

# 2020 REVISED DOMESTIC REVENUE AND 2023 REVENUE TO GDP TARGET

WHERE ARE WE IN MIDST OF  
THE COVID-19?



**RESTLESS  
DEVELOPMENT**



**christian  
aid**



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# 1 INTRODUCTION

**“In the New Direction, the focus will be to increase the domestic revenue Gross Domestic Product (GDP) ratio from about 10% to 20%.” ... New Direction page 4.**

**“Our domestic revenue makes up only 11.5 percent of GDP and is one of the lowest in the World” ...** President Bio during the State Opening of the 5th Parliament of the 5th Republic of Sierra Leone.

**COVID-19 may not affect the 2020 Budget Implementation...** Minister of Finance – Jacob Jusu Saffa on Radio Democracy Gud Morning Salone programme June 11, 2020

The Public Financial Management consortium, which comprises the Budget Advocacy Network (BAN), Centre for Accountability and the Rule of Law (CARL), Restless Development (RD) and Christian Aid (CA) with support from Department for International Development (DFID), sees these commitments as vital for the delivery of essential social services including the Free Quality Education and the Free Healthcare. Social services are financed through incomes accrued from the domestic revenue collection. This analysis aims at finding out how (in monetary terms) the COVID-19 is impacting on domestic revenue collection and the extent to which the NRA is meeting its revised target for 2020 and that of the domestic revenue to GDP by 2023. Against this backdrop, Budget Advocacy Network has decided to start tracking the above policy commitments with a view to give monthly real-time updates. In the meantime, information available from the Accountant General’s Office only include one month of COVID-19 (April). This means that we have included broader analysis to enrich this first issue of the report.

Whilst there are talks of impact of Covid-19 on the economy, there is currently no monthly updates on how revenue is being impacted in real number terms. This information is important for the public so that they are prepared for challenges that may come with this impact – in terms of allocations for service delivery. It is also a way of making information on the revenue collection transparent so that citizens can understand how this impacts service delivery so that they are able to fairly hold duty bearers accountable for their commitments.

The data used for this tracking is the published monthly statement of the Consolidated Fund, which includes actual revenues and expenditures done by the Accountant General’s department and published on the Ministry of Finance’s (MoF) Website. This publication looks at data in the first four (4) months of 2019 and the first four (4) months of 2020.

The Gross Domestic Product (GDP) used is Le 41.4 trillion. The daily revenue collection of 2019 is calculated by dividing the total monthly revenue by the total working days excluding weekends and public holidays. Saturdays are included in the 2020 daily and monthly domestic revenue analysis. The Exchange rate used is the average monthly rate from the Bank of Sierra Leone website.

## 2 REVENUE COLLECTION

### 2.1 MONTHLY REVENUE TREND

Figure 1: Monthly Domestic Revenue Collection Trend in nominal term (January to April for 2019 and 2020)

