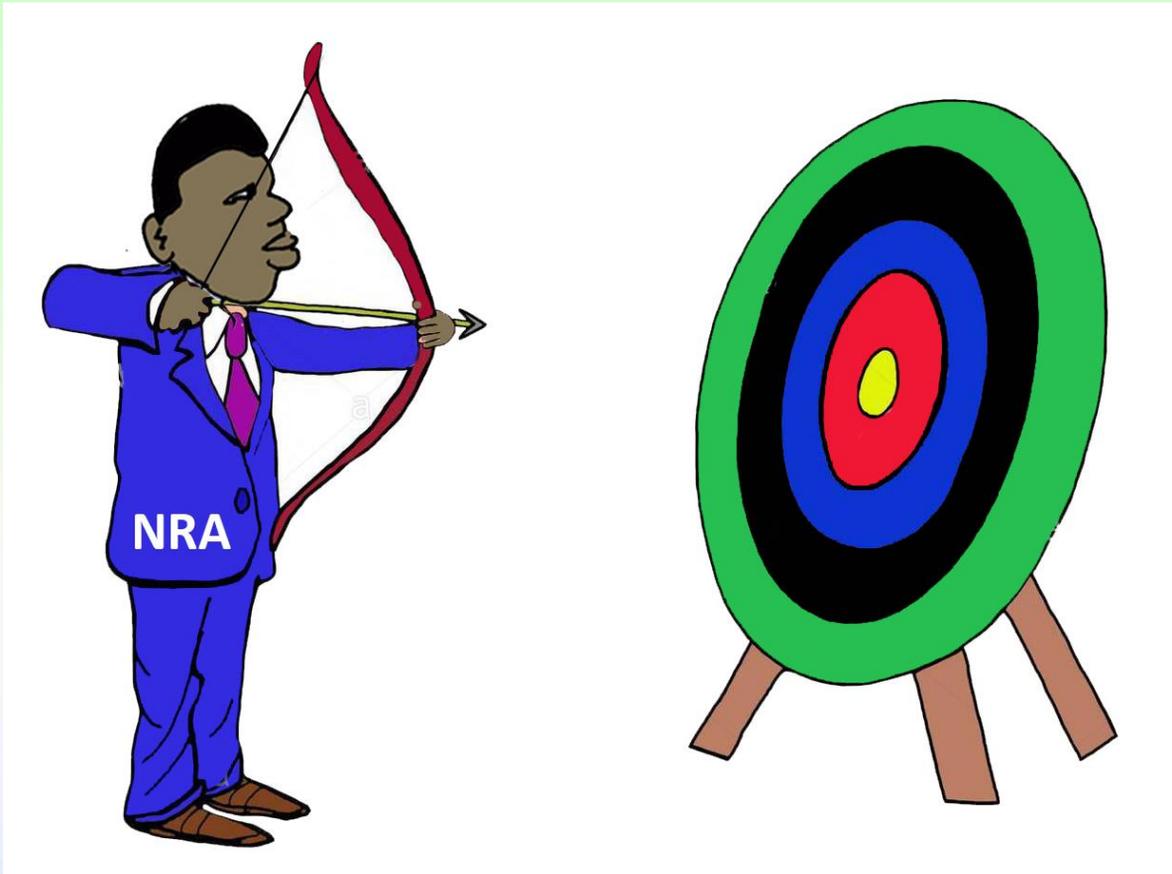


# 2020 REVISED DOMESTIC REVENUE AND 2023 REVENUE TO GDP TARGET...



***IS THE NATIONAL REVENUE AUTHORITY (NRA) HITTING THEIR TARGET IN MIDST OF THE CONVID-19?***



# Acknowledgement

We are pleased to present the result of the revenue analysis based on data available in the Ministry of Finance’s website as updated by the Accountant General’s Department on the domestic revenue collected by the National Revenue Authority. This Analysis was undertaken by the Consortium of Non-Governmental Organizations (NGOs), led by Christian Aid under the DFID supported Public Financial Management (PFM) Project titled "Strengthening Public Financial Management, Anti-Corruption and Accountability Institutions in Sierra Leone“

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# 1.0 Introduction

The government's initial measures to slow the spread of the disease, combined with the global economic impact, have negatively impacted economic growth, raised the prices of basic commodities and undermined revenue collection. Combined with the need for increased expenditure to support the health and economic response, this has eroded the Government's fiscal position and has resulted in the downwards revision of the 2020 domestic revenue target from Le6.47 trillion to Le5.39 trillion.

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 domestic revenue to GDP targets for 2020 and 2023.

Against this backdrop, Budget Advocacy Network is tracking the monthly domestic revenue and this publication looks at seven months of domestic revenue collection in 2020 and comparing same for 2019. In the meantime, information available from the Accountant General's Office includes four months of COVID-19 (April-July 2020) and three months of non-COVID-19 (Jan-Mar 2020) This means, we have included broader analyses to enrich this second 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 and be 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<sup>2</sup>. This publication looks at data in the first seven (7) months of 2019 and the first seven (7) months of 2020.

The Gross Domestic Product (GDP) used for 2020 is Le 41.028 trillion<sup>3</sup>. The daily revenue collection of 2019 is calculated by dividing the total monthly revenue by the total working days excluding weekends and public holidays. The Exchange rate used is the average monthly rate from the Bank of Sierra Leone website.

“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.*

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<sup>1</sup>[http://www.statistics.sl/images/2020/Documents/GoSL\\_COVID\\_19\\_Quick-Action-Economic-Response-Programme.pdf](http://www.statistics.sl/images/2020/Documents/GoSL_COVID_19_Quick-Action-Economic-Response-Programme.pdf)

<sup>2</sup><https://mof.gov.sl/fiscal-publication/>

<sup>3</sup>IMF Macroeconomic framework for 2020

<sup>4</sup>[http://www.bsl.gov.sl/WAMZ\\_Exchange\\_Rates.html](http://www.bsl.gov.sl/WAMZ_Exchange_Rates.html)

*“Our domestic revenue makes up only 11.5 percent of GDP and is one of the lowest in the World”*

- President Julius Maada 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.

