan and support the implementation of a revised, risk-based, deployment structure
- » Review methods and procedures relating to the gathering and use of intelligence and investigation procedures
- » Support the establishment of pre-arrival checks at Lungi and review the status of 'special flights'
- » Evaluate the recent report on risk management, profiling and assurance and support the introduction of robust profiling to inform selectivity
- » Support CED to develop a high-level risk management strategy and assist with the design of a risk management programme

Section 5: Output 5 – Extractive Industries Taxation Unit and Non-Tax Revenue Unit Modernised and Improved

1. Introduction

Sierra Leone possesses abundant mineral resources, which contribute significantly to economic activity and government revenues and thus make the country heavily dependent on activities and events in the sector. The iron ore sector is particularly prominent, demonstrated by the 15% and 20% increases in GDP in 2012 and 2013 respectively, resulting from the commencement and expansion of production in two iron ore mines (Marampa and Tonkolili). Substantial falls in the iron ore price, exacerbated by the Ebola crisis, is responsible for a projected 13% decrease in GDP in 2015. These recent events have challenged the viability of the two mines with Marampa's London Mining filing for bankruptcy and African Minerals shutting down its Tonkolili operations. The ownership and management of both mines has changed with Timis Corporation taking over London Mining's operations whilst Shandong Steel has increased its 25% share to 100% in Tonkolili. Uncertainties regarding production from Tonkolili in particular mean that production and thus revenues from the mine are difficult to predict.

Alongside iron ore, production and exports from diamonds, gold, rutile and bauxite are also significant. Large companies in the sector, and significant taxpayers, include Octea Diamonds, Sierra Rutile and Vimetco. Finally, the Petroleum Directorate has awarded exploration licences in offshore blocks to foreign oil companies, including Lukoil, Anardarko and African Petroleum. There is no guarantee of offshore oil production and if it does occur it won't be until the 2020's at the earliest.

The Non-Tax Revenue Unit is a unique component of the NRA, focusing on collecting a wide variety of fees and charges owed according to different laws and regulations. The unit has the power to collect revenues whilst the responsibility to assess non-tax revenues falls to ministries, departments and agencies (MDA's) themselves according to the NRA Act. Whilst the largest component of non-tax revenues is from the mining sector (the NRA has an officer permanently stationed at the NMA), there are a very large number of MDA's assessing (and often collecting) revenues on behalf of the NRA.

2. Extractive Industries Revenue Unit

2.1. Current Situation

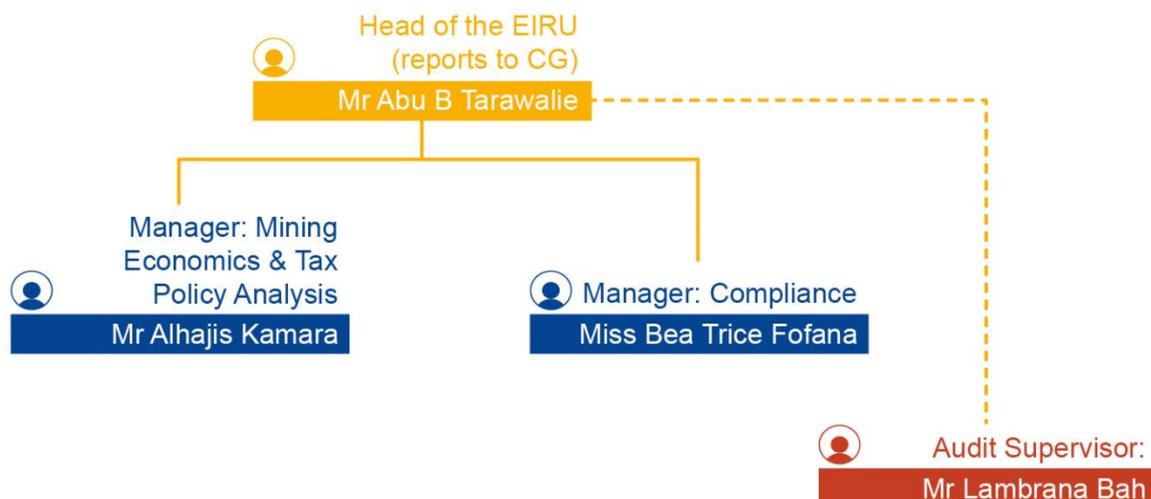
The Extractive Industries Revenue Unit (EIRU) was established in 2014 in order to 'facilitate a well-structured and capacitated system, to adequately assess, collect, audit and recover timely revenue on the extractive industry' (ToR). Specific objectives were identified as followed:

1. To maximise the revenue benefit of the booming EI sector
2. To develop and implement an EI sector strategy
3. To improve compliance in the EI sector
4. To establish an NRA-EI forum with the view to providing opportunities for discussion and resolution of significant matters of concern to the NRA or the EI
5. To promote collaboration with EI related stakeholders on issues related to the EI revenue mobilisation
6. To monitor revenue mobilisation from the EI sector
7. Provide technical input on policy issues relating to EI entities.
8. To audit and investigate EI sector companies with the intention to realise maximum revenues from the sector.

The EIRU currently reports directly to the Commissioner-General, but is expected to eventually sit under the Domestic Tax Department, as illustrated in Figure 7, on the following page.

The unit has four staff, with ambitions to expand to eight. A work plan has been drafted for the unit by the IMF, which has been providing remote guidance and support to the EIRU. Further support has been offered by the AfDB, through which a Terms of Reference has been drafted for a consultant to provide on-the-ground support to the unit, which is likely to start in late 2015/early 2016.

Figure 7: Extractive Industries Revenue Unit Organisational Structure



The performance of the new unit is critical to NRA's revenue collection from the mining sector, including from large-scale iron ore mining as well as smaller-scale mining of gold, diamonds, bauxite and rutile. The contributions and fluctuations in iron ore and extractive industry revenues are illustrated below:

Table 3: Extractive Industry Revenue Collections, 2010-2014 (US\$ million)

	2010	2011	2012	2013	2014	Total
Total NRA Revenue	241	329	431	511	496	1513
Total EI Revenue	28	70	99	109	88	306
Total Iron Ore Revenue	12	17	40	70	53	139
Non EI Revenue	201	242	292	332	355	1068

Revenue forecast figures from an April 2015 IMF ECF review indicate that mining revenues from royalties and licences but not taxes (with presumably PAYE the main one) may increase from US\$ 31m in 2015 to US\$ 57m in 2019). These figures are based on the current fiscal regime, which is primarily based upon special agreements signed with companies (available on the NMA website). The potential introduction of the EIRB would introduce scope for higher revenues in this area.

The EIRU is a newly established unit and its routines in identifying risk and undertaking audits of mining companies still need to be designed. In 2013, 450 mining companies and individuals paid licence fees, tax or customs duties related to the mining sector. There are currently a total of 923 taxpayers registered at NRA in the mining sector. The National Minerals Agency (NMA) has a list with a total of 2,470 companies and individuals in total (the NRA only registers companies), of which there are 632 active licenses holder and 736 companies are registered in the Mining Cadastre Administration System (MCAS).

To date, the NRA has primarily focused on the ten biggest mining companies in production. The NRA participates and discusses compliance measures regularly with the Ministry of Finance and Economic Development (MoFED) and the NMA through the Extractive Industries Revenue Taskforce (EIRT). Earlier efforts by the NMA, the NRA and the Revenue Development Foundation (RDF) have ensured that all large-scale licence applicants must include TIN registration documentation. Most active companies in the MCAS registry do have TIN references. Furthermore, RDF has collated payments data from CED, DTD and MCAS for the purpose of the Sierra Leone Extractive Industries Transparency Initiative (SLEITI) data validation for 2012 and 2013. This was done manually in Excel and required extensive data cleaning and formatting.

During the inception period, an analysis was conducted of the combined data, which found that approximately 80% percent of companies that exist in the NMA active list are also on the NRA database, leaving 20% which are not registered with the NRA. Furthermore, being registered on the NRA database does not entail compliance. With the support of the project, the NMA and NRA are therefore collaborating to identify a common list, to follow up on those not listed with the NRA and to confirm the compliance status of those listed, especially for SMTO.

A Memorandum of Understanding (MOU) between the NRA and the NMA was finalised during the Inception Phase, defining how the two agencies are to work together to improve compliance and coordinate enforcement.

2.2. Needs Assessment

Given the ongoing involvement of the IMF, GiZ and ODI, and the planned support of the AfDB in this area, ASI is actively engaging with these other partners to ensure complementarity and avoid duplication. It is therefore important that the project retains some flexibility regarding the specific support provided by this project as opposed to by other partners.

2.2.1. Legislative Framework

It is widely agreed and in line with international best practice that sector specific legislation is optimal for managing revenues from the extractives industries. No sector-specific legislation is currently in force in Sierra Leone, however the Extractive Industries Revenue Bill has been prepared, at the initiative of the IMF, to address this shortcoming. The key benefit of the Bill would be to increase revenues through improved governance and integrity (reducing leakage) and by providing increased clarity and certainty for investors. The Bill is currently stalled, which of course means that these benefits will not be realised. A prolonged period of limbo will also send negative signals to investors.

During the Inception Phase, the project team was informed by several stakeholders that the delay is a result of an objection made by the Petroleum Unit, which reports directly to State House, on the basis that petroleum revenues should not be treated in the same way as extractives, arguing that different solutions are required. However, the team has not yet been able to speak with the Petroleum Unit directly to fully understand its position.

The project will seek to support the provisions of the EIRB so far as possible. If the barriers to passing the Bill in its current form cannot be overcome, this may include exploring legislative options for separating key provisions of the bill such that they can be passed.

A further issue raised by stakeholders during the Inception Phase of the project was that the Bill does not have whole-of-government understanding. The project understands that the IMF had been planning to conduct a mission last year to educate Government on the purpose and content of the Bill, however this mission was postponed due to Ebola. The IMF has indicated that this mission will be rescheduled for September this year. The project will be available to support this mission as needed.