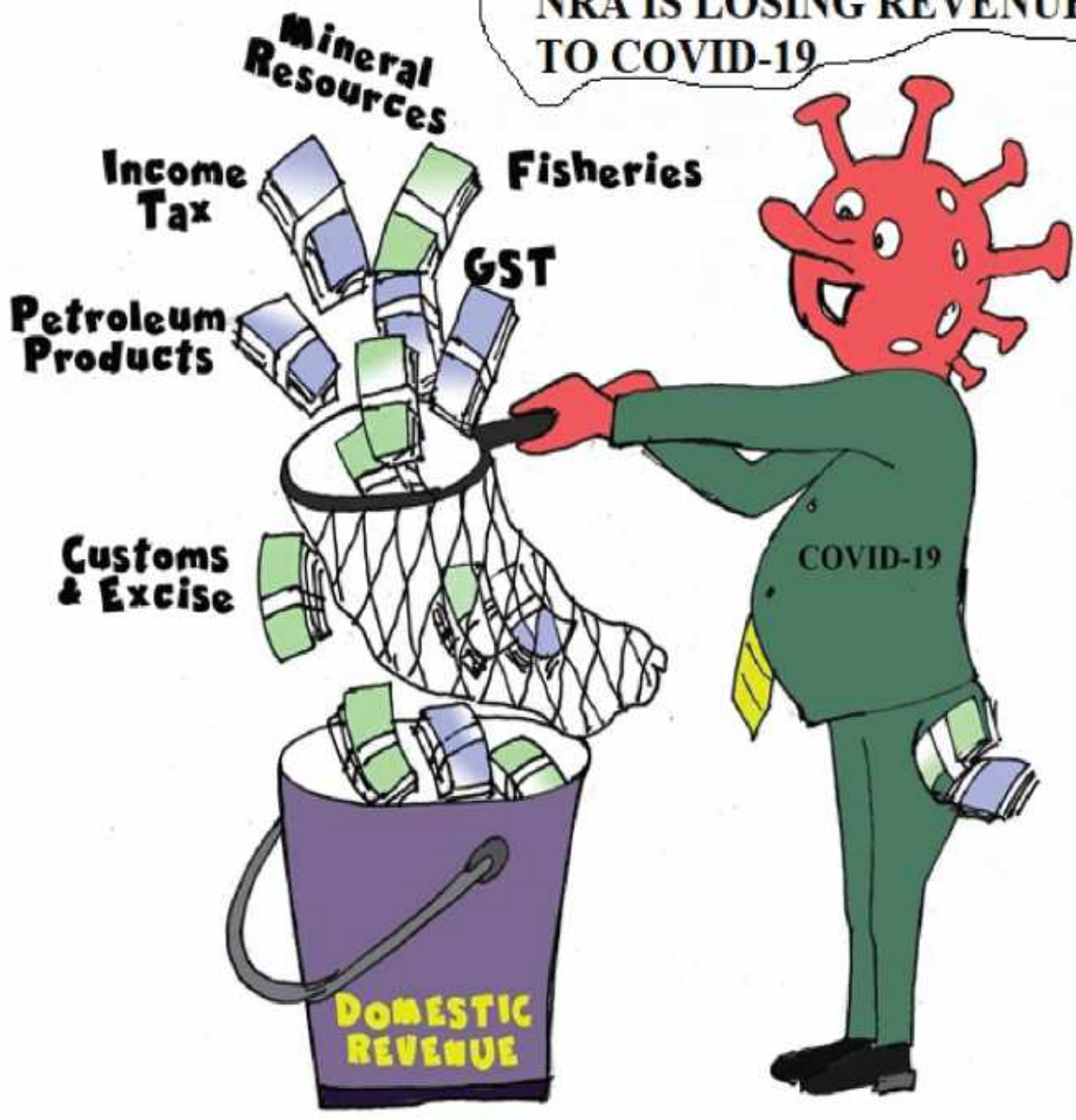


Source: Accountant General Department-monthly fiscal report (January-April 2019 and 2020).

From figure 1 above, National Revenue Authority (NRA) collected more revenue in the first four (4) months of 2019 than they did in 2020 for the same period by Le 58.4 billion. The data indicate a steady progress in the 2019 domestic revenue drive to compare same in 2020. However, in January 2020, NRA collected more revenue than January 2019 by 78.9 billion. . This revenue trend dropped in February by Le 64.1 billion, increased by Le 60.5 billion in March and decreased again in April 2020 by Le 10.5 billion.

The revised domestic revenue target for 2020 is Le 6.47 trillion and the total revenue collected so far (January to April) is Le 1.78 trillion, which represent 27.5% of the revised revenue target. If this trend continues, NRA may not meet its target for 2020.

**NRA IS LOSING REVENUE DUE TO COVID-19**



**Table 1: Trend in Revenue Streams (January - April)**

Domestic Revenue Collection (Le million)	JANUARY			FEBRUARY			MARCH			APRIL		
	2020	2019	Percentage change (from 2019 to 2020)	2020	2019	Percentage change (from 2019 to 2020)	2020	2019	Percentage change (from 2019 to 2020)	2020	2019	Percentage change (from 2019 to 2020)
Income Tax	143,612	124,539	15%	127,919.00	117,594	9%	187,578.3	191,845.7	-2%	140,285	140,014.3	0.19%
Customs and Excise	82,768	62,848	32%	64,786.00	89,175	-27%	70,068.09	117,175.9	-40%	56,444.4387	69,903.65	-19.25%
Goods and Services Tax	85,832	82,534	4%	75,142.43	72,026	4%	85,262.32	84,236.61	1%	69,127.4006	85,372.86	-19.03%
Mineral Resources	48,467	4,542	967%	2,1687.77	16,640	30%	12218.3	22,117.84	-45%	11,199.2815	2,3847.26	-53.04%
Fisheries	12,825	5,830	120%	13,462.98	32,826	-59%	36,98.812	29,19.811	23%	58,19.23403	1822.157	219.36%
Other Departments	36,667	71,006	-48%	14,681.00	48,530	-70%	49,549.6	46,044.4	6%	27,413.4379	28,103.47	-2.46%
Petroleum Products												
Excise Duty	37,401	30,237	24%	27,279.86	29,166	-6%	31,873.56	42,122.15	-24%	23,530.5585	33,521.35	-29.80%
Road User Charges	8,366	13,542	-38%	7,797.77	6,043	29%	73,46.449	112,46.51	-35%	58,05.27886	39,20.174	48.09%
TSA Revenue (Excluding Road Fund)	18,014	-		57,112.00	0		22,889.86	32,416.07	-29%	25,507.5675	33,062.44	-22.85%
Total Domestic Revenue /percentage change	473,953	395,078	20%	409,868.81	413,001	-1%	470,395.3	550,125	-14%	365,131	419,568	-12.97%
Total Domestic Revenue (US\$ Million)	48.7	46.8	4.1%	42.0	48.4	-13%	48.2	63.8	-24%	37.6	48.2	-21.99%

**Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)**

There was more revenue collected from all streams in January 2020 than January 2019. The domestic revenue flow increased by Le 31.3 billion in February 2020 as against February 2019 despite the global outbreak of COVID-19. However, domestic revenue generation dropped by -14% in March 2020 compared to March 2019. NRA was able to collect more revenue from the following streams {Goods and Services Tax, (1%) Fisheries (23%) and other departments (8)} in March 2020.

The following analysis compares the number of working days, revenue collected per day and the monthly domestic revenue accrued in January to April for 2019 and 2020

Table 1 above further shows it is only in January the NRA recorded 20% positive percentage change (comparing January 2020 to January 2019). In United States dollar terms, domestic revenue increased by only 4.1% when comparing January 2020 to January 2019. The percentage change for other months decreased further when compared to the Leones percentage change **For the month of February 2020, NRA collected more revenue in the following streams: Income Tax (9%) Goods and Services Tax (4%) Mineral Resources (30%) Road User Charges (29%)** than February 2019.