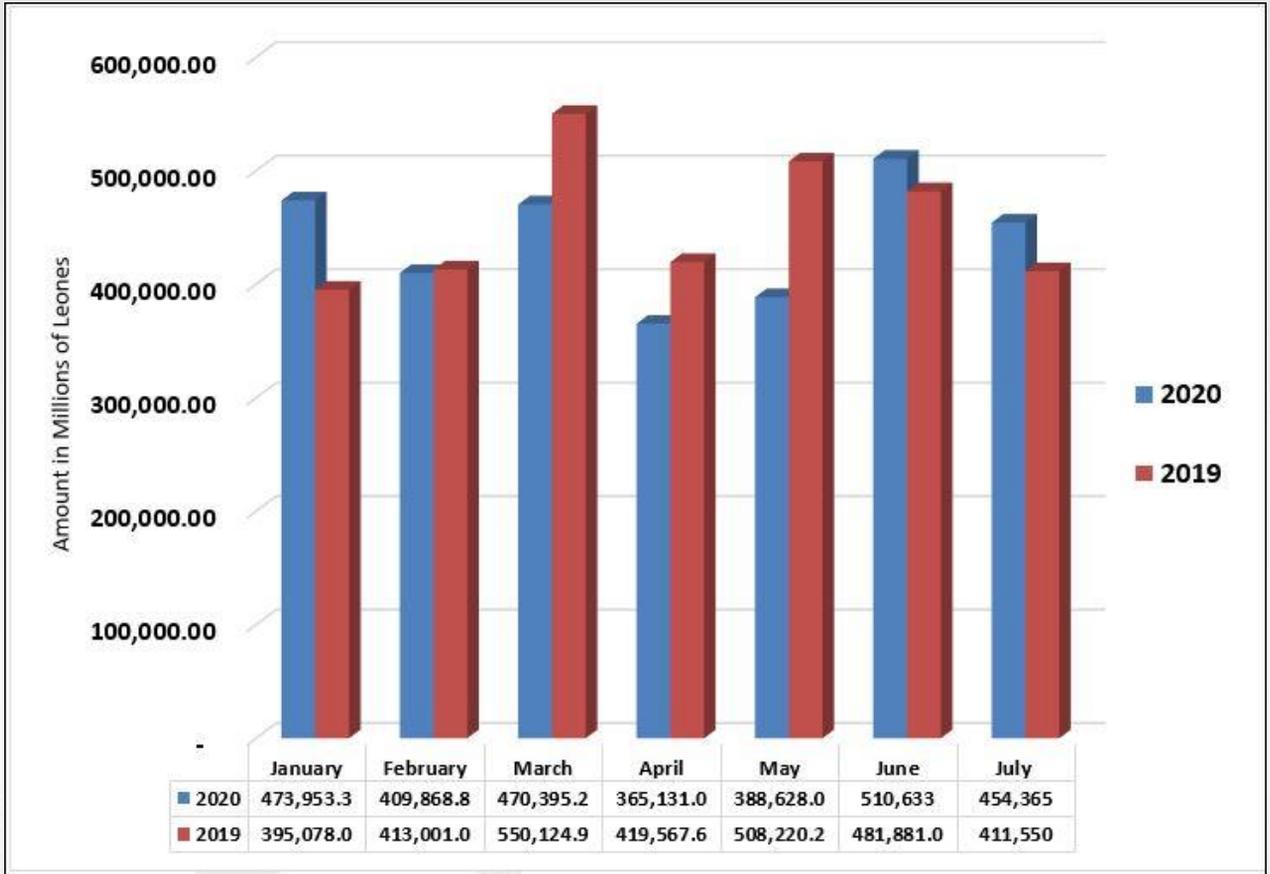


The Public Financial Management consortium, which comprises the Budget Advocacy Network (BAN), Centre for Accountability and the Rule of Law (CARL), Restless Development (RD) and Christian Aid (CA) with support from DFID, sees these commitments as vital for the delivery of essential social services including the Free Quality Education and the Free Healthcare.

## 2.0 Revenue Collection

### 2.1 Monthly revenue trend

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



*Source: Accountant General's Department-monthly fiscal report (January-July 2019 and 2020).*

From figure 1 above, NRA collected more revenue in the first seven (7) months of 2019 than they did in 2020 for the same period by Le 106.4 billion. This indicates that the COVID-19 has an effect on domestic revenue mobilization. For the month of June 2020, NRA collected over Le 500 billion, which is higher than the same