The project will also build on the review of mining agreements and their compliance with the mining law conducted by a previous consultant to the EIRU, to develop a framework for ongoing monitoring of mining agreements and compliance.

During the Inception Phase, the project supported the finalisation of an MOU between the NRA and the NMA ready for signing. The project will continue this work during the Implementation Phase, supporting the two agencies to implement the MOU and to coordinate compliance risk and enforcement more effectively.

2.2.2. NRA Organisational Capacity

The EIRU currently consists of four staff, although the NRA has plans to increase that number to eight. The project supports the proposed increase in staffing given the workload deriving from the EIRU's mandate. The project would support this scale-up and capacity building for new and existing staff.

Enhancing the capacity of EIRU personnel is a key component in ensuring the success of the Unit across the range of operational activities. This is particularly important given the EIRU is relatively new and still at a point of establishing systems and building skills from the ground up. The EIRU will be included in the comprehensive Training Needs Assessment (TNA) the project will be conducting across the NRA and the training plan subsequently implemented to improve the skills and performance of the workforce.

The majority of the skill requirements of the EIRU are the same as the LTO, giving significant scope to align training programmes. Some EIRU requirements will be extractive industry specific, including understanding the mining life cycle, mineral prices and understanding mining agreements (using those signed by companies in Sierra Leone as examples).

As a new unit with little experience of the sector, the EIRU has a particular need to establish its work practices and Standard Operating Procedures. This should include the tightening of compliance and enforcement procedures with NMA, in accordance with the new MOU, and the design of new forms/returns based on those required by the Extractive Industries Revenue Bill, whether or not the Bill is passed.

2.2.3. Revenue Administration

During the Inception Phase of the project, three priority areas were identified where changes are required to improve the effectiveness of revenue administration:

- » Identification of compliance risk through data analysis and use of a compliance risk system
- » Audit
- » Stakeholder engagement

Identification of Compliance Risk: The NRA's operating procedures should define parameters to identify companies that have high risk of non-compliance. To do this, the EIRU will need access to MCAS information on company details, shareholders, production, fiscal terms, licence status and applications. This could be provided either in the form of read-only access, or through a data service. The ITAS solution implemented during over the coming years will include interfaces with both MCAS and ASYCUDA. In the meantime, extracts can be run and put into Excel spreadsheets for EIRU staff to analyse.

Audit: The audit training that is required will be largely identical to the LTO training, with additional mining-specific training and understanding of mining operations to be provided by the NMA. In particular, this training will focus on the contract fiscal terms and possible risks related to exemptions, prices used for royalty calculations and exaggerated costs during the pre-production stage. Audit activity should begin by focusing on normal tax risks and can later be expanded to focus on specific tax risks (such as exemptions, capital expenditure and prices used for royalties). Training will be aligned with that required for the DTD. Support provided by the project will align with the support provided by other partners.

Stakeholder Engagement: There needs to be a strategy for engaging with key clients and ensuring systematic compliance information reaches all mining entities. The EIRT has been the key mechanism for doing this within Government and needs sustained support to maintain and enhance its effectiveness. For engaging with taxpayers, cooperation with the NMA on outreach activities will be important and the NMA has been receptive to such cooperation. The EIRU's Key Client Manager needs to establish procedures for working with the largest clients.

3. Non-Tax Revenue Unit

3.1. Current Situation

The NRA Act gives the NRA the mandate to "collect" non-tax revenues on behalf of Government ministries, departments and agencies (MDAs). However the responsibility for "assessing" these non-tax revenues falls to MDAs.

MDAs are currently issuing payment notices on a template slip designed by the NRA Non-Tax Revenue Unit (NTRU). The assessment of what is supposed to be paid, which forms the basis for the payment notice, is often hand-written on application and request letters from the client. The NRA has Revenue Officers based in various MDA locations, such as the NMA, the Youyi building and in the New England area. They record payments on the basis of payment notices and bank receipts that clients bring to them. Only bank payments are accepted, and each collector records payments against a separate bank account.

Revenue Officers submit their payments ledger in a hand-written book every month to the NTRU for reconciliation. Since most banks are allowed to process payments, the reconciliation process includes monthly bank statements from up to thirteen commercial banks, in addition to the Central Bank. The Auditor General has repeatedly reported weaknesses in the reconciliation process, most recently in the report presented in December 2014. The NRA considers the reconciliation process to be a major challenge.

The NRA officer at the NMA records mostly international payments in USD. These payments are recorded on the basis of a letter from the Central Bank notifying the deposit of each individual payment, and are thus in principle already reconciled.

The NRA Revenue Officers, besides the officers at the NMA, currently have no overview of outstanding payment notices for clients that have not returned with their payments. This is because the NRA relies on the client to come to the Revenue Officer and present the payment notice. The NRA is conscious that as a result of this lack of information, its role is reduced to that of a cashier function, rather than that of an active revenue collector.

A project by RDF, funded by GiZ, is implementing a Non-Tax Revenue System (NTRS) for the NRA Revenue Officer based at the NMA. The NTRS receives Orders to Pay (payment notices) electronically issued from MCAS.

3.2. Needs Assessment

3.2.1. Legislative Framework

While the NRA Act gives NRA the mandate to collect non-tax revenues, newer legislation allows collection of fees to be collected by some MDAs (e.g. the Environmental Protection Agency is allowed to retain fees charged for their own operational budget). Some MDAs also still collect certain minor fees of their own. As a result of a Cabinet decision taken during the project Inception Phase, revenues from the issue of passports are no longer collected by the NRA. The project will assist NRA with a review of the National Revenue Authority Act 2002 (envisaged to be completed during 2015 in line with the NRA's PTT) including clarifying the mandate of the NRA to collect revenues on behalf of MDAs, and engaging key MDAs in clarification of that role.

3.2.2. NRA Organisational Capacity

The NTRU will also be included in the comprehensive Training Needs Assessment (TNA) the project will be conducting across the NRA and the training plan subsequently implemented to improve the skills and performance of the workforce.

Training is expected to include the use of the current NTRS and on its subsequent interface with ITAS, including its utilisation to ensure accountable, auditable and reconciled Non-Tax Revenues.

The NRA should also organise training and sensitisation workshops with all MDAs that are issuing Payment Notices, to ensure accountable, auditable and efficient assessments.

3.2.3. Revenue Administration

The current NRA method of collection has two key challenges that need to be addressed. The first challenge is that the NRA needs to be aware of any payment notice issued by MDAs they collect revenue for. Payment notices must be based on assessment information that is possible to audit and to verify in accordance to regulations. In addition, the reconciliation

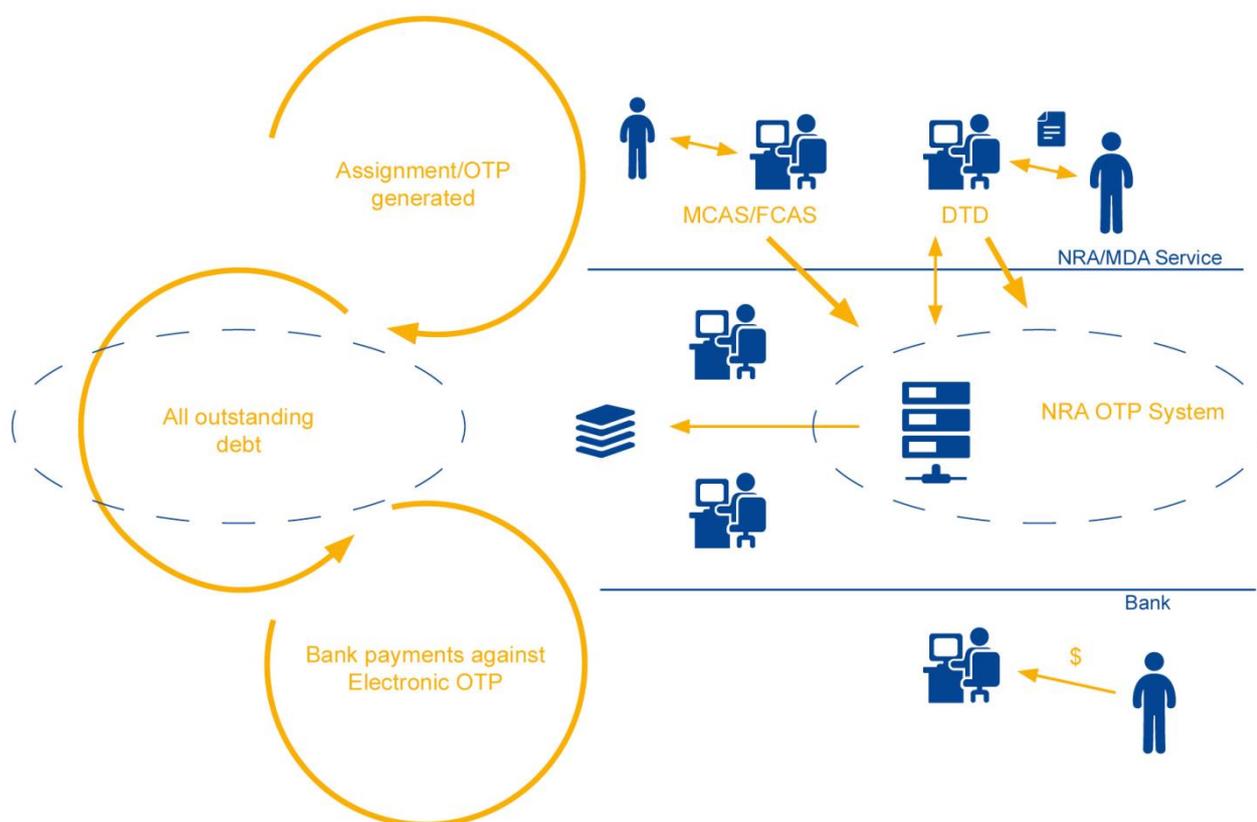
of payments needs to be done systematically and on a timely basis. This can ideally be achieved by automation, allowing banks to record the payment directly against the issued payment notice.