In April 2019 there was more domestic revenue collected than April 2020. **Income Tax, Fisheries, and Road User Charges** are the domestic revenue streams in which more revenues were collected in April 2020 than April 2019.

## 2.2 REVENUE COLLECTION PER DAY

Table 2: Trend in Daily Domestic Revenue Collection (Jan- April 2019 and 2020)

	2019				2020			
	Jan	Feb	Mar	April	Jan	Feb	Mar	April
Monthly Revenue (Le Million)	395,078.02	413,001.00	550,124.96	419,567.64	473,953.30	409,868.81	470,395.29	365,131.00
Number of working days	22	19	30	19	26	24	25	23
Revenue per day (Le Million)	17,958.09	21,736.89	18,337.50	22,082.51	18,228.97	17,077.87	18,815.81	15,875.26
Revenue per day (US\$ million)	2.1	2.5	2.1	2.5	1.9	1.8	1.9	1.6

Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)



On average, the daily domestic revenue collection for the first four (4) months of 2019 is Le 20 billion while for 2020 is Le 17.5 billion.

The daily domestic revenue for April 2020 reduced by Le 6.2 billion compare to April 2019. This reduction was due to the slowdown in the economic activities in the country caused by the COVID-19 raft of measures, which affected business operations.

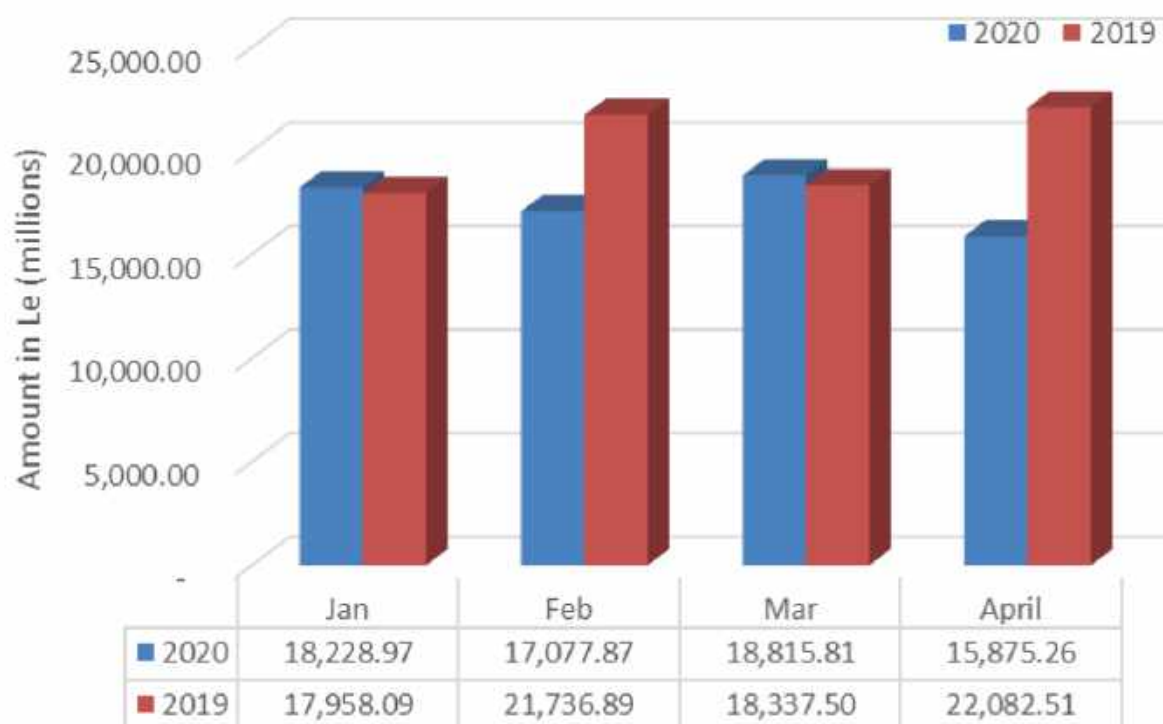
Note: In August 2019, NRA started the Saturday operation service at the Port, which increased the number of working days per week to six (6) for 2020.

Table 2: Trend in Daily Domestic Revenue Collection (Jan- April 2019 and 2020)



**EVEN DURING COVID - 19 NRA IS ABLE TO COLLECT REVENUE**

Figure 2: Trend in average daily domestic revenue collection (Jan- April 2020 and 2019)



Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)

## 2.3 MONTHLY DOMESTIC REVENUE COLLECTION TO GDP

Table 3: Monthly trend in revenue to GDP (Jan- April 2019)

	2019			
	Jan	Feb	Mar	Apr
Domestic Revenue (Le Million)	473,953.30	409,868.81	470,395.2873	365,131
Actual Nominal GDP (Le Million)	36,835,000.00	36,835,000.00	36,835,000.00	36,835,000.00
% of domestic revenue to GDP	1.29%	1.11%	1.28%	0.99%