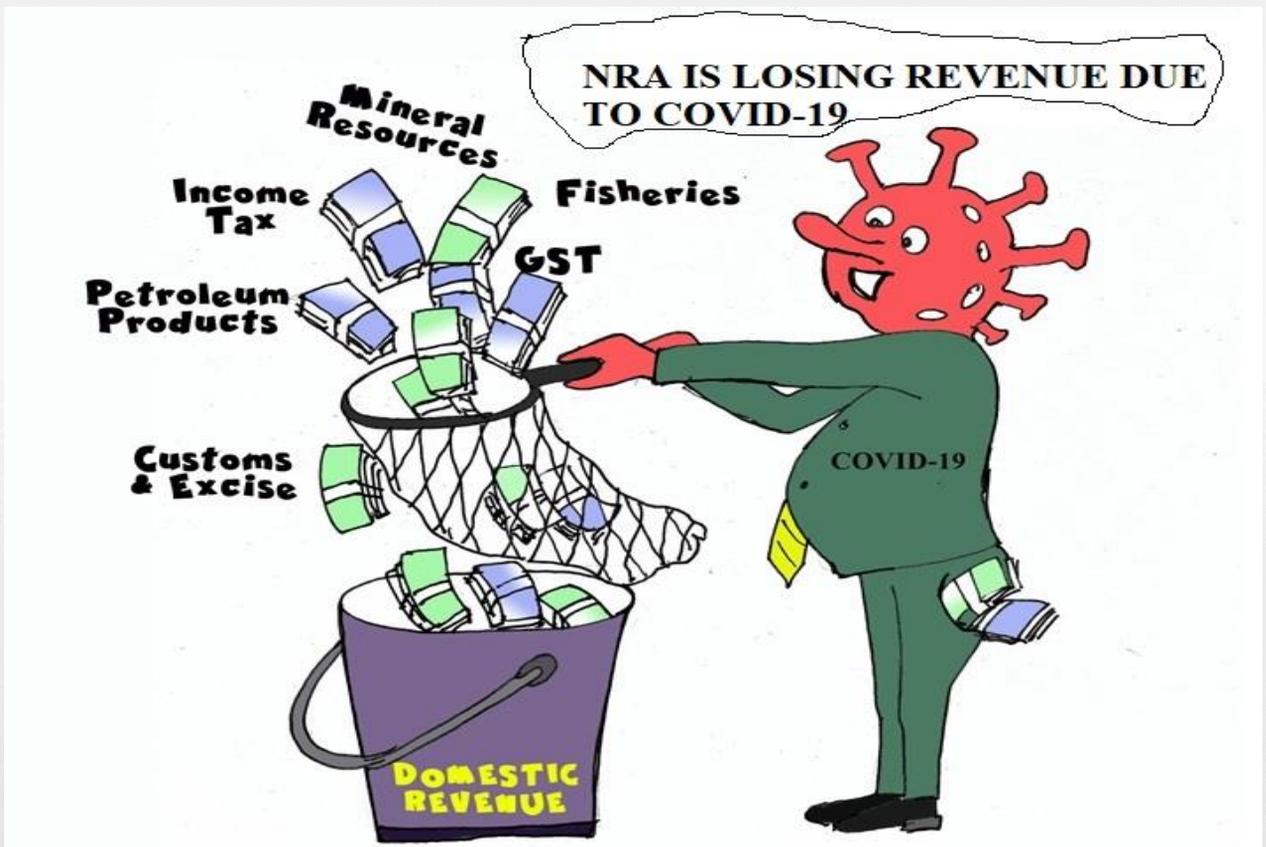
period in 2019. For the months of April and May 2020, NRA collected below Le 400 billion, which is lower than same period in 2019.

**In the midst of COVID-19, NRA collected above Le 500 billion in June 2020**

Due to the COVID-19 pandemic, the government of Sierra Leone reduced its domestic revenue target by 1.1 trillion for the Fiscal Year 2020, from Le 6.47 trillion to Le, 5.39 trillion. Le 3.1 trillion has been collected so far from January to July 2020 which is 57% of the revised target. This implies that on average, NRA has been able to collect the sum of Le 438.9 billion on a monthly basis. In this regard, the average monthly collection

based on the revised target is Le 449.91 billion. If at least Le 10 billion is added by NRA on the current average, they might hit their revised target for 2020. Historically, NRA collects more revenue in Quarter 2&4 (Q2&4) the latter carries the highest weight of the annual target. If this same pattern continues, it would further increase the chances of NRA hitting the 2020 revised revenue target.

**Based on the data for seven (7) months revenue mobilization trend, NRA might hit their revised 2020 domestic revenue target if on average they are able to collect at least Le 449.91 billion for the remaining months (August to December 2020)**



<sup>5</sup> <https://mof.gov.sl/wp-content/uploads/2020/07/Supplementary-Budget-FY2020.pdf>

**Table 1: Trend in Revenue Streams (January – Jul-2020 and 2019)**

Domestic Revenue Collection streams (Le billion)	20-Jan	19-Jan	% Change	Feb-20	19-Feb	% Change	20-Mar	19-Mar	% Change	20-Apr	19-Apr	% Change	May-20	May-19	% Change	Jun-20	Jun-19	% Change	20-Jul	19-Jul	% Change
Income Tax	144	125	15%	127.9	117.6	9%	187.6	191.8	-2%	140.3	140.0	0.2%	126.4	164.4	-30.1%	217.7	212.3	2%	164.8	133.3	19%
Customs and Excise	83	62.8	32%	64.8	89.2	27%	70.1	117.2	40%	56.4	69.9	-19.3%	71.5	88.0	-23.1%	83.0	61.4	26%	80.3	75.2	6%
Goods and Services Tax	86	82.5	4%	75.1	72.0	4%	85.3	84.2	1%	69.1	85.4	-19.0%	73.3	99.7	-36.0%	74.8	85.6	14%	86.0	81.6	5%
Mineral Resources	48	4.5	967%	21.7	16.6	30%	12.2	22.1	45%	11.2	23.8	-53.0%	16.2	25.7	-58.3%	14.1	24.9	77%	19.3	29.7	54%
Fisheries	13	5.8	120%	13.5	32.8	59%	3.6	2.9	23%	5.8	1.8	219.4%	17.6	8.2	53.3%	3.2	3.5	11%	7.4	7.4	0%
Other Departments	37	71.0	-48%	14.7	49.5	70%	49.5	46.0	8%	27.4	28.1	-2.5%	34.2	42.8	-25.3%	46.1	50.3	-9%	24.8	13.1	47%
Petroleum Products Excise Duty	37	30.2	24%	27.3	29.2	-6%	31.9	42.1	24%	23.5	33.5	-29.8%	19.0	41.6	119.5%	32.4	14.4	56%	31.2	28.9	7%
Road User Charges	8	13.5	-38%	7.8	6.0	29%	7.3	11.2	35%	5.8	3.9	48.1%	4.8	10.4	116.7%	11.8	4.0	66%	7.5	7.9	-5%
TSA Revenue (Excluding Road Fund)	18	0.00		57.1	0		22.9	32.4	29%	25.5	33.1	-22.9%	25.6	27.3	-6.4%	27.6	25.6	7%	33.1	34.4	-4%
Total Domestic Revenue	474	395	20%	409.9	413.0	-1%	470.4	550	14%	365.1	420	-12.9%	388.6	508.2	-30.8%	511	482	6%	454.4	411.6	9%
Total Domestic Revenue in US Dollar (Million)	\$48.7	\$46.8		\$42.0	\$48.4		\$48.2	\$63.8		\$37.6	\$48.2		\$39.8	\$58.0		\$46.5	\$54.6		\$46.5	\$46.2	

*Source: Accountant General's Department-monthly fiscal report (Jan-Jul 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. 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 NRA recorded 20% positive percentage change in January (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. NRA collected more revenue in May 2019 than 2020, however, from May to June 2020, NRA collects Le 122.01 billion above what was collected in May 2020. In July it dropped

slightly by Le 56.27 billion compare to June 2020.