MDAs can be grouped into two categories. The first comprises those which only issue payment notices based on a fee schedule, which means the assessments are simple. In this case, there is not much room for discretionary assessment. This includes immigration visa fees, work permit fees and similar. Another category comprises MDAs where assessments are using variable calculations such as a fee per area, tonnage, diameter or container sizes, such as in the case of mining, fisheries, forestry, and lands. These sectors would ideally have systems that calculate the assessment of fees according to regulations in order to reduce discretionary powers and generate an auditable information trail. Among current MDAs, only the NMA and Ministry of Agriculture, Forestry and Food Security's (MAFFS) Forestry Department have such a system. It is however considered beyond the scope of this project to implement such systems on behalf of other MDAs.

The project will support the NRA to ensure that MDAs with complicated assessments use the ITAS system to create Orders to Pay electronically, rather than allowing handwritten calculations. The ITAS system will ensure that the NRA, at any given time, knows the revenue it is collecting and the value of outstanding Orders to Pay from all MDAs.

The second challenge of reconciliation can best be addressed by allowing banks to record payments directly against the electronic Order to Pay. This concept has been proven to work by the piloted Domestic Tax Information System (DTIS), where bank cashiers at LTO record an electronic payment slip against the Order to Pay

Figure 8: Automated Reconciliation – Centralising all Orders to Pay, allowing banks to record payments against them



The project will consider the feasibility, from a cost/benefit perspective of rolling out of the MCAS NTRS system to MAFFS Forestry division. It will also ensure that an interface is developed between these NTRS applications and NRA's proposed ITAS system.

Key Elements of Support: Extractives and Non-Tax Revenue

Extractives: Strengthening legislation

- » Supporting the NRA and the IMF to better understand the obstacles and opportunities relating to the Extractive Industries Revenue Bill
- » Developing mechanisms to monitor existing mining agreements, to identify variances with the law, and develop processes to monitor and quantify

Extractives: Building organisational capacity

- » 'Training Needs Analysis' followed by implementation of a training plan, likely focused on: developing audit capacity through formal training and working side-by-side (linking with DTD); and specialised extractive industries knowledge development.
- » Support the integration of the EIRU into DTD in the longer term

Extractives: Strengthening revenue administration

- » Dedicated assistance to the EIRU until arrival of AfDB consultant, working across business streams to establish processes and support operations
- » Support with compliance risk analysis and identification of potential non-compliant businesses
- » Explore possible approaches to managing extractives beyond iron ore, in particular oil and gas
- » Support to the EIRT, focusing on facilitating the effective cooperation between the NRA and NMA in the management of EI taxpayers, including the development of shared work practices

Non-Tax Revenue: Strengthening legislation

- » Assistance with review of NRA Act provisions regarding NRA mandate vs MDAs
- » Introducing reporting to regulatory authorities on MDAs not giving sufficient attention to non-tax revenue assessment

Non-Tax Revenue: Building organisational capacity

- » 'Training Needs Analysis' followed by implementation of a training plan, likely focused on: reconciling assessments with payments; and improved reporting

Non-Tax Revenue: Strengthening revenue administration

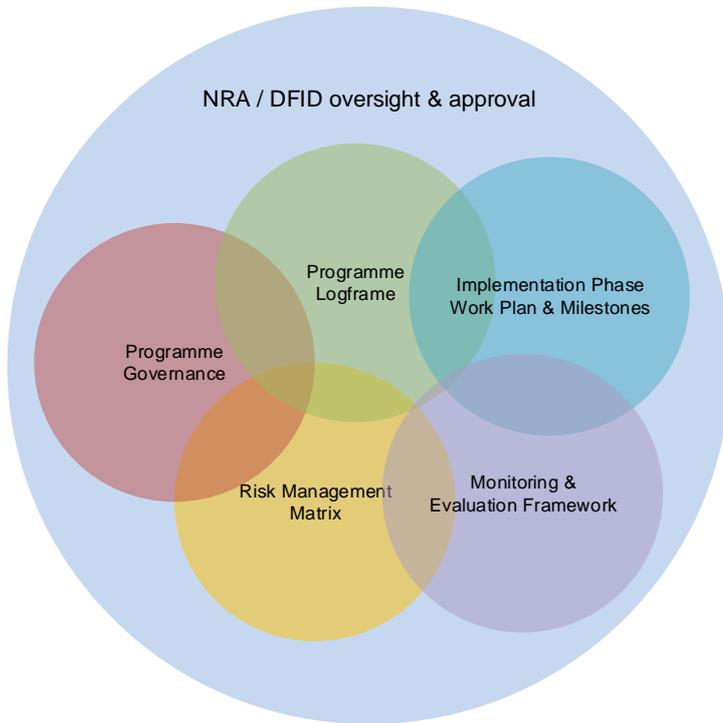
- » NTR automation – ensuring MCAS integrated NRA and NMA processes in place and developing a similar cadastral system for forestry leases provided cost effective to proceed
- » Integration with ITAS – support inclusion of NTR requirements in ITAS automation processes to enable seamless reporting and payment reconciliations
- » Improve processes and build capacity for reporting of collections, including identifying where intra-agency co-operation could enable more efficient collections

D. Programme Design Documents

Section 1: Overview

This section of the report documents each of the five elements of the programme design, as set out in Figure 9, below. Together these five elements complete the Inception Phase milestone of the project.

Figure 9: Elements of Programme design



Section 2: Governance Arrangements

Effective governance is essential to the success of any project. Our governance structure has been designed to ensure that the programme robustly supports the needs and objectives of the GoSL, whilst being aligned to the support provided by DFID. Over the course of the programme, this will lead to the delivery of real, visible results and a focus on achieving value for money. Our proposed governance structure facilitates the leadership and ownership of the programme by the GoSL, enabling the mitigation of risks and constraints, supporting change management messages, and ensuring future sustainability.

The proposed governance structure outlined below encompasses functions at the Strategic, Management and Implementation levels. Table 4 sets out the various layers of the governance arrangements, including a description of the functions and level of engagement for each stakeholder. Due to the importance of local involvement and ownership, GoSL counterparts are central at each level.

Table 4: Programme Governance

Governance level	Members	Function	Source of information	Level of engagement required
Strategic Level				
Programme Steering Committee	<ul style="list-style-type: none"> NRA: Commissioner General MoFED: Financial Secretary DFID SL: Senior Responsible Officer, Governance Advisor ASI: Team Leader, Programme Manager Others as required 	<ul style="list-style-type: none"> Highest decision-making body Responsible for programme success Monitors programme progress and risks Approves programme scope and change of direction 	<ul style="list-style-type: none"> Annual reports Brief Quarterly Progress Reports from Adam Smith International against milestones and Logframe 	Quarterly
Annual external review	<ul style="list-style-type: none"> Evaluator 	<ul style="list-style-type: none"> Review of the Programme against the DFID Logframe 	<ul style="list-style-type: none"> Sources identified in the Logframe 	Annual
Management Level				
Revenue Reform Working Group	<ul style="list-style-type: none"> NRA: Senior Management Team MoFED: Director, Revenue and Tax Policy ASI: Team Leader, Programme Manager Others as required 	<ul style="list-style-type: none"> Reviews ongoing programme implementation at a more immediate level against the Work Plan Identifies remedial action in case of problems 	<ul style="list-style-type: none"> Brief monthly report from Adam Smith International against milestones 	Monthly
Implementation Level				
Weekly update meeting	<ul style="list-style-type: none"> NRA: Commissioner General ASI: Team Leader 	<ul style="list-style-type: none"> Agrees priorities for the week ahead Identifies issues requiring a decision or action and agrees on the way forward 	<ul style="list-style-type: none"> Ad hoc information exchange 	Weekly
Daily technical assistance oversight	<ul style="list-style-type: none"> NRA counterparts MoFED counterparts DFID counterparts ASI Programme Manager and advisory team 	<ul style="list-style-type: none"> Day-to-day oversight of the programme Escalates issues as necessary and monitors programme risks 	<ul style="list-style-type: none"> Task tracker Weekly update email Ad hoc information sharing 	Daily

The Programme Steering Committee will drive the strategic direction for the programme and will take joint responsibility for the success of the programme. Programme performance will be evaluated against the DFID Logframe through an annual review. We propose that a Revenue Reform Working Group be established, including the Senior Management Team of the NRA, the Director of the Revenue and Tax Policy Department of MoFED, the ASI Team Leader and Programme Manager and others as required. This Working Group will monitor ongoing implementation against the work plan and respond to obstacles and risks. More formal governance mechanisms will be complemented by weekly update meetings between the Commissioner General of the NRA and the ASI Team Leader, weekly update emails, and day-to-day interaction between the ASI team and GoSL and DFID counterparts.

Section 3: Programme Logframe

In line with the broader objectives as set out by the GoSL, a Programme Logframe is provided below that seeks to illustrate the impact of the current Programme and the specific activities that are presented in the work plan.