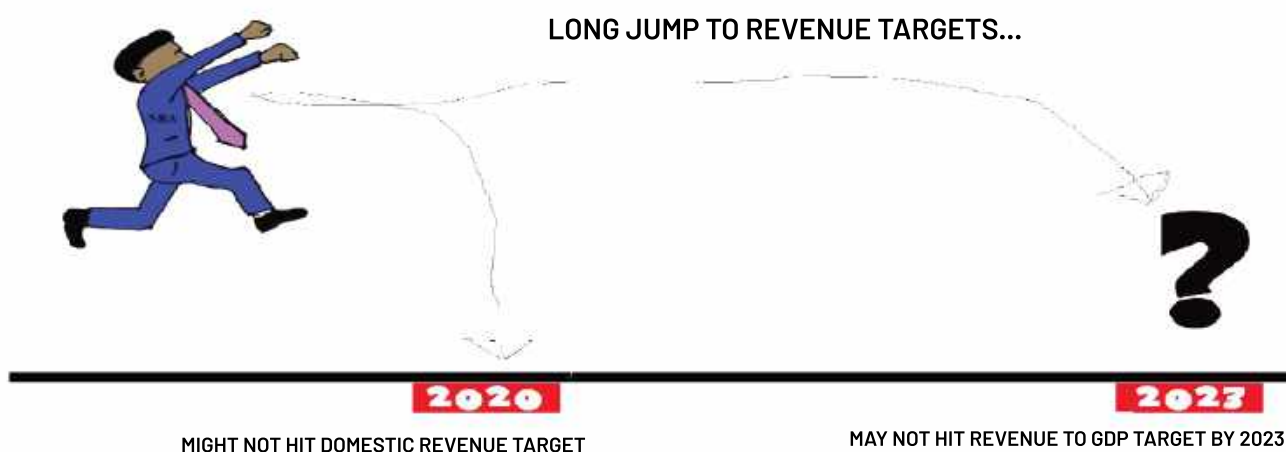
Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)

**Table 4: Monthly trend in revenue to GDP (Jan- April 2020)**

	2020			
	Jan	Feb	Mar	Apr
Domestic Revenue (Le million)	395,078.02	413,001	550,125	419,568
projected Nominal GDP (Le million)	41,400,000.00	41,400,000.00	41,400,000.00	41,400,000.00
% of domestic revenue to project nominal GDP	0.95%	1.00%	1.33%	1.01%

**Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)**

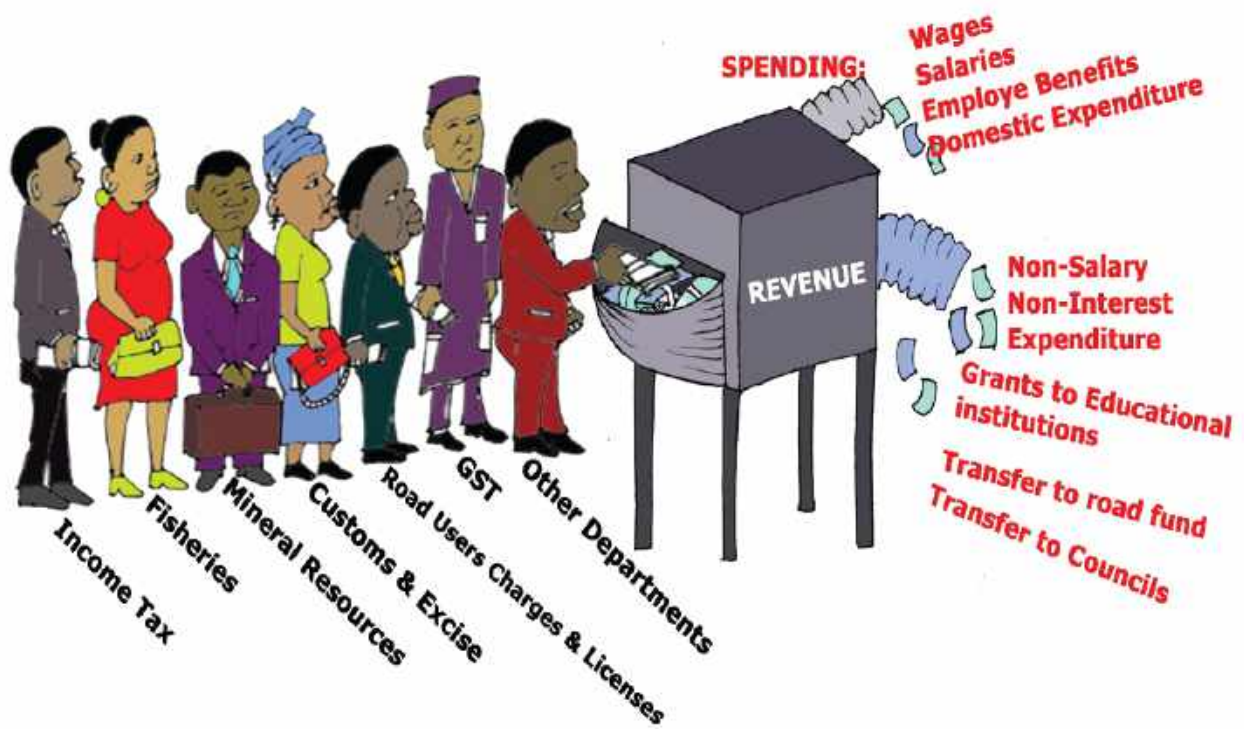
On the average, NRA is collecting between 1.1% and 1.2% of domestic revenue to GDP for the first four (4) months in 2019 and 2020. If this trend continues, NRA might not be able to hit the 20% revenue to GDP target by 2023. For NRA to meet its target of 20% of domestic revenue to GDP in 2023, it must be able to raise at least 1.7% of GDP per month on average by 2023.