**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.

In June 2020, NRA collects more in Road User (66%), Petroleum and Excise Duty (56%), TSA Revenue including Road Fund (7%) than in 2019. In July 2020 NRA collect more revenue in Goods and Services (5%) and Petroleum Product Excise Duty (7%), Other Departments (47%).

## 2.2 Average revenue collection per day

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

	Jan	Feb	Mar	April	May	June	July
<b>2020 (Le Million)</b>	21,543.33	21,572.04	22,399.78	21,478.29	21,590.44	23,210.59	20,652.95
<b>2019 (Le Million)</b>	17,958.09	21,736.89	26,196.43	19,979.41	22,096.53	25,362.16	17,893.48
<b>2020 (\$ Million)</b>	\$ 2.22	\$2.21	\$2.29	\$ 2.21	\$2.21	\$ 2.12	\$ 2.11
<b>2019 (\$Million)</b>	\$2.13	\$ 2.55	\$3.04	\$ 2.30	\$ 2.52	\$2.87	\$ 2.01

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

On average, the daily domestic revenue collection for the seven (7) months of 2019 is Le 20.6 billion while for 2020 is Le 21.3 billion.

For the seven months period under review, June 2020 recorded the highest

revenue compare to all the other months, (Le 23.2 billion), while for 2019 June and March recorded the highest daily revenue (June Le 25.4 billion, March Le 26.2 billion)

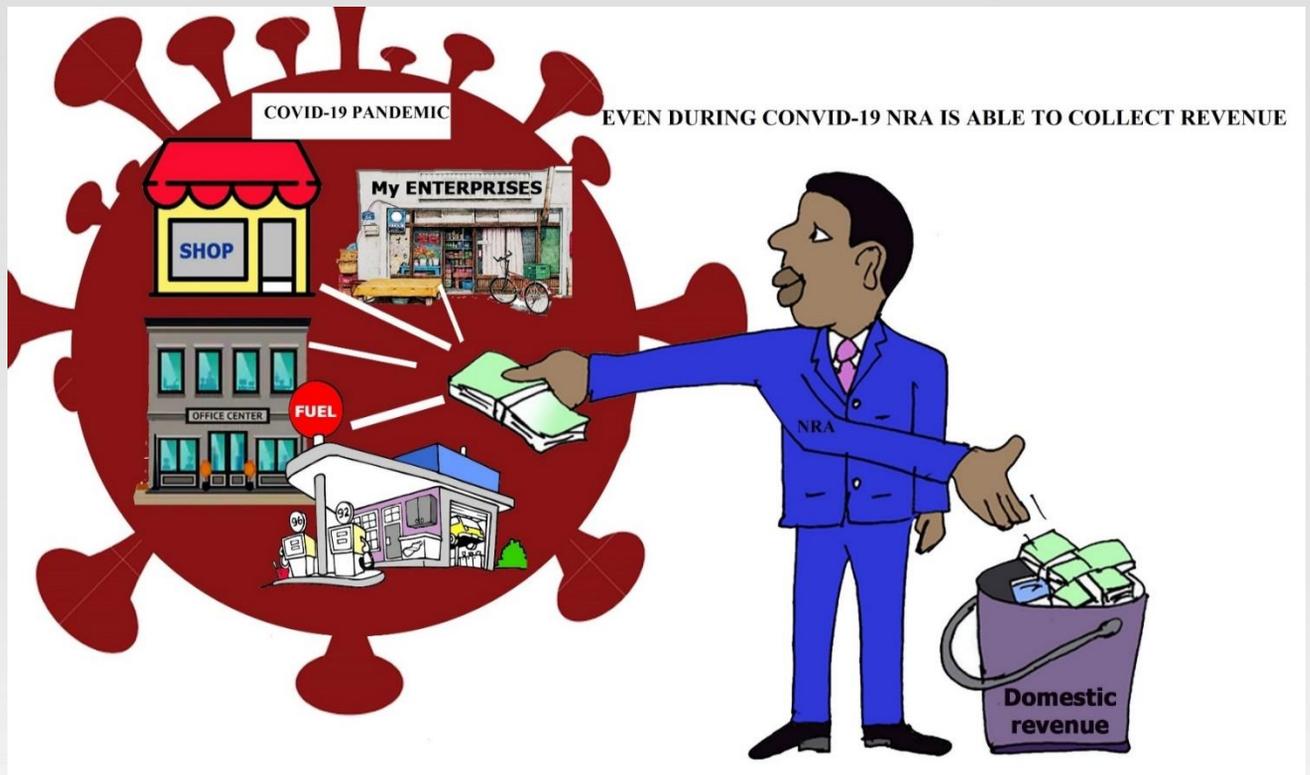
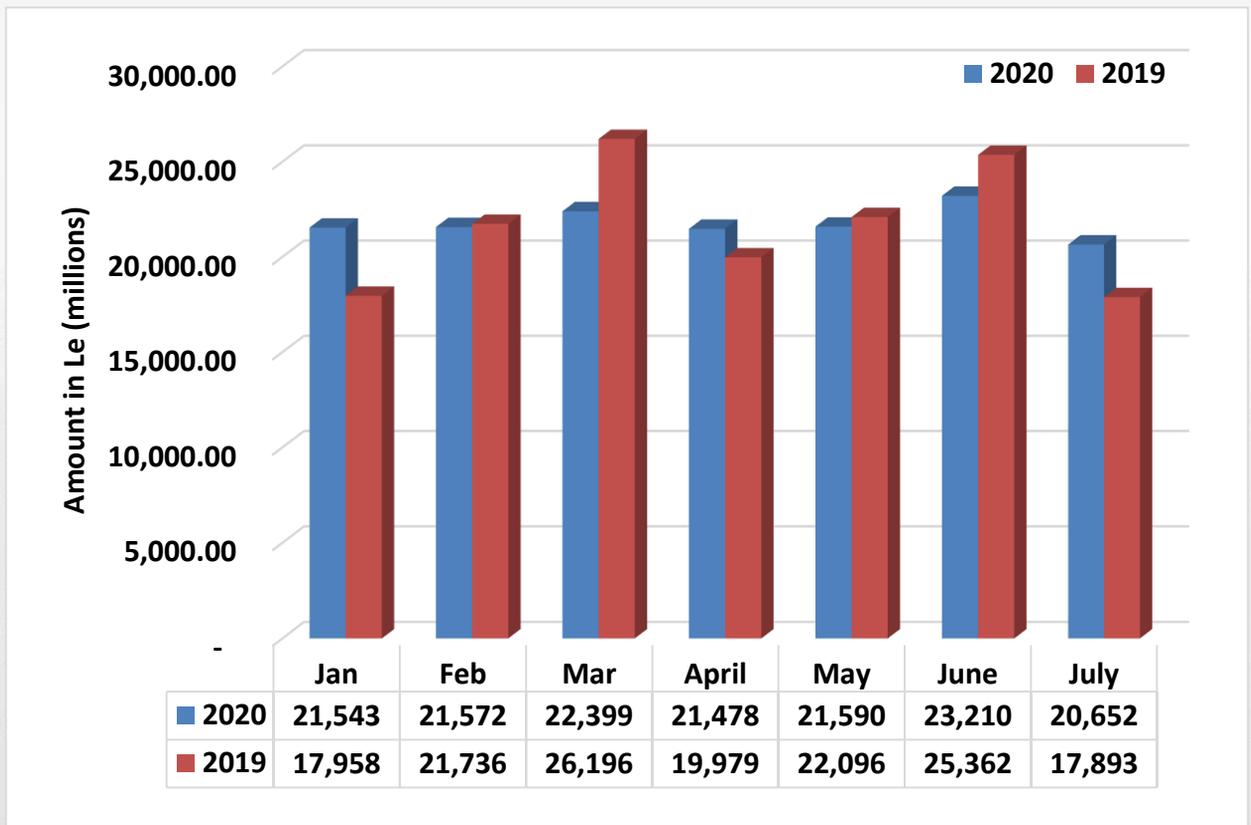