Table 5: Programme Logframe

IMPROVING REVENUE COLLECTIONS IN SIERRA LEONE - LOGFRAME								
PROJECT NAME								
IMPACT	Impact Indicator 1		Baseline	Milestone 1 (Apr 2016)	Milestone 2 (Apr 2017)	Target (Apr 2018)		
Sustainably increased domestic revenue	Total NRA revenue collections	Planned	Le2174bn (2014) Forecasts: - 2018: Le3385bn - 2019: Le3993bn	Le2209bn (2015)	Le2551bn (2016)	Le2923bn (2017) Upward revision of revenue targets for 2018 and 2019		
		Achieved						
		Source						
		IMF ECF Review April 2015						
OUTCOME	Outcome Indicator 1		Baseline	Milestone 1	Milestone 2	Target	Assumptions	
National Revenue Authority and Tax and Revenue Policy team of MoFED modernised and improved	NRA and MoFED score on "Tax PEFA" mechanism for integrated revenue authorities	Planned	PI-3 score D PI-13 score B PI-14 score B+ PI-15 score B+ (2014)	Improved ratings	Improved ratings	Improved ratings	<ul style="list-style-type: none"> - NRA receives adequate operational financing from GoSL - Economic growth post Ebola remains stable - Political commitment to reform is maintained - Corruption does not worsen significantly - Donors co-ordinate effectively and provide mutually reinforcing support 	
		Achieved						
		Source						
	PEFA assessments for Sierra Leone / TADAT assessments in future							
	Outcome Indicator 2	% satisfaction of tax and customs payers with NRA	Planned	NRA customer perception survey result	Improved result	Improved result		Improved result
			Achieved					
Source								
NRA customer perception surveys								

OUTPUT 1	Output Indicator 1.1		Baseline	Milestone 1	Milestone 2	Target	Assumption	
Improved tax policy and legislation	Capacity built for revenue forecasting and analysis	Planned	Very limited forecasting capacity	Capacity constraints identified and plan for strengthening approved, including institutional change and staff expertise requirements	Plan for strengthening 50% implemented	Plan for strengthening 100% implemented. Development of a training document.	<ul style="list-style-type: none"> - Political and Governmental stability - Political commitment to reform legal framework exists and remains secured - Potentially powerful vested interests are manageable by the government - Government can be persuaded to adopt reforms and implement them - Tax gap assessment can be completed, which depends on the practicalities of being given access to the required source data and approved, which depends on the political acceptance of the results of the assessment. - High quality staff can be retained and recruited - Good data availability 	
		Achieved						
		Source						
		Government of Sierra Leone						
IMPACT WEIGHTING 10%	Output Indicator 1.2		Baseline	Milestone 1	Milestone 2	Target		
	Government better informed about tax gap and cost of tax expenditures	Planned	Currently unknown (there are estimates of tax expenditures up to 2011). No tax gap analysis conducted.	Baseline established. Cost-benefit analysis of tax expenditure plan prepared. Tax gap analysis commenced.	Cost-benefit analysis of tax expenditure approved. Plan for reducing tax expenditure prepared. Tax gap analysis completed.	Plan for reducing tax expenditure approved.		
		Achieved						
		Source						
		Government of Sierra Leone						
	Output Indicator 1.3		Baseline	Milestone 1	Milestone 2	Target		
	Comprehensive, improved and accessible legal framework for taxation	Planned	Core tax laws are outdated; lack of regulations and lack of administrative guidance; incomplete legal information available to NRA staff and taxpayers	Review of NRA Act and drafting of Income Tax and Customs Regulations completed. Updated laws and regulations are included on NRA website. Plans prepared for policy/law capacity building.	NRA Act amendment drafted if needed. Review of Customs Tariff Act and Excise Act. Administrative guidance including rulings on website. Policy/law capacity building commenced.	Tax laws, regulations and administrative guidance on NRA website. Policy/law capacity building completed.		
		Achieved						
		Source						
		Government of Sierra Leone						
							RISK RATING: MEDIUM	

OUTPUT 2	Output Indicator 2.1		Baseline	Milestone 1	Milestone 2	Target	Assumption
Improved governance, transparency and organisational effectiveness	Improved strategic planning and prioritisation processes for NRA	Planned	Strategic Plan for 2013-2017 needs updating. PTT, Operational Plans and performance appraisal processes are not well aligned to Strategic Plan.	Review completed to inform NRA update of Strategic Plan. Input provided to 2016 PTT process to improve alignment with NRA strategic objectives.	Input provided to 2017 PTT process. Operational Plans and performance appraisal processes improved to reinforce achievement of NRA Strategic Plan.	Management monitoring focuses on achievement of annual Operational Plans that derive from the NRA Strategic Plan and include PTT targets. Performance appraisal process aligns with annual Operational Plans.	<ul style="list-style-type: none"> - Increased focus on NRA strategic objectives across NRA, with Increased importance being given to operational Plan development and monitoring including its support through performance appraisal processes - NRA willing to accept, monitor and report new KPIs - ICA improvement plans supported - NRA willing to take ownership for developing internal training and development - NRA will succeed in obtaining funding for ITAS implementation, and will manage the procurement process effectively. Sufficient focus and resourcing devoted to data cleansing - Existing IT systems can be improved, or funding for ITAS system and implementation of this system can be achieved
		Achieved					
		Source					
NRA Strategic and Operational Plans, NRA PTTs, records of NRA performance appraisal process							
IMPACT WEIGHTING 35%	Output Indicator 2.2		Baseline	Milestone 1	Milestone 2	Target	
	NRA Key Performance Indicators developed and improved reporting to stakeholders	Planned	NRA performance primarily judged against PTT targets. Annual Reports do not detail progress on key indicators of performance. Information systems not geared to collect such information.	NRA KPIs established. Information systems for data collection improved. Expanded KPI content in (draft) NRA 2015 Annual Report.	KPI monitoring process introduced for CG and SMT. Expanded KPI content in (draft) NRA 2016 Annual Report.	NRA demonstrating greater accountability and transparency to stakeholders in its Annual Reports. Improved Board and NRA management focus on NRA KPIs.	
		Achieved					
		Source					
NRA Annual Reports, NRA SMT and Board meeting minutes							
	Output Indicator 2.3		Baseline	Milestone 1	Milestone 2	Target	
Improved internal audit processes across NRA		Planned	Internal Audit Strategy and Manual require updating to comply with IIA standards. Poor management acceptance, ownership and implementation of ICA recommendations. Poor image of ICA across NRA.	New Internal Audit Strategy drafted. Improved ICA/auditee processes identified to improve NRA management response to ICA reports. Survey of NRA perceptions of ICA conducted.	Internal Audit Strategy approved and being implemented. New Internal Audit Manual drafted. Improved ICA/auditee processes implemented. ICA survey findings reviewed and remedial action taken.	Further survey of NRA perceptions of ICA conducted. ICA operating in accordance with IIA standards.	
		Achieved					
		Source					
Internal Audit Strategy, Internal Audit Manual, ICA reports							

Output Indicator 2.4		Baseline	Milestone 1	Milestone 2	Target
Improved processes for sustainable capacity building across NRA	Planned	Training Unit facilitates staff attendance at courses but does not assess training needs, or design, plan or provide training. Staff Competency and Skills Audit Survey planned but delayed due to lack of funding. Some training capacity exists in DTD but not elsewhere in NRA.	Comprehensive Training Needs Analysis conducted. Priority training needs identified. Plans made for further development of "train the trainer" capacity across NRA.	Training underway to address priority training needs. Train the trainer capacity being developed across NRA.	NRA ownership of processes for identifying and addressing training needs guided by Training Unit. Feasibility of introducing self-paced modular e-training investigated.
	Achieved				
	Source				
NRA reports and training records					
Output Indicator 2.5		Baseline	Milestone 1	Milestone 2	Target
Improved IT systems for DTD giving NRA the capacity to deliver accurate and timely lodgement, payment and management data on its taxpayers	Planned	Separate DTIS and VIPS systems for direct taxes and GST. Key information deficiencies with DTIS restricting ability to follow up non-compliers. Taxpayer database contains inaccurate/questionable data on taxpayers. Significant funding gap for ITAS software/hardware.	Cleanup of legacy data and preparation of taxpayer accounts ready for migration underway. As approved by revenue reform working group, support provided to secure funding for ITAS and to prepare technical specifications for procurement.	Either confirmed Procurement and Implementation strategy for an ITAS software solution being implemented, or if procurement has failed, a strategy to rework procedures and improve legacy systems to render the systems workable.	ITAS implementation underway, with migration of cleansed legacy data. Or, if ITAS not procured, cleansed legacy systems and an ability to report on taxpayer lodgement and account balances using existing IT infrastructure.
	Achieved				
	Source				
NRA reports					RISK RATING: HIGH

OUTPUT 3	Output Indicator 3.1		Baseline	Milestone 1	Milestone 2	Target	Assumptions	
Domestic Tax Department modernised and improved	Improved taxpayer service to encourage voluntary compliance	Planned	Reactive service with limited information sources available to taxpayers.	Increased information on website, specifically updating tax law information on website such that it is both complete and up-to-date, as well as allowing taxpayers to electronically file tax returns and electronically pay their taxes. Plans made for preparation of tax guides. Call Centre implementation underway	Tax guide preparation in progress. Call Centre operational. Plans made to streamline tax/business registration and LTO.	A complete set of tax guides is available. One-stop-shops in place for tax/business registration and LTO.	<ul style="list-style-type: none"> - Existing IT systems can be improved, or funding for ITAS system and implementation of this system can be achieved - Staffing levels are high enough for DTD to administer effectively 	
		Achieved						
		Source						
		DTD reports						
IMPACT WEIGHTING 25%	Output Indicator 3.2		Baseline	Milestone 1	Milestone 2	Target		
	Improved tax audit performance	Planned	Data on performance of additional tax (from audits) not readily available and audit coverage low. Minimal risk planning.	KPIs developed for audit programme. Mix of audit types reviewed (i.e. comprehensive audits relative to shorter, more focused audits).	Monitoring of KPIs in place. NRA is conducting some shorter, more focused audits, in addition to comprehensive audits. Audit quality standards developed.	Audit quality standards in place.		
		Achieved						
		Source						
		DTD management reports and IT records						
	Output Indicator 3.3		Baseline	Milestone 1	Milestone 2	Target		
	Improved performance in collecting tax arrears	Planned	Arrears unidentifiable for direct taxes. Arrears in GST are high and historically 'old'.	Outstanding arrears figures established. KPIs developed for tax arrears programme.	Strategies in place for dealing with collectable and uncollectable debt. KPIs being monitored.	Enforcement methods reviewed for effectiveness. Coordinated debt strategy across NRA in place.		
		Achieved						
		Source						
		DTD management reports and IT records						
	Output Indicator 3.4		Baseline	Milestone 1	Milestone 2	Target		