The revised domestic revenue target for 2020 is Le 6,470,437 million representing 16% of GDP. However, trend in the domestic revenue to GDP shows that NRA has raised Le 1,777,771.62 million representing 4.29% of GDP for the first four (4) months in 2020. If this trend continues, NRA will only be able to raise 13% of domestic revenue to GDP by the end of the year.



# 3 WHERE IS THE MONEY GOING?



### 3.1 GOVERNMENT OPERATING EXPENSES

Table 5: Trend in government operating expenses (Jan- April 2020 & 2019)

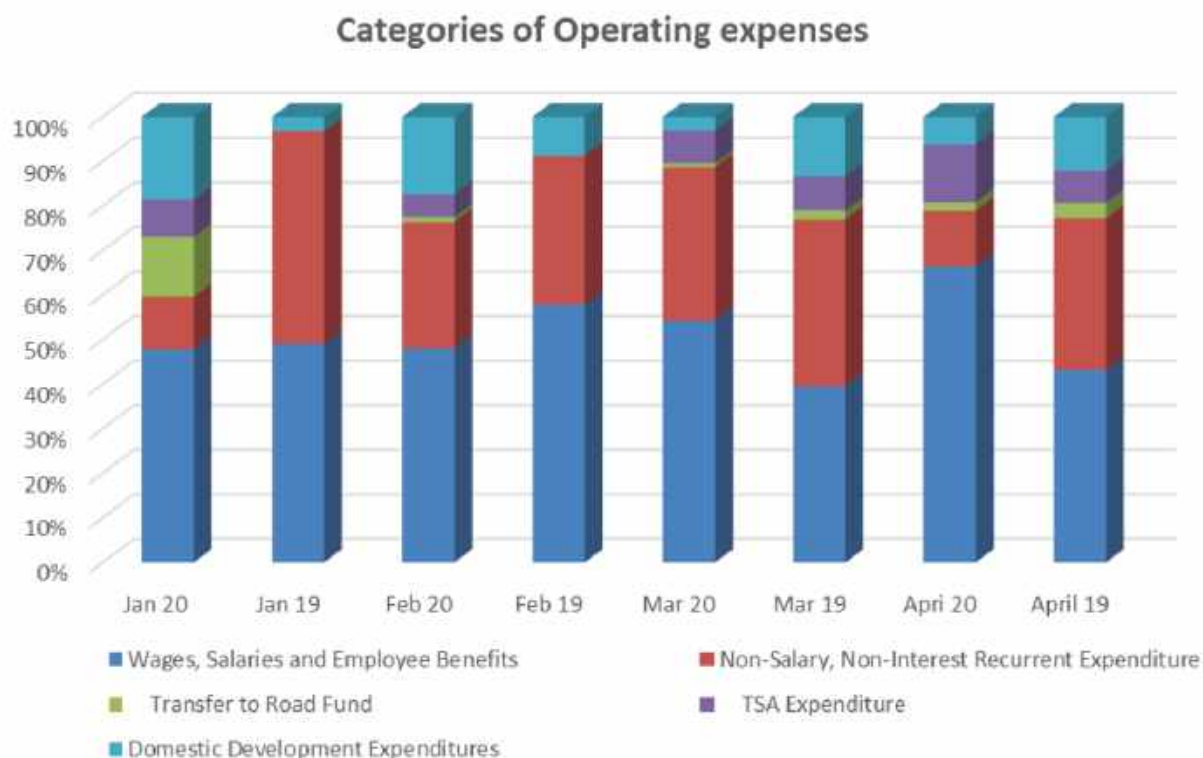
	Jan		Feb		Mar		Apr		Total 2020	Total 2019
	2020	2019	2020	2019	2020	2019	2020	2019		
<b>Total Operating expenses (Le Million)</b>	491,437.57	385,540.52	531,924.83	369,737.00	415,741.00	460,800.83	428,058.00	477,045.48	<b>1,867,161.40</b>	<b>1,673,123.83</b>
<b>Total Operating expenses (US\$ Million)</b>	50.5	43.3	54.6	43.4	42.6	53.4	44.1	54.8	<b>47.9</b>	<b>195.2</b>
<b>Total Domestic revenue (Le Million)</b>	473,953.30	395,078.02	409,868.81	413,001.00	470,395.29	550,124.96	365,131.00	419,567.64	<b>1,719,346.39</b>	<b>1,777,771.62</b>
<b>Total Domestic revenue (US\$ Million)</b>	48.7	46.8	42.0	48.4	48.2	63.8	37.6	48.2	<b>44.2</b>	<b>207.4</b>
<b>Revenue vs Operating expenses</b>	(17,484,28)	29,537.50	(122,056.02)	43,264.00	54,654.29	89,324.13	(62,927.00)	(57,477.84)	<b>(147,813.01)</b>	<b>104,647.79</b>

Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)

As per government reporting format, operating expenses refers to the following areas:

- Wages, Salaries and Employee Benefits
- Non-Salary, Non-Interest Recurrent Expenditure
  - o/w: National Revenue Authority
  - Grants to Educational Institutions
  - Transfers to Local Councils
- Transfer to Road Fund
- TSA Expenditure
- Domestic Development Expenditure

**Table 5: Trend in government operating expenses (Jan- April 2020 & 2019)**



**Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)**

Figure 3 shows that government’s major expenditure area is on wages and salaries. This is followed by non-salary, non-interest recurrent.