Figure 2: Trend in average daily domestic revenue collection (Jan- Jul 2020 and 2019)



Source: Accountant General's Department-monthly fiscal report (Jan-July 2019 and 2020)

## 2.3 Monthly domestic revenue collection to GDP

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

	Jan	Feb	Mar	Apr	May	June	July
Domestic Revenue (Le Million)	395,078.02	413,001.00	550,125	419,568	508,220.25	481,881	411,550
Actual Nominal GDP (Le Million)	36,835,000	36,835,000	36,835,000	36,835,000	36,835,000	36,835,000	36,835,000
% of domestic revenue to GDP	<b>1.07%</b>	<b>1.12%</b>	<b>1.49%</b>	<b>1.14%</b>	<b>1.38%</b>	<b>1.31%</b>	<b>1.12%</b>

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

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

	Jan	Feb	Mar	Apr	May	June	July
Domestic Revenue (Le million)	473,953.30	409,869	470,395	365,131	388,628.00	510,633	454,365
projected Nominal GDP (Le million)	41,028,000	41,028,000	41,028,000	41,028,000	41,028,000	41,028,000	41,028,000
% of domestic revenue to project nominal GDP	1.16%	1.00%	1.15%	0.89%	0.95%	1.24%	1.11%

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

On the average, NRA is collecting between 1.08% and 1.23% of domestic revenue to GDP for the first seven (7) months in 2019 and 2020. If this trend continues, NRA may not be able to hit the 20% revenue to GDP

target by 2023 as the COVID-19 shock reversed the earlier gains before it struck. For NRA to meet its domestic revenue to GDP target in 2023, it must be able to raise at least 1.7% of GDP per month on average

**NRA may not be able to hit the 20% revenue to GDP target by 2023 due to the COVID-19 shock on the economy, which reversed the earlier gains. They are short of 1.7% of GDP per month on average to hit the much talked about 20% domestic revenue to GDP target.**



**2020**

**2023**

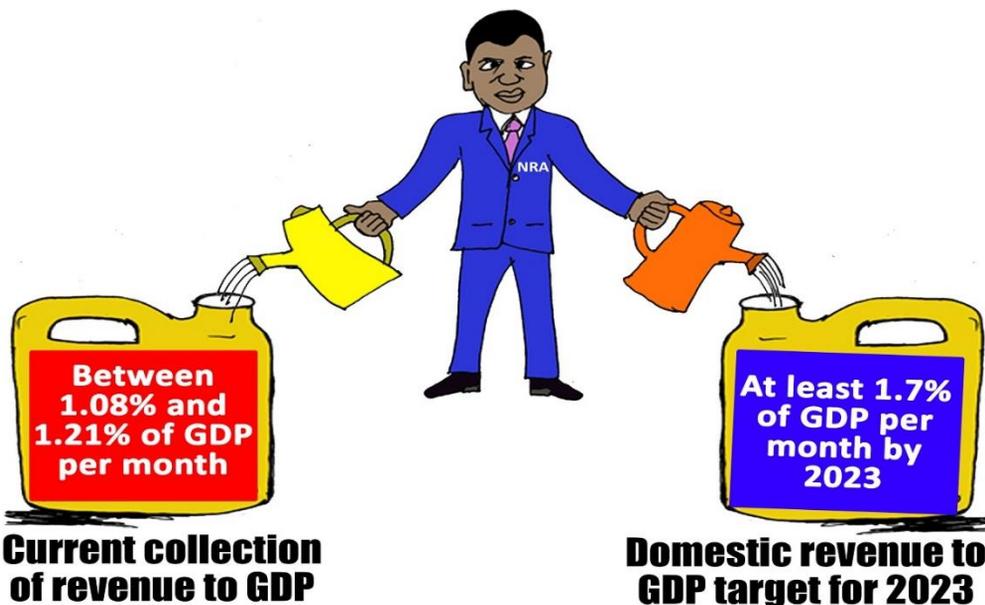
**May hit the revised domestic revenue target**