	Improved registration and processing	Planned	34,000 TINs issued but only 5,000 policed. 1,000 taxpayers registered for GST who should not be. No electronic registration processes.	Database cleansing in progress. ITAS procurement in progress.	Preparations for ITAS implementation well advanced. Tax forms and processes redesigned ready for ITAS	Implementation of ITAS software underway. Taxpayers can register, file and pay electronically		
		Achieved						
	Source							RISK RATING: MEDIUM
	DTD management reports and IT records							

OUTPUT 4	Output Indicator 4.1		Baseline	Milestone 1	Milestone 2	Target	Assumptions		
Customs and Excise Department modernised and improved	Enhanced revenues achieved	Planned	No high level risk management strategy. ASYCUDA not used to full capacity. No dedicated risk reference or valuation databases. Standards of profiling prior to import at border posts are poor.	Risk management strategy and operations reviewed and improvements recommended. ASYCUDA++ being optimally used.	Risk management improvement plan implemented. Transition to ASYCUDA World planned.	ASYCUDA World implementation in progress.	- High level support for the development of a risk strategy and for a fully functioning intelligence/investigation capability to assist the risk assessment process		
		Achieved							
		Source							
		CED records							
IMPACT WEIGHTING 20%	Output Indicator 4.2		Baseline	Milestone 1	Milestone 2	Target			
	Strengthened law enforcement and border security through improved processes risk management	Planned	Lack of a high level risk management strategy. FASTs are under resourced and ill-trained. Limited co-ordination between CED, police and military at border posts.	Risk management strategy and operations reviewed and improvements recommended.FAST enhancement plan developed.	Risk management improvement plan incorporating FAST enhancement plan approved and implemented.Greater co-operation with police and military, particularly regular meetings and information sharing between the Customs department and the military and police at minimum one border post.	Implementation of risk management improvement plan reviewed.	- High level support for the development of a risk strategy and for a fully functioning FAST/Intelligence/Investigation capability to assist the risk assessment process		
		Achieved							
		Source							
		CED records							

Output Indicator 4.3		Baseline	Milestone 1	Milestone 2	Target	
Improved trade facilitation through streamlined procedures and capacity building	Planned	No pre-arrival information exchange mechanism exists. The Gold Card Scheme and Customs Consultative Committee are not working and the number of import documents is high.	Pre-arrival exchange of information pilot project implemented. Gold Card Scheme and Customs Consultative Committee reactivated. Recommendations for fewer import documents implemented. Review of the ALIC arrangements conducted.	Pre-arrival exchange mechanisms rolled out on a national basis. Reduced number of import documents implemented. Steering Committee in operation overseeing ALIC's work .	New pre-arrival and import document processes monitored and reviewed.	<ul style="list-style-type: none"> - High level support from NRA. - Trade and private sector open to engagement with Customs
	Achieved					
Source						RISK RATING: MEDIUM
CED records. Trading across borders" Doing Business indicator						

OUTPUT 5	Output Indicator 5.1		Baseline	Milestone 1	Milestone 2	Target	Assumptions
Extractives Industries Revenue Unit and Non-Tax Revenue Unit modernised and improved	Planned		Extractive Industries Revenue Bill not universally supported. Legislation regarding NRA mandate for NTRs is inconsistent.	Assistance provided to NRA to support the progression of the EIRB. Review of NRA mandate conducted regarding NTR as part of review of NRA Act 2002.	Assistance provided towards implementation of EIRB or parts of it that have been enacted. Assistance provided to NRA for the progression of the NRA Act amendment.	Sierra Leone extractives legislation is more closely aligned with regional and global best practice. Clear legislative approach for revenues being collected by NTRU.	<ul style="list-style-type: none"> - GoSL support for EIRB or substantial parts of it. - Agreement can be reached on NRA mandate re: MDA NTRs that is legislatively supported.
	Achieved						
Source							
Legislative code							
IMPACT WEIGHTING 10%	Output Indicator 5.2		Baseline	Milestone 1	Milestone 2	Target	
	Organisational capacity of EIRU and NTRU improved	Planned	EIRU has 4 staff, no auditors and limited experience in the extractives sector. Limited information received by NTRU and limited capacity to influence MDAs to ensure assessment of non-tax revenues.	EIRU compliance activities commenced. EIRU auditor training and development commenced. Identification of agency information that would enhance NTRU revenue collections completed.	EIRU compliance programme covering large and medium miners underway. EIRU has begun issuing advice on technical issues. NTRU able to identify collections due and follow up on outstanding payments.	EIRU integrated into the DTD. EIRU auditors are trained and effective. MDAs are providing information to NTRU. NTRU has the capacity to match and identify due payments and report non-compliant MDAs.	<ul style="list-style-type: none"> - EIRU sufficiently resourced. MDAs cooperate with NTRU
		Achieved					
Source							
EIRU audit records. Technical advice issued by EIRU. NTRU records of MDA and revenue products being collected							

Output Indicator 5.3		Baseline	Milestone 1	Milestone 2	Target	
Improved administration of extractive industry taxpayers and non-tax revenues	Planned	No EIRU compliance programme. MCAS being developed for NMA NTRs. MoU drafted for NRA/NMA.	EIRU compliance programme prepared and risks identified. MCAS implemented. MoU between NRA and NMA being implemented. Feasibility of FCAS explored.	EIRU audits undertaken and technical advice issued. NRA/NMA MOU fully operational, with joint audits commenced. Improved compliance.	EIRU providing accurate technical advice, and dealing with non-compliance more effectively. Interface built between MCAS (and FCAS if in place) and ITAS. NTRU able to assess whether payers for main NTR types are meeting obligations.	<ul style="list-style-type: none"> - Successful implementation of MCAS and potentially FCAS. - MoU between NRA/NMA signed. - ITAS procured and implemented in time to allow interface with MCAS and FCAS to be built
	Achieved					
	Source					
EIRU audit records. Technical advice issued. NTRU records of MDA and revenue products being collected						

Section 4: Implementation Phase Work Plan

The Project Implementation Plan below has been devised to address the critical issues identified during the needs assessment undertaken in the inception phase. It provides a relatively detailed description of activities that will be undertaken during the implementation phase of the project. Crucially, these activities will contribute to the institutional development of the National Revenue Authority, leading to increased revenues within and beyond the duration of the project. The work plan will be monitored on a weekly basis and a traffic-light progress tracker will ensure that project deliverables remain on track.

Table 6: Project Implementation Plan

Progress Tracker		
On track	Delayed	Off track

Output 1: Improved legislative and policy framework						
Output 1: Improved legislative and policy framework	Activity	Quarter	Tracker	Milestone	Lead	
	1.1.1 Conduct of a data review to understand what data exists, what does not and what would be reasonably obtainable	2		1.1	RTPD (MoFED) has improved revenue forecasting capacity	NS, ST
	1.1.2 Conduct of a needs assessment to identify modelling requirements to enhance revenue forecasting capacity	2				
	1.1.3 Identification and customisation of appropriate model(s)	3				
	1.1.4 Training and on-the-job coaching to build RTPD (MoFED) capacity to: use and make adjustments to the model(s) and feed in updated data	4-6				
	1.2.1 Support the NRA and MoFED to conduct a data gathering exercise to inform a tax gap study	2-3		1.2	Completion of a comprehensive tax gap analysis, improving RTPD's capacity to set revenue targets and to better understand the weaknesses in Sierra Leone's revenue policy and administration	NS
	1.2.2 Support the NRA and MoFED to conduct a tax gap study	3-4				
	1.3.1 Provide policy development support to RTPD (MoFED) to be informed by the tax gap study and agreed between the project and RTPD, potentially including: <ul style="list-style-type: none"> » support to improve the costing of concessions and waivers » development of policy options to widen the tax base » support to address underperformance of a particular tax type » development of a 'ready reckoner' and/or capacity building in more sophisticated policy costing techniques 	4-11		1.3	Strengthened capacity for revenue policy development within RTPD (MoFED) and the NRA, including development of policy options regarding expansion of the tax base	ST
	1.3.2 Support MRPD (NRA) to develop a standard database for monitoring tax exemptions, building on the current recording of duty waivers	4-5				
	1.3.3 Support MRPD (NRA) to better understand the costs of exemptions and waivers and introduce processes such that this information is provided to decision-makers	5-6				
1.3.4 Support MRPD (NRA) to research and develop policy options for the expansion of the tax base, including consideration of the revenue potential of the informal sector and comparisons between the tax exemption regimes of countries in the sub-region	5-6					

1.4.1 Review and assess existing Double Taxation Agreements	7		1.4	RTPD (MoFED) has improved capacity to manage international taxation issues, including Double Taxation Agreements	ST
1.4.2 Develop a process for managing requests, focusing on major trading partners	8				
1.4.3 Build RTPD capacity so that they can increasingly take primary responsibility for this activity, in conjunction with the Ministry of Foreign Affairs	8-9				
1.4.4 If MoFED decides to lift the suspension on Double Taxation Agreements, develop RTPD's skills to ensure new and amended agreements can be negotiated in the interests of Sierra Leone	9				
1.4.5 Provide RTPD (MoFED) with training on the implications of the US's Foreign Account Compliance Act (FACTA) and the OECD's Base Erosion and Profit Sharing (BEPS) initiative	10				
1.5.1 Building the MoFED-NRA working relationship through various means, such as regular scheduled meetings, embarking on joint project teams, the introduction of joint working groups and encouraging informal conversations and meetings	2-12		1.5	Strengthened MoFED-NRA relationship, with both formal and informal information sharing and collaboration	ST
1.5.2 Development of protocols for sharing of raw data and Key Performance Indicators	7				
1.6.1 Confirm laws, regulations and administrative guidance requiring review, development and/or promulgation	2		1.6	Comprehensive, improved and accessible legal framework for taxation	GK
1.6.2 Support the NRA to provide (and keep up to date) all tax laws, regulations and administrative guidance in a useful and usable format on the NRA website and in other media	3				
1.6.3 Build institutional capacity to carry out end-to-end legislative processes	3-8				