Government spends Le 1.87 trillion on operating expenses against Le 1.72 trillion from domestic revenue collected for the period January to April 2020. This means that government expenditure supersedes the domestic revenue by Le 147.81 billion.

As compared to 2019, government spends Le 1.67 trillion on operating expenses against Le 1.78 trillion from domestic revenue collected for the period January to April 2020. This means that government expenditure falls within its domestic revenue collected.

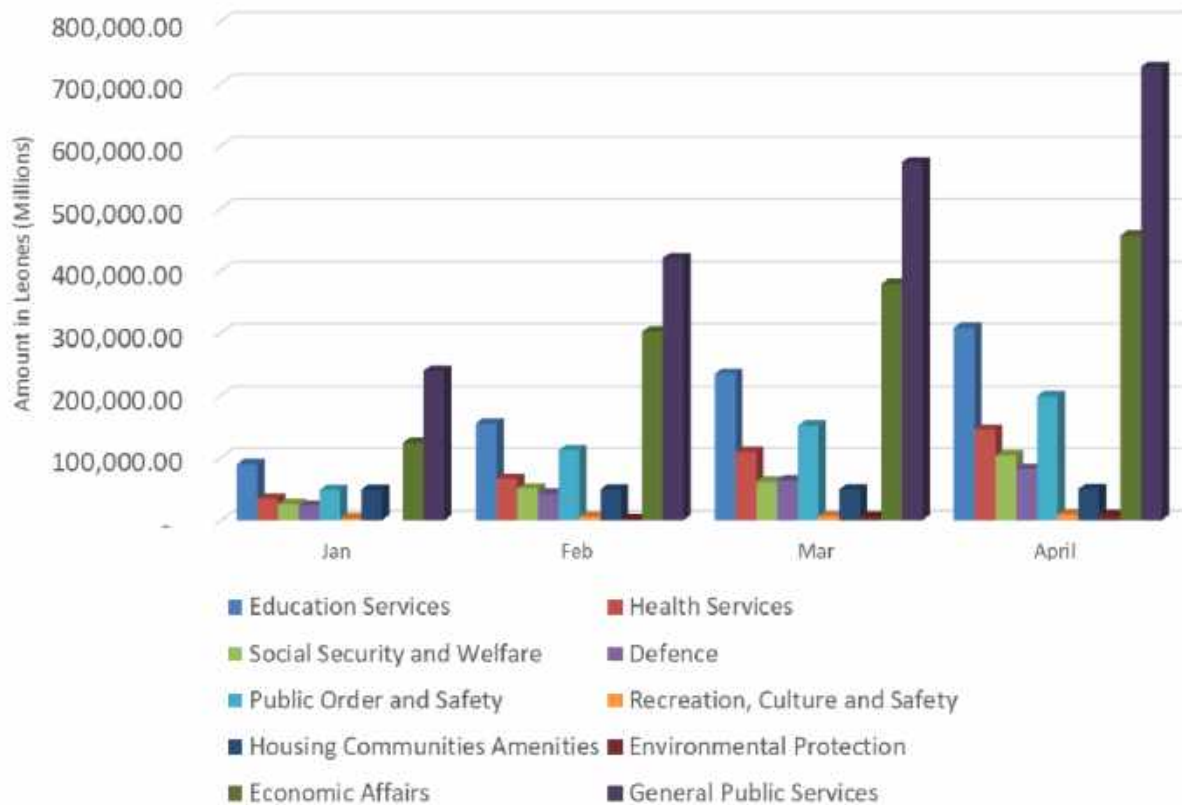
Apart from domestic revenue collection, donors also provide direct and off-budget support to the government. Direct budget support are funds channeled into government budgets through the normal budgeting and financial management process. It is typically linked to the PRSP process, given that government's commitment to a poverty reduction strategy is usually required in order to attain the funds. Off-budget support are aid assistance that are spent outside the national budget; in other words, assistance provided by a donor and/or implementing agency that bypasses the core national budget. These are additional resources that come to government apart from the revenue collected

## 3.2 SECTOR EXPENDITURE

Government sector expenditure encompasses the following:

- Education Services
- Health Services
- Social Security and Welfare
- Defence
- Public Order and Safety
- Recreation, Culture and Safety
- Housing Communities Amenities
- Environment protection
- Economic Affairs
- General Public Services (These are expenditure under the Office of the President including all MDAs under it)