**May not hit revenue to GDP target by 2023**

The revised domestic revenue target for 2020 is Le 5.39 trillion representing 13.0% of GDP. However, trend in the domestic revenue to GDP shows that NRA has raised Le 3.1 trillion representing 7.6% of GDP for the first seven (7) months in 2020. If

this trend continues, NRA will only be able to raise 12.97% of domestic revenue to GDP by the end of the year. This will be less than what was achieved in 2019 (14.3%) of GDP for 2019.

**NRA may likely collect less in 2020 compare to 2019 in terms of percentage to GDP**



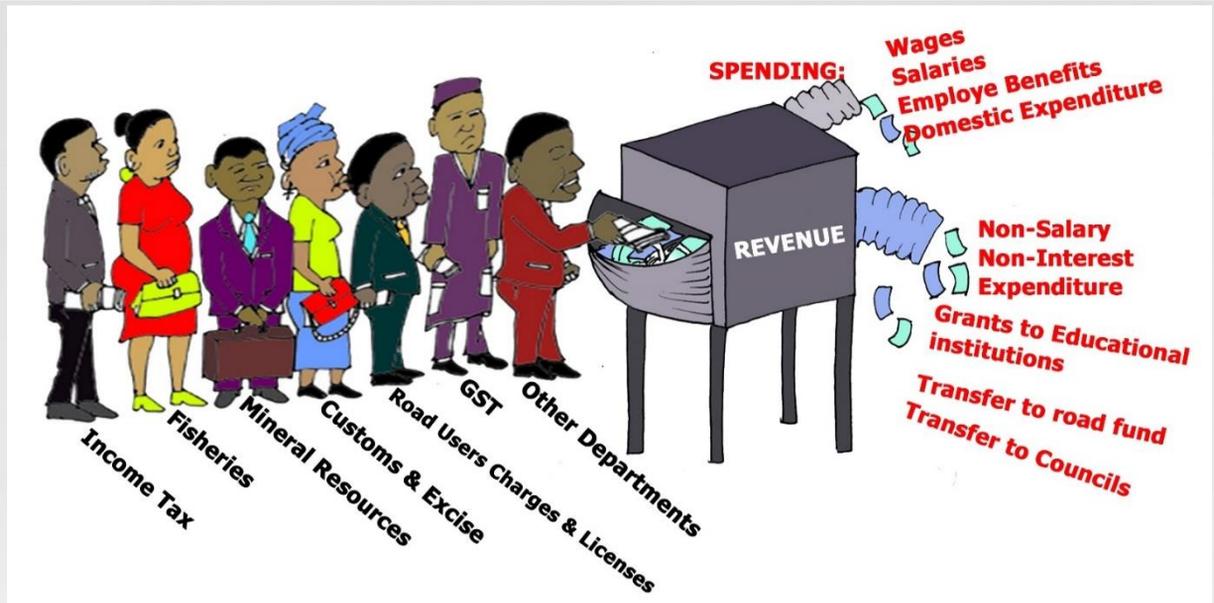
**Between 1.08% and 1.21% of GDP per month**

**Current collection of revenue to GDP**

**At least 1.7% of GDP per month by 2023**

**Domestic revenue to GDP target for 2023**

## 3.0 Where is the money going?



### 3.1 Government Operating Expenses

Table 5a: Trend in government operating expenses (Jan- Jul 2020)

2020								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Total
Operating expenses (Le/\$ million)	491,437.57 (\$50.53)	531,924.83 (\$54.55)	415,741.00 (\$42.58)	428,058.00 (\$44.12)	463,737 (\$47.46)	834,069 \$76.03	686,633 \$70.29	3,851,600.40 (\$385.55)
Domestic revenue (Le/\$ Million)	473,953.30 (\$48.73)	409,868.81 (\$42.03)	470,395.29 (\$48.18)	365,131.00 (\$37.63)	388,628 (\$39.77)	510,633 \$46.55	454,365 \$46.51	3,072,974.39 (\$309.40)
Operating expenses vs domestic revenue (Le/\$ million)	-17,484.28 (-\$1.80)	-122,056.02 (-\$12.52)	54,654.29 (\$5.60)	-62,927.00 (-\$6.49)	-75,109.00 (-\$7.69)	323,436.00 (-\$29.48)	232,268.00 (-\$23.78)	-778,626.01 (-\$76.15)

Table 5b: Trend in government operating expenses (Jan- Jul 2019)

2019								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Total
Operating expenses (Le million)	365,540.52 (\$43.32)	369,737.00 (\$43.37)	460,800.8 3 (\$53.43)	477,045.48 (\$54.85)	628,556.72 (\$71.71)	522,941.00 (\$59.24)	604,923.0 (\$67.92)	3,429,544.55 (\$393.85)
Domestic revenue (Le Million)	395,078.02 (\$46.83)	413,001.00 (\$48.45)	550,124.9 6 (\$63.79)	419,567.64 (\$48.24)	508,220.25 (\$57.98)	481,881.00 (\$54.59)	411,550.0 (\$46.21)	3,179,422.87 (\$366.08)
Operating expenses vs domestic revenue (Le million)	29,537.50 (\$3.50)	43,264.00 (\$5.08)	89,324.13 (\$10.36)	-57,477.84 (-\$6.61)	-120,336.46 (-\$13.73)	41,060.00 (-\$4.65)	193,373.0 (-\$21.71)	-250,121.68 (-\$27.77)