Output 2: Improved Governance, Organisational Effectiveness and Transparency						
Output 2: Improved Governance, Organisational Effectiveness and Transparency	Activity	Quarter	Tracker	Milestone	Lead	
	2.1.1 Review NRA Strategic Plan, evaluate progress and support its revision, as required	2		2.1	Strengthened strategic direction, priorities and resourcing	GB
	2.1.2 Improve the strategic focus across the NRA, ensuring Strategic Plan objectives are reflected in Operational Plans	3-4				
	2.1.3 Improve the focus of PTT targets, ensuring that the annual priorities in the NRA's PTT are aligned to the Strategic Plan and more focused on maximum revenue impact	3, 7, 11				
	2.1.4 Provide options to improve predictability around resourcing and strengthening budgeting processes, including a review of the NRA financing arrangements (3% from MoFED) and support for better alignment between resources and revenue priorities	3-5				
	2.2.1 Support the design and implementation of a Good Governance workshop	2		2.2	NRA Board has more effective oversight of NRA performance	GB, DW
	2.2.2 Improve oversight by identifying KPIs, and embedding processes for regular, accurate reporting	3-5				
	2.2.3 Support Board administration and the transition to a new Board Secretary, inc. preparation, execution and follow up for Board meetings	2-4				
	2.2.4 Support review of NRA Act and recommend amendments	2-3				
	2.3.1 Support NRA to update its Internal Audit Strategy	4		2.3	Improved internal audit function	RF
	2.3.2 Explore software needs for Internal Audit and provide options to NRA management	4				
	2.3.3 Capacity building, informed by TNA, likely in Control & Risk Self-Assessment, Project Audit, Performance Audit and IT Audit	5-8				
	2.3.4 Strengthen the relationship between Internal Audit and other departments to improve acceptance and implementation of Internal Audit recommendations	4-5				
	2.3.5 Support conformance with <i>International Standards for the Professional Practice of Internal Auditing</i>	7-10				
	2.4.1 Improve the content and timeliness of the NRA Annual Report	3-4		2.4	Improved stakeholder management	GB, DW
	2.4.2 Identify key stakeholder groups and drafting an engagement strategy for each (inc. signing of MoUs to strengthen key institutional partnerships)	5-11				
	2.4.3 Assist with analysis of the Customer Perception Survey (and design in future years)	3, 7, 11				
2.5.1 IT support to the HR/Finance Department, rebooting the implementation of Microsoft Dynamics Great Plains through training and support to embed the software package within the NRA	5-6		2.5	More effective use of Management Information Systems	MIS	
2.5.2 Identify business requirements for NRA support services for IT reforms	8-10					
2.6.1 Advise on the organisational structure and staffing to support delivery of the NRA's revenue and reform objectives in line with its updated Strategic Plan	6-8		2.6	Capacity built across the NRA, and capability developed within the NRA to build the capacity of its own staff	TA	
2.6.2 Support NRA leadership to deliver maximum impact, through more efficient use of time, enhanced support systems and improved performance management systems (inc. reviewing and reinforcing the appraisal process)	2-8					
2.6.3 Improve staff engagement, through enhanced communication of decisions, policies and activities to all staff (inc. a regular newsletter)	2-3					

2.6.4	Conduct a Training Needs Assessment to inform capacity building across the NRA	2-3			
2.6.5	Supporting NRA to build the capacity of its own staff through a Training of Trainers programme	4-8			
2.7.1	Integrity assessment including review of Code of Conduct and relevant policies	2		2.7	Strengthened integrity and transparency
2.7.2	Support NRA to develop and implement an Integrity Strategy	8-10			
2.8.1	Support the NRA to secure full funding for ITAS procurement and supporting requirements	2		2.8	Support provided for ITAS procurement
2.8.2	Assist with the development of technical specifications for ITAS procurement	2-3			
2.8.3	Assist with the ITAS procurement process and contract negotiation as needed (led by NRA/PFMICP)	3-4			
2.9.1	Support the redesign of tax forms, development of tax form completion guides, enhanced taxpayer education and outreach including assistance with the NRA website	2-7		2.9	Preparations for ITAS implementation completed
2.9.2	Support the NRA to conduct database cleansing, account clean-up (e.g. ensuring accurate opening balances) and other preparation for data migration	2-7			
2.9.3	Build the capacity of the NRA IT and DTD Teams ready for ITAS implementation	2-12			
2.9.4	Support configuration of the ITAS product for Sierra Leone	5-7			
2.9.5	Assist with User Acceptance Testing (led by SuperUsers) for Phase One	5-7			
2.9.6	Support taxpayer education, engagement of Tax Agents and other activities for 'go live'	7			
2.9.7	Support NRA to recruit and prepare for Data Processing Unit (estimated requirement of 24 staff)	2-6			
2.10.1	'Go Live' with Phase 1, likely TIN Registration, payments/assessing, possibly some e-services	7		2.10	Phase 1 ITAS implementation underway
2.10.2	Provide implementation/embedding support for Phase 1, change management and troubleshooting	7-12			
2.11.1	Configuration of ITAS product Phase 2, likely inc. audit, collections, peripheral modules, external links and the balance of e-services	8-9		2.11	Phase 2 ITAS implementation underway
2.11.2	Assist with User Acceptance Testing (led by SuperUsers) for Phase Two	8-9			
2.11.3	Detailed testing with external links, inc. ASYCUDA, banks, RDF-developed MCAS and others	8-9			
2.11.4	'Go Live' with Phase 2, likely including audit, collections, peripheral modules, external links and the balance of e-services	9			
2.11.5	Implementation/embedding support for Phase 2, change management and troubleshooting	9-12			
2.12.1	Support the NRA to enhance network up-time in the Customs and Excise Department	2-12		2.12	Strengthened IT support to the Customs and Excise Department
2.12.2	Support the NRA to develop IT Business Resumption Plans and Informatics Disaster Recovery Plans for the Customs and Excise Department	6			
2.12.3	Provide (limited) support to the ASYCUDA upgrade (UNCTAD lead), ensuring an interface between ASYCUDA and ITAS	7-12			
2.13.1	Embedded support to IT Department, building skills for a more advanced IT support function	2-12		2.13	Strengthened IT support function
2.14.1	Support process improvements for bank payment and lodgement reconciliation prior to ITAS	2-4		2.14	Improved reconciliation processes

Output 3: Domestic Tax Department Modernised and Improved						
Output 3: Domestic Tax Department Modernised and Improved	Activity	Quarter	Tracker	Milestone		Lead
	3.1.1 Provide support for the enactment and implementation of the Revenue Administration Bill	2-5		3.1	Comprehensive, improved and accessible legislative framework for direct taxes	GK
	3.1.2 Develop Income Tax Regulations; support promulgation of Income Tax and GST Regulations	2-4				
	3.2.1 Support the drafting and distribution of SOP manuals, focusing on areas that will not significantly be affected by ITAS	2-7		3.2	Sustainably improved DTD organisational capacity	JA
	3.2.2 Conduct a review of the organisational functions and units within DTD to ensure DTD is well placed to deliver on the NRA Strategic Plan and that it conforms to international standards	3-4				
	3.2.3 Evaluate the efficacy and deployment of resources and equipment	4-5				
	3.2.4 Conduct a Training Needs Analysis of DTD, and draw up and support the implementation of a Training Plan, incorporating a “train the trainers” approach	3-12				
	3.2.5 Support DTD ‘induction’ training programme	3-4				
	3.3.1 Support development and implementation of compliance and enforcement strategies for LTO & SMTO, inc. shortened audit types to increase coverage of taxpayers and combined audits with CED	2-4		3.3	Improved compliance and enforcement for LTO and SMTO	PH
	3.3.2 Support the development and implementation of Risk Based Assurance and Compliance/ Enforcement Programmes, including support to STRIP 2 and GST reinforcement	2-4				
	3.3.3. Strengthen RIIU intelligence gathering and data matching for DTD Design & Monitoring team	2-4				
	3.3.4 Support DTD to review, develop and implement legislation for evasion and non-compliance	2-4				
	3.3.5 Support introduction of audit quality standards and assurance mechanisms for audit team leads	3-4				
	3.3.6 Assist NRA with the identification and analysis of tax arrears, including development of strategies for dealing with uncollectible debt and focusing on high-priority collectible debt	2-6				
	3.3.7 Support the establishment of a centralised Debt Management Unit	3-5				
	3.4.1 Support DTD to develop an ITAS Integration Plan	5-6		3.4	Successful integration of DTD systems to ITAS	BA
	3.4.2 Support any business process review/mapping required in preparation for ITAS	5-6				
	3.4.3 Support DTD to implement its ITAS Integration Plan	6-12				
	3.5.1 Support DTD to improve taxpayer consultation and education, including assisting with the design of taxpayer education materials	4-8		3.5	Improved customer services to facilitate taxpayer voluntary compliance	JA
	3.5.2 Support DTD to improve customer services, inc. using planned Call Centre for inward calls (and enforcement and compliance ‘call-out’ campaigns)	3-5				
	3.5.3 Support streamlining & improvement of customer services for LTO to facilitate payments	3-5				
	3.5.4 Support the establishment of a centralised Complaints and Disputes Unit	4-5				
	3.5.5 Establish processes to introduce refunds, including supporting negotiations between NRA and MoFED to try to establish facilities and a bank fund to make tax refunds	2-5				
3.5.6 Further develop the Centralised Registration Unit one-stop-shop for tax/business registration with OARG and examine the feasibility of other Doing Business improvement strategies	3-5					
3.6.1 Support to NRA to better manage the tax affairs of “medium” taxpayers	2-4		3.6	Improving alignment of NRA activities with customer segmentation	JA	
3.6.2 Support implementation of Small and Micro Enterprise regime	2-5					