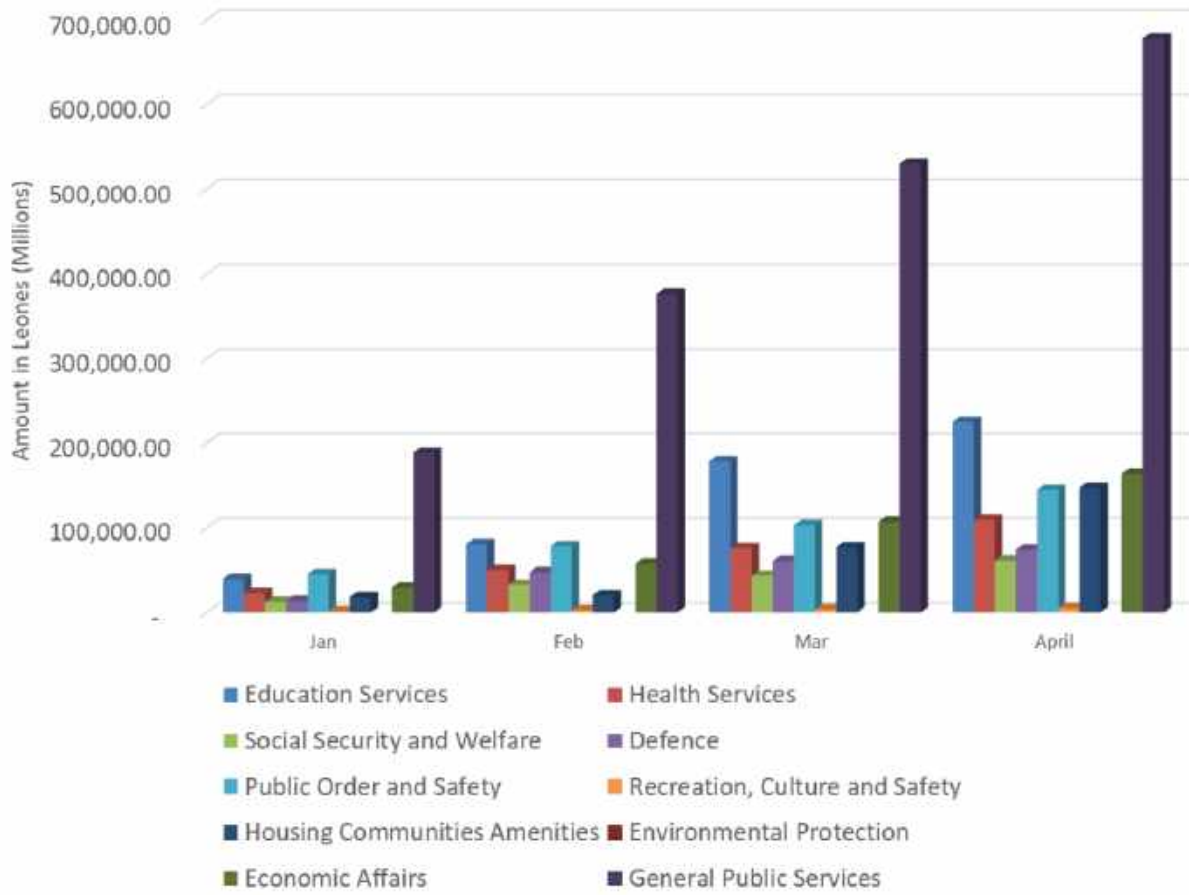
Figure 4: Categories of government sector monthly expenditure (Jan-April 2020)



Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)



**Figure 5: Categories of government sector monthly expenditure (Jan-April 2019)**



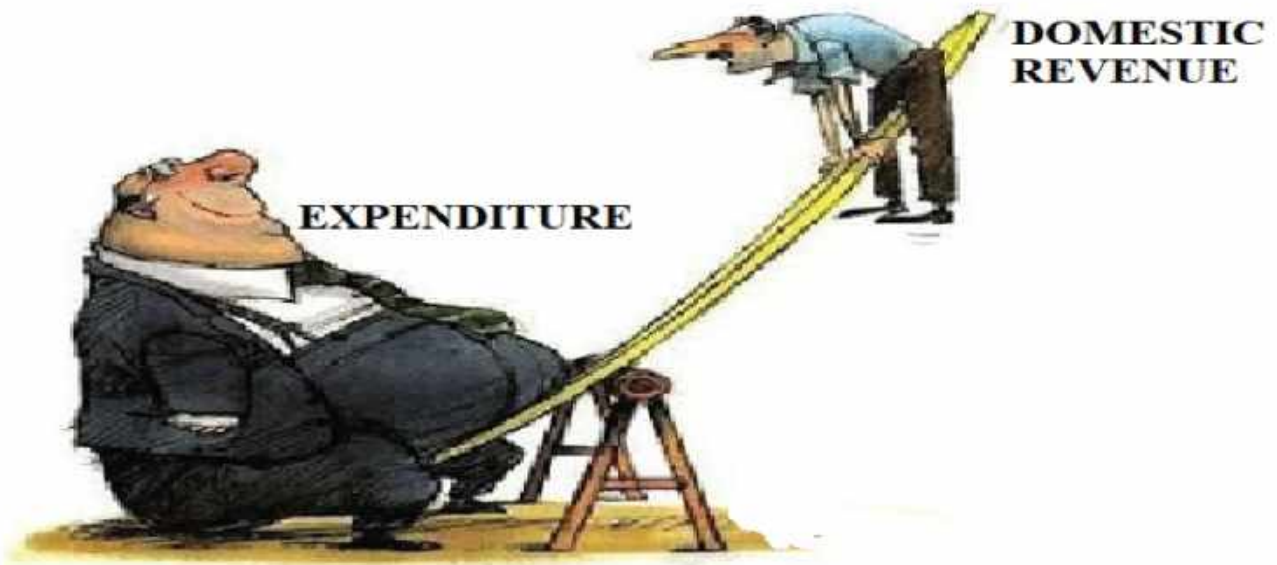
**Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)**

Figure 4 and 5 above show that government is spending more on public services, seconded by economic affairs and education than every other sector.