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

**Figure 3: Categories of government operating expense**

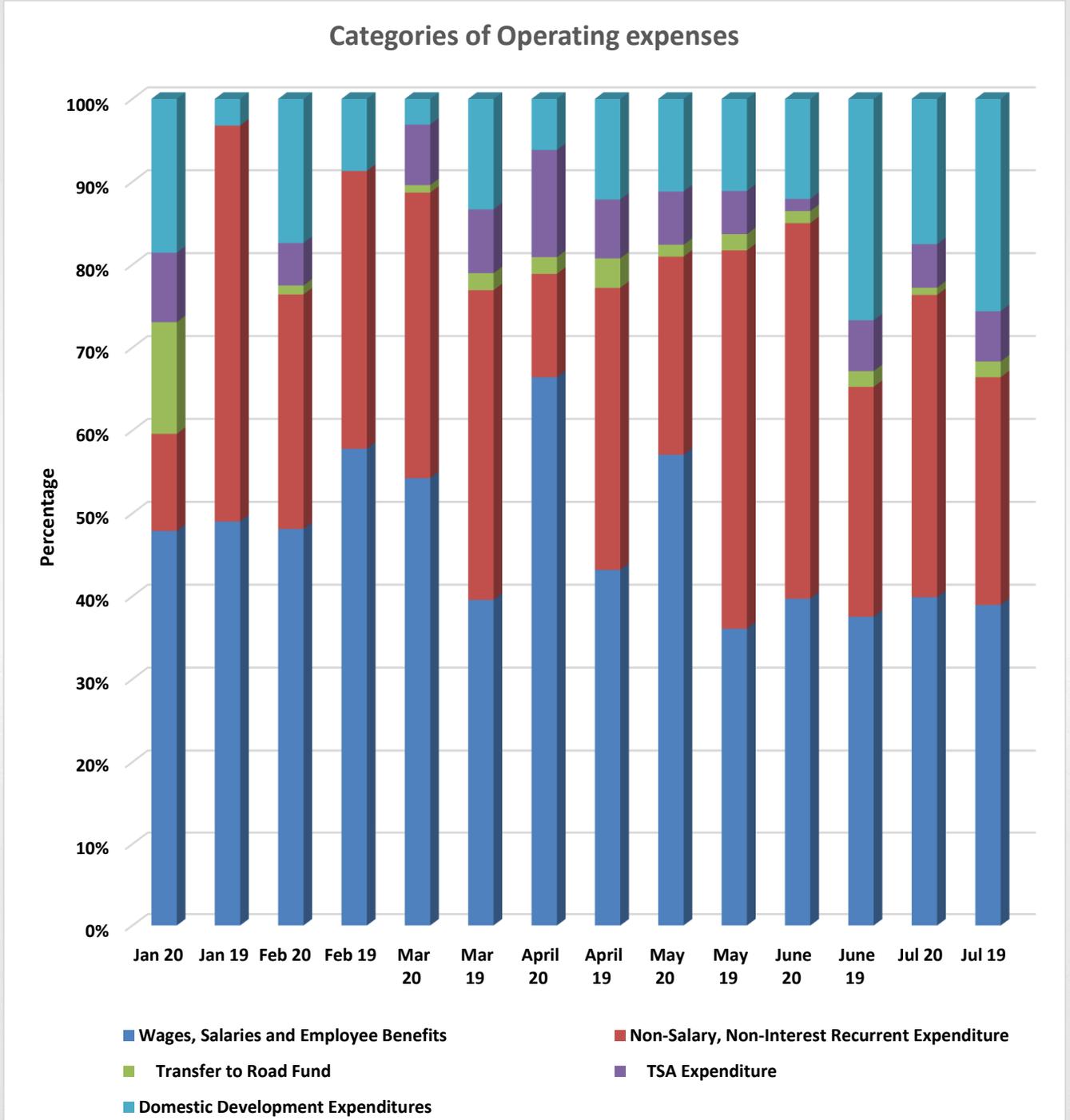


Figure 3 shows that government’s major expenditure area is on wages and salaries. This is followed by non-salary, non-interest recurrent.

Government spends Le 3.85 trillion on operating expenses against Le 3.13 trillion from domestic revenue collected for the period January to July 2020. This means that government operating expenses supersedes the domestic revenue by Le 720.2 billion.

Compared to 2019, government spends Le 3.43 trillion on operating expenses against Le 3.12 trillion from domestic revenue collected for the period January to July 2019. This means that government operating expenses supersedes domestic revenue by Le 308.54 billion.