Output 4: Customs and Excise Department Modernised and Improved					
Activity	Quarter	Tracker	Milestone	Lead	
4.1.1 Review of the Excise Act 1982 and the Customs Tariff Act	3		4.1 Comprehensive, improved and accessible legislative framework for Customs and Excise	GK, FF	
4.1.2 Review of the Customs Classification Regulations and the development of other required Customs Regulations following upcoming PFMICP assistance	4				
4.1.3 Review of the impact of Sierra Leone's ratification of the revised Kyoto Convention and Harmonised System to ensure current and developing legislation is compliant	4				
4.2.1 Support the NRA to draft and distribute SOP Manuals for all Customs functions (inc. ASYCUDA)	2-7		4.2 Sustainably improved CED Organisational Capacity	CCS	
4.2.2 Conduct a review of the organisational functions and units within CED to ensure CED is well placed to deliver on the NRA Strategic Plan and that it conforms to international standards	3-4				
4.2.3 Conduct a risk assessment review of Customs estates and locations, providing a basis for strategic reform	4				
4.2.4 Evaluate the efficacy and deployment of resources and equipment	4-5				
4.2.4 Conduct a comprehensive Training Needs Analysis of CED, draw up and support the implementation of a Training Plan incorporating a 'Train the Trainer' approach	3-12				
4.3.1 Provide Assistance to CED for the adoption of a Reference Price Database	4-5		4.3 Enhanced revenues achieved through adoption of a price reference database, improved audit and debt management, and strengthened transit procedures	CG	
4.3.2 Conduct an audit of Customs debts and make recommendations for change including linkages with proposed centralised Debt Management Unit	2				
4.3.3 Conduct a review of Customs transit procedures	5				
4.4.1 Review existing systems and procedures relating to the use of FASTs and plan and support the implementation of a revised deployment structure based on risk assessment principles	2-8		4.4 Strengthened law enforcement and border security through improved processes and development of risk management capacity	FF	
4.4.2 Review the methods and procedures relating to the gathering and use of intelligence and the investigation of offences	4-10				
4.4.3 Establish System of Pre Arrival Checks at Lungi Airport	6-9				
4.4.4 Review the status of 'Special Flights' at Lungi Airport to ensure that procedures are transparent and that effective controls are in place	9-12				
4.4.5 Evaluate the recently concluded report on risk management, profiling and assurance and support the implementation of reforms by introducing effective and robust profiling to inform selectivity and improve results	5				
4.4.6 Support the NRA to develop a high-level Risk Management Strategy	2				
4.4.7 Assist with design of a Risk Management programme	5-6				
4.5.1 Establish a Pre-Arrival Exchange of Information Pilot Project with one neighbouring country	2-6		4.5 Improved trade facilitation through streamlined procedures and capacity building support	CG	
4.5.2 Conduct a survey of Customs Clearance Agents and Brokers to assess needs and areas for improvement	2-3				
4.5.3 Conduct a Training Needs Analysis of Clearance Agents and Brokers and implement a training programme as appropriate	3				
4.5.4 Review the number of paper documents relating to Customs imports with a view to rationalisation	3-4				

4.5	4.5.5 Introduce a 'Blue Lane' facility on ASYCUDA to facilitate increased post-clearance audit controls	2-4			
	4.5.6 Review arrangements for ALIC pre-shipment inspection to coordinate the respective roles of the company and CED and to inform advice on future arrangements	5-6			
	4.5.7 Support the Customs Working Group on Post-Ebola Lessons Learnt (inc. representatives of Liberia, Guinea and Sierra Leone) to identify key lessons and best practice	2-4			
	4.5.8 Support the NRA to reinstate the Customs Gold Card Scheme to simplify procedures for compliant traders	2-5			
	4.5.9 Support the Customs Consultative Committee to meet the needs of the private sector	2-4			
	4.5.10 Support the NRA to maximise use of ASYCUDA++	2			
	4.5.11 Collaborate with other stakeholders to achieve a successful transition to ASYCUDA World with the aim of implementing a 'single window' system in 2017/2018	7-12			

Output 5: Extractive Industries Taxation Unit and Non-Tax Revenue Unit Modernised and Improved						
Output 5: Extractive Industries Taxation Unit and Non-Tax Revenue Unit Modernised and Improved	Activity	Quarter	Tracker	Milestone		Lead
	5.1.1 Assist GoSL and IMF with enactment of EIRB or feasible parts of it	2-3		5.1	Legislative framework for extractive industry revenues improved	CS
	5.1.2 Assist NRA with implementation of EIRB	7-9				
	5.1.3 Develop mechanisms to monitor mining agreements	9-12				
	5.2.1 Support the development and implementation of an EIRU training programme, in collaboration with the AfDB and NMA	2-3		5.2	Organisational capacity of EIRU improved	CS
	5.2.2 Support the EIRU to provide advice to EI taxpayers on technical issues	7-10				
	5.2.3 Provide assistance to NRA to integrate EIRU into DTD	10-11				
	5.2.4 Liaison with and handovers to/from AfDB funded consultant	3, 6				
	5.2.5 Further capacity building support to the EIRU, following AfDB support (content to be determined during Q6)	6-10				
	5.3.1 Support the implementation of the MoU between the NRA and NMA	2-3		5.3	Improved administration of extractive industry taxpayers	CS
	5.3.2 Assist with development and implementation of compliance programme covering large and medium miners	2-3				
	5.3.3 Provide support to implement MCAS and to develop the data matching capability of NRA	2-3				
	5.3.4 Support joint audits involving NRA EIRU and NMA	7-10				
	5.3.5 Participate in and provide assistance to the Extractive Industries Task Force	2-3, 7-11				
	5.4.1 Review the NRA Act 2002 in relation to NRA mandate regarding MDA non-tax revenues	2		5.4	Legislative framework for non-tax revenue collections improved	GB
	5.4.2 Support amendments to the NRA Act as appropriate	4-7				
	5.4.3 Assist with the implementation of NRA Act amendments	8-10				
	5.5.1 Help NRA to identify MDA information that would enhance NTRU collections	2		5.5	Organisational capacity of NTRU improved	AA
	5.5.2 Support NTRU to identify collections due and follow up on outstanding payments	5-8				
	5.5.3 Support NTRU to report non-compliant MDAs to regulatory authorities	8-11				
5.6.1 Provide support to enable the NTRU staff to access MCAS and NMA data	2-3		5.6	Improved administration of non-tax revenues	AA	
5.6.2 Explore the feasibility of developing 'FCAS' for forestry lease rentals	2					
5.6.3 Support NRA to create an interface between ITAS and existing mining lease database and proposed forestry database to ITAS	9-12					

GB: Graham Burnett, Team Leader
NS: Nick Spyropoulos, Tax gap and Modelling Specialist
ST: Samantha Torrance, Revenue Policy Lead
GK: Graeme Keay, Legal Advisor
DW: David Watt, Governance, HR and Training Advisor
RF: Ross Fraser, Internal Audit Specialist
MIS: Management Information Systems Specialist (tbc)
TA: Training Advisor (tbc)
OM: Oke Millett, IT Specialist

BA: Business Analyst (tbc)
ITTA: IT Technical Advisor (tbc)
ITC: ITAS Configuration Expert
JA: Julian Adey, Domestic Tax Lead
PH: Peter Harries, Domestic Tax Advisor
FF: Frank Ferguson, Customs Lead
CG: Colin Grogan, Customs Operations Advisor
CCS: Customs Central Services Advisor (tbc)
CS: Chris Sheehan, Extractives Lead
AA: Aasmund Anderson, NTR Lead

Section 5: Risk Assessment Matrix

The table below is a risk management matrix that we will use to monitor and mitigate threats during the Implementation Phase. This will be a live programme management tool that will be updated periodically by our Programme Manager as the Programme evolves.

Table 7: Risk Assessment Matrix

Risk	Probability	Impact	Comments	Mitigation
Political, economic and environmental factors				
Slow or weak economic recovery dampens revenue collections	Med	Med	Investors are likely to remain cautious following the Ebola epidemic, particularly given the significant political uncertainty in the run up to the 2017 elections.	The focus of the project is on reforms that will drive increased revenues in the long-run, beyond the life of the project, mitigating the impact of a slow economic recovery.
Weak extractives sector undermines revenues	High	Med	2014 saw a slump in iron ore prices and the closure of the two largest mines in Sierra Leone.	The project focuses on revenue increases primarily through domestic taxes whilst simultaneously building capacity of the Extractive Industries Revenue Unit so that it is well positioned for growth in the sector.
Increase in iron ore prices weakens incentives for non-iron ore revenue collection	Med	Med	Goldman Sachs recent prediction that iron ore prices will slump further 30% over next 18 months. However, predicting commodity prices is very difficult, so unexpected increase cannot be ruled out.	Strengthening Extractive Industries Revenue Unit will ensure NRA captures revenues due if iron ore prices boom. We will use our regular consultation with MoFED and NRA to ensure that progress in other areas of the NRA is maintained.
Political or civil unrest disrupts programme activities	Low	High	Whilst low, the risk of political/civil unrest has increased given: a) the economic impact of Ebola ; b) the 'constitutional crisis' surrounding the dismissal of the VP c) the 2017 elections, at which point President Koroma is required to stand down; d) the strength of the military; and e) increasing demand (as yet unmet) for decentralisation.	Mitigation by the project is limited to monitoring events and taking appropriate project-level precautions.
Slowdown in pre-election period undermines reforms	High	Med	Ministers and senior Government officials are likely to be distracted from day-to-day Government by politics. This will make it more difficult to move forward where senior and/or political engagement is required.	The project will aim to focus on more technical and process-driven matters during the pre-election period, which will require lower levels of interaction from the senior leadership.
Political incentives to collect revenue change (weaken) in pre-election period	Med	High	Political incentives to collect revenues for the consolidated fund can change in the pre-election period, particularly if the Governing party is not confident of remaining in power.	The reforms in the project will naturally mitigate, including through the automation of systems, strengthening of business processes and integrity enhancements.
Change of Government causes disruption and potential changes to NRA staffing, strategy and resource allocation	Med	High	If there is a change of Government in 2017 it is highly likely that the new leadership will appoint new people into senior positions. This may lead to a change in organisational strategy and could undermine progress with reforms and capacity building. Revenue Authorities are inherently political and thus particularly subject to this sort of disruption.	The project has significant emphasis on building systems and building capacity deep into the organisation. This will serve to minimise and mitigate the impact of such disruption. In the event of a change of Government, the project would also offer to brief the incoming leadership to seek buy-in to reforms.
Health epidemic disrupts programme activities	Low	High	Either a resurgence of Ebola or the emergence of a new health epidemic in Sierra Leone would risk seriously disrupting programme activities.	Mitigation by the project is limited to monitoring events and taking appropriate project-level precautions.
Lack of political will or active political influence undermines reforms	Med	Med	The programmes reforms to increase revenue collection will inevitably decrease gains being made by some companies and individuals, many of whom will be in positions of political authority or influence.	The project team has engaged with the NRA on all the proposed reforms during the Inception Phase and believes there is sufficient political will to implement them. The project will continue to seek approval throughout the project as reforms progress and the CG will engage with the Minister of Finance and the President as necessary.
Corruption undermines programme objectives and programme reforms.	Med	High	Corruption presents a serious risk in any revenue authority. Systems which limit the scope for such corruption are therefore liable to face resistance and risk being actively undermined.	The reforms in the project will naturally mitigate, including through the automation of systems, strengthening of business processes and integrity enhancements. Buy-in from the CG and her proven willingness to engage the ACC will further mitigate.
Personal or political incentives create reluctance to reduce concessions.	High	Med	Given the extent of concessions and waivers, and the strong links between Government and the private sector, there is no doubt that people within Government benefit from them.	The reforms in the project will naturally mitigate, including through the automation of systems, strengthening of business processes and integrity enhancements.