**Table 6: Trend in monthly sector expenditure (Jan-April 2020 & 2019)**

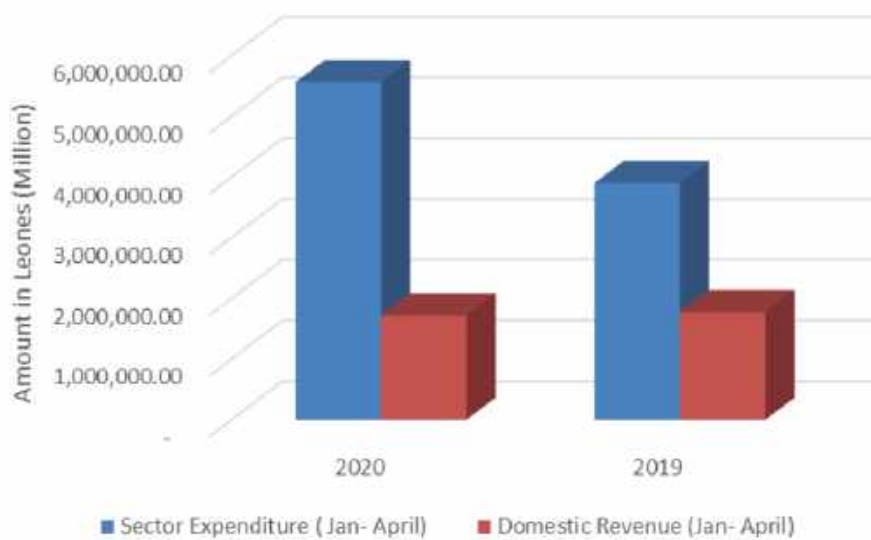
	Jan		Feb		Mar		Apr		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total payment to sector (Le Million)	636,852.83	369,345.63	1,203,952.34	744,571.00	1,634,581.86	1,178,655.62	2,087,598.86	1,608,184.10	5,562,985.90	3,900,756.34
Total payment to sector (US\$ Million)	65.5	43.8	123.5	87.3	189.5	136.7	215.1	184.9	142.9	455.1
Total Domestic revenue (Le Million)	473,953.30	395,078.02	409,866.81	413,001.00	470,395.29	550,124.96	365,131.00	419,567.64	1,719,348.39	1,777,771.62
<b>Total sector expenditure vs total domestic revenue (Le Million)</b>	<b>(162,899.54)</b>	<b>25,732.40</b>	<b>(794,083.53)</b>	<b>(331,570.00)</b>	<b>(1,164,186.58)</b>	<b>(628,530.66)</b>	<b>(1,722,467.86)</b>	<b>(1,188,616.46)</b>	<b>(3,843,637.51)</b>	<b>(2,122,984.72)</b>
<b>Total sector expenditure vs total domestic revenue (US\$ million)</b>	<b>-16.7</b>	<b>3.0</b>	<b>-81.4</b>	<b>-38.9</b>	<b>-119.2</b>	<b>-72.9</b>	<b>-177.5</b>	<b>-136.7</b>	<b>-98.7</b>	<b>-247.7</b>

Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)



Total sector expenditure far outweighs total domestic revenue for all the months under review. For instance, the total sector expenditure from January to April 2020 is Le 5.56 trillion while the total domestic revenue for the same months is Le 1.72 trillion. This means that sector expenditure is more than three times the domestic revenue. For example, the Health and Education Sectors spending might rise as a direct consequence of COVID-19 given the need to procure medical supplies and drugs to respond to the health emergency at hand. The FQE on the other hand is winded with a culture of social distancing and precautionary measures. These in addition to the potential increase in the number of new intakes for the next academic year and the need to expand on school infrastructures have cost implications, thus increasing the expenditure of government on the social service sectors, while revenue decreases due to the COVID-19. Figure 6 shows the difference between 2020 and 2019 sector expenditure and domestic revenue.

**Table 6: Trend in monthly sector expenditure (Jan-April 2020 & 2019)**



**Source: Accountant General Department-monthly fiscal report (Jan-April 2019 and 2020)**

## 4 CONCLUSION

The mobilization and effective use of domestic resources are central to the pursuit of sustainable development. Taxation is a powerful tool to help finance achievements of the SDGs. Adequate domestic and fiscal policies can play an important role in reducing inequalities and promoting positive sustainable development patterns. Tax revenues finance basic public services delivery and help achieve the SDGs. Improving taxation requires the political will to adopt the right mix of tax policies, and to develop the administrative capacity to implement them. The need for enhanced domestic actions to improve taxation has been well recognized for decades and received a significant boost from the adoption of the Addis Agenda of the SDGs. The Addis Agenda recognizes domestic resources are primarily generated by economic growth, and domestic tax policies can play a crucial role in this context, by stimulating growth and promoting relevant economic sectors. The analysis shows that domestic revenue dropped by Le 105.2 billion from March to April 2020 (From Le 470.4 billion in March to Le 365.1 billion in April 2020). This among other reason is mainly due to the COVID-19.

NRA is still able to collect substantial domestic revenue even during the COVID-19 pandemic. However, they might not hit their 2020 revised domestic revenue target if this trend of collection continues (Between 1.1% and 1.2% of domestic revenue to GDP per month on average). It is also likely that NRA may not meet its 2023 domestic revenue to GDP target (20% by 2023). The flexibility on payment plan by NRA as COVID-19 measure to reduce the burden on tax payer is also reducing its monthly revenue collection among other measures.

The analysis further revealed that government is now spending more than what it is collecting from domestic revenue monthly, thus adopting other measures to finance the gap through means such as selling of treasury bearer bonds. Government should try to ensure that it decreases the big difference between operating expenses and domestic revenue, but social sector spending should not be affected as citizens need these services now more than before.

**NOTE**