Programme factors				
Extended absence of key counterparts limits/delays progress	Med	Low	The Commissioner General (CG) and other senior officials travel a lot, often for extended periods. In the absence of the CG, decisions are put on hold rather than delegated.	The programme governance arrangements provide for regular interactions, enabling periods of absence to be pre-empted and managed.
Extractives Industries Revenue Bill is not passed, or passed but not implemented.	High	Low	There appear to be significant political obstacles to the passing of the EIRB. Even if the Bill is passed, there remains a risk that it is not (fully) implemented.	Consider removal of petroleum related clauses. Support NRA with implementation if the Bill is passed.
Complementary support to the EIRU is delayed, undermining gains made	Low	Med	The AfDB currently intends to fund full time TA in the EIRU from late 2015.	A handover period is planned. In addition, additional consultant days will be allocated to provide support in the event of a delay as well as for ad-hoc support after the arrival of the AfDB consultant.
Lack of funding for ITAS prevents procurement	Med	High	Up to US\$3.5m is currently available for ITAS software and hardware procurement through PFMICP. Total costs are likely to be approximately \$5.5m. As such, a significant funding gap remains.	Conversations with donors during the Inception Phase demonstrate an appetite to find a solution to this issue. The project will support the NRA in its efforts to secure full funding for ITAS as soon as the Implementation Phase begins.
Weak procurement processes delay or obstruct ITAS procurement	Med	High	Delays or blockages are an inherent risk of any reasonably large procurement in this environment.	The project will offer assistance to the NRA and PFMICP to support the procurement process.
Purchase of inappropriate ITAS product undermines potential impact	Low	High	Selection of an inappropriate product is likely to result in delayed and/or reduced revenue benefits to Sierra Leone from ITAS implementation.	The project will support the NRA and PFMICP to draft technical specifications for the ITAS procurement. The project will also offer assistance with the assessment of bidders against the specified criteria.
Lack of IT hardware, software and equipment undermines ITAS implementation	Low	High	The benefits of ITAS implementation rely on the NRA having adequate supporting hardware and software. The NRA will require infrastructure hardware, desktop computers and relational database management system (RDBMS) software.	The project will have an advisor embedded full time within the IT team to help resolve hardware issues. In addition, the project proposes to support the NRA with funding and budgeting processes and can help make the case for funding these needs.
Short-term horizons pull focus and resources away from the highest impact reforms	High	Med	Both the election in 2017 and the current tendency of the NRA's PTT to focus on short-term initiatives can result in a short-term focus. Implementation of longer-term reforms will require substantial and sustained focus and resources.	The project has discussed this issue with the NRA during the Inception Phase. The project will also support the NRA in future PTT discussions/negotiations to ensure that PTT targets are focused on initiatives that will deliver the highest revenue impact.
Poor coordination between partners results in overlap, duplication and/or confused strategic direction.	Low	Med	There are numerous partners involved in revenue improvement in Sierra Leone either directly or indirectly. More detail is provided in the Introduction to this report.	Coordination during the Inception Phase has been very strong. The project will continue this approach of frequent and collaborative interactions with other partners throughout the Implementation Phase.
The NRA is unable to increase staffing levels to respond to progress made	Med	High	The reforms will generate additional revenues and taxpayers, which will increase the workload of the NRA	The project will support the NRA to set out clear justifications for increased staffing, including expected revenue gains from proposed changes and consideration of internal reallocations
Revised deployment structure of FASTS undermined by lack of commitment from agencies	Med	Med	Efforts to increase coordination with other agencies may fail to gain commitment as a result of suspicions about erosion of power and/or perceived security and corruption threats.	The project will seek high-level support from Heads of Agencies for increased coordination, and will demonstrate the benefits for each agency (e.g. higher profile, strengthened capacity, lower costs, more efficient tasking and improved results)
Funding to the NRA is delayed or below expectations	Med	Med	The NRA is entitled to funding of 3% of revenue collected, payable in quarterly instalments. The NRA has not received the full 3% from MoFED since 2009. The balance at 31 March 2015 exceeded Le 70bn. In addition, quarterly disbursement of funds is on average one month late.	The project is providing support to MoFED as well as NRA and will be well placed to inform decisions. The project will aim to improve certainty of funding if not funding levels.

Section 6: M&E Plan

Ongoing programme management and decision making will be driven by monitoring and evaluation. Whilst M&E is able to prove success and progress, it also enables continuous improvements so that future impact can be assured. An effective M&E framework is particularly important for the success of this project as a result of:

- » The number and diversity of tasks – the M&E framework will facilitate the regular review of resource allocation to maximise overall impact, enabling comparisons of impact across work streams and effective decisions regarding which to scale up, downsize or terminate
- » The political context and associated risks and opportunities – the M&E framework will enable the project to monitor performance real time as risks and opportunities unfold, and to identify and respond early to emerging risks and opportunities
- » The desire for local ownership of reforms and sustainability – the M&E framework is not only a project management tool for ASI but also a tool to strengthen counterparts' M&E capacity

Figure 10: The benefits of effective M&E



As shown immediately below, our M&E processes will be continuous. There will be daily monitoring of activities and deliverables, and weekly monitoring of Activities and Milestones. Progress against Milestones will be discussed in regular interactions with GoSL and DFID. This will in turn determine progress against the Logframe Outputs, Outcome and Impact, which DFID will verify in its annual reviews. Paul Davies, Director of Revenue Reform, will conduct a quarterly review of Programme progress that will focus on Output level, and which will culminate in a quarterly report to DFID and the GoSL.

Table 8: Programme M&E

Daily	Weekly	Monthly	Quarterly	Annual	May 2018
Continuous interaction as team is co-located with counterparts. Feedback on challenges and progress informs amendments to Implementation Plan	Updating of Task and Milestone Tracker traffic light system Brief bullet point reports by Output leads compiled into a weekly project update	Report to the Revenue Reform Working Group, including progress against the Project Implementation Plan	Presentation to Programme Steering Committee, including progress against the Project Implementation Plan and Logframe	DFID review to determine whether the programme should be extended, and/or whether there should be a new successor programme	DFID Programme Completion Review
<i>Team Leader and Programme Manager</i>	<i>Team Leader and Programme Manager</i>	<i>Team Leader and Programme Manager</i>	<i>Team Leader and Programme Manager</i>	<i>DFID</i>	<i>DFID</i>

The Milestone and Task Trackers referred to in Table 8 above are simple programme management tools we have developed through live project experience, and which are integrated into the Project Implementation Plan. They use a traffic light system for each Activity Milestone, along with an explanation for amber and red categorisation, and targeted mitigating actions required by specific team members. These tools are the cornerstone of live programme monitoring and evaluation that have served ASI programmes very well over the years.

Appendix 1: Support provided to the NRA during the Inception Phase

ASI took the opportunity of being in Sierra Leone for the Inception Phase to provide the NRA with some support in addition to completing the programme design work. This was important for the NRA and the project team to get to know one another, build relationships and to be in the best possible position to deliver on the project once the Implementation Phase begins. Table 9, below, provides a summary of the additional support provided during the Inception Phase.

Table 9: Support Provided During the Inception Phase

Activity	
1	Review of Revenue Administration Bill, preparation of Cabinet memo, and review of Finance Act 2015 impact, in collaboration with DTD
2	Updated and agreed draft GST Regulations with DTD ready for senior management approval
3	Preparation of unofficial consolidations of GST and Income Tax laws for website
4	Listing of exemption and concession provisions in laws (in progress)
5	Review and updating of MoU between the NRA and the NMA ready for signing
6	Advice to the CG on Trading Across Borders “Doing Business” Indicator plans for 2015/16
7	Commenced Preliminary revenue potential study relating to Personal Income Tax in collaboration with MRP (in progress)
8	DTD Training Programme assistance – developed training programme and materials for 21 DTD Trainee Trainers and conducted two days of training
9	Provided advice to MRP on a range of topics inc. Annual Report content/process and the content of proposed surveys
10	Reviewed draft Customs (Valuation) Regulations and draft Customs (Binding Tariff Information and Valuation Rulings) Regulations
11	Provided assistance to the Extractives Revenue Task Force with listing legal provisions requiring information from mining companies
12	Commenced work on itemising and costing tax expenditures relating to the extractives sector (in progress)
13	Advice to the MRP Director and Assistant Directors on the research design of the proposed NRA Staff Competency and Skills Audit Survey
14	Recommended change of direction for future IT strategy – shift from interim system development to support for implementation of ITAS