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

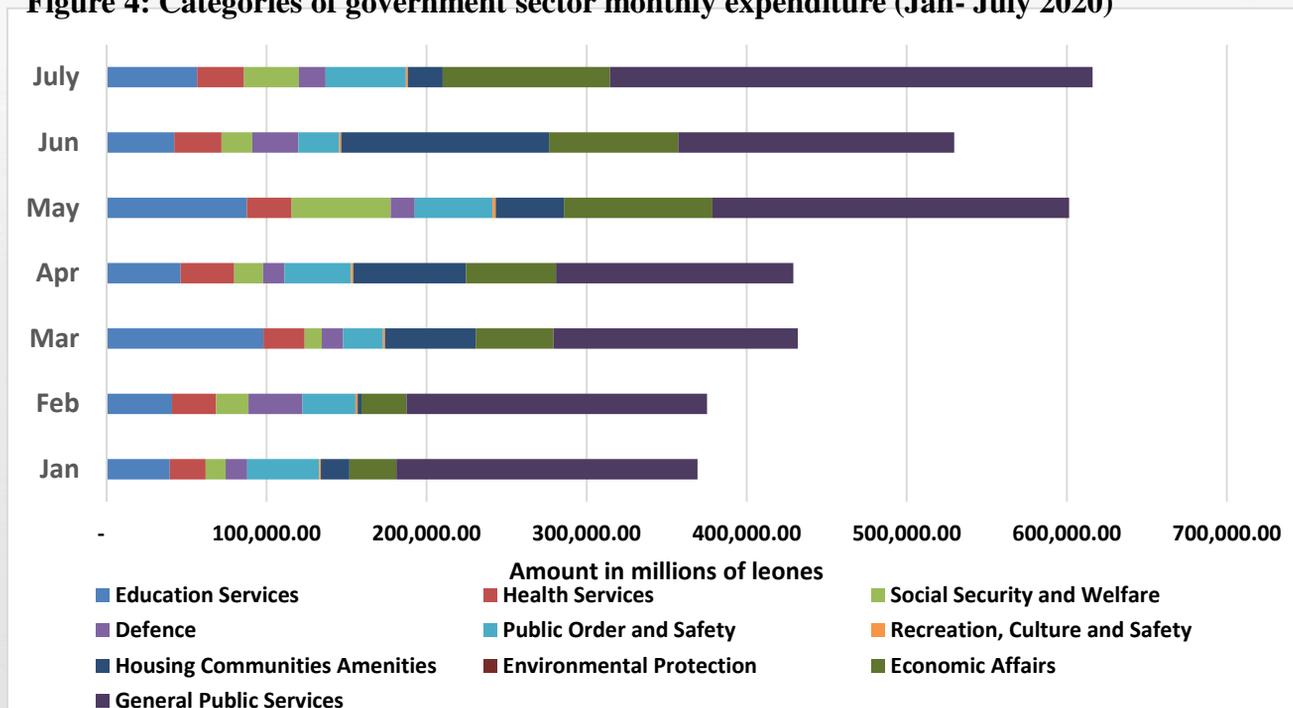
to attain the funds. Off-budget support are aid assistance that are spent outside the national budget; in other words, assistance provided by a donor and/or implementing agency that bypasses the core national budget. These are additional resources that come to government apart from the revenue collected.

### 3.2 Sector Expenditure

Government sector expenditure encompasses the following:

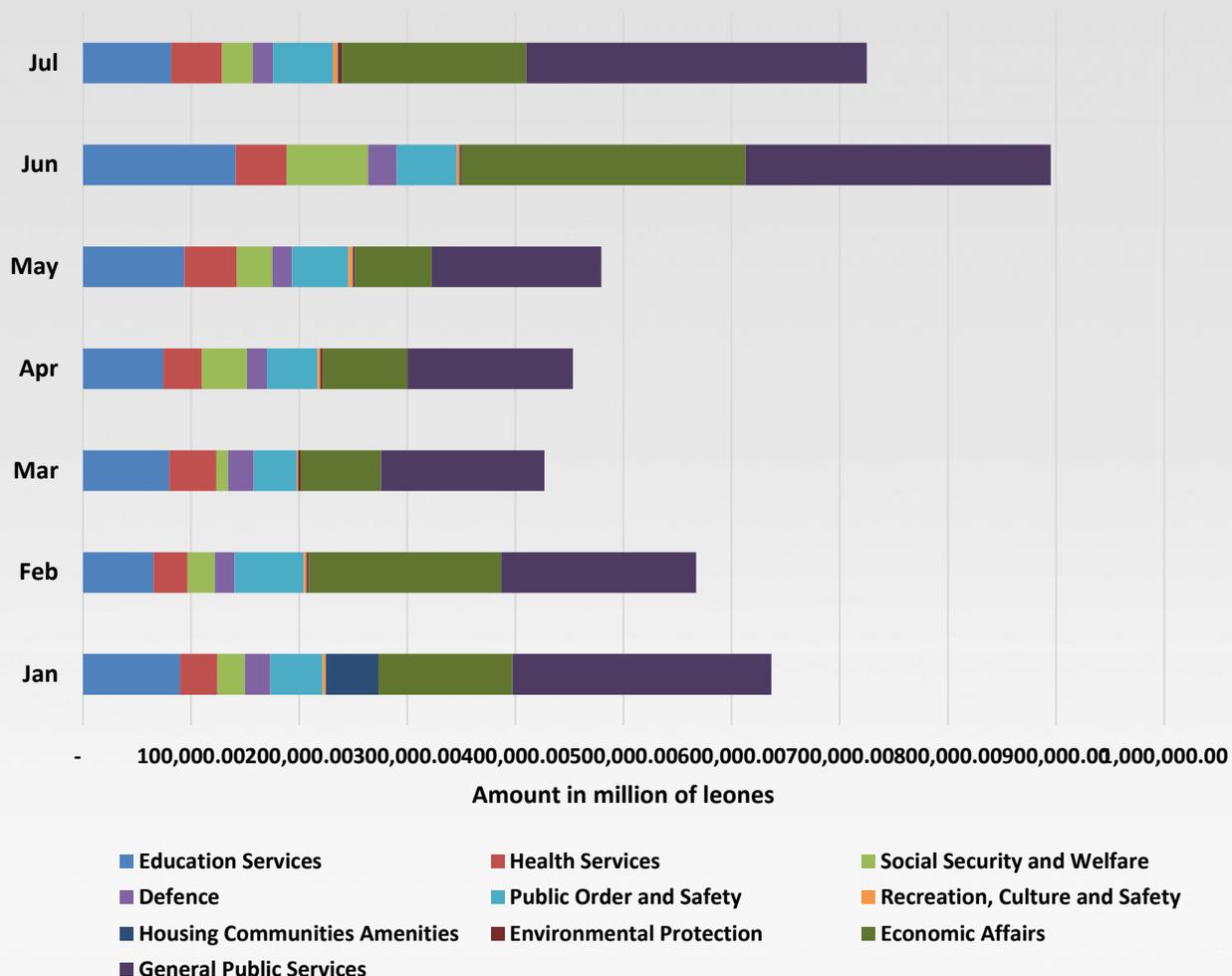
- Education Services
- Health Services
- Social Security and Welfare
- Defence
- Public Order and Safety
- Recreation, Culture and Safety
- Housing Communities Amenities
- Environment protection
- Economic Affairs
- General Public Services (These are expenditure under the Office of the President including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

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



Source: Accountant General’s Department-monthly fiscal report (Jan-Jul 2020)

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



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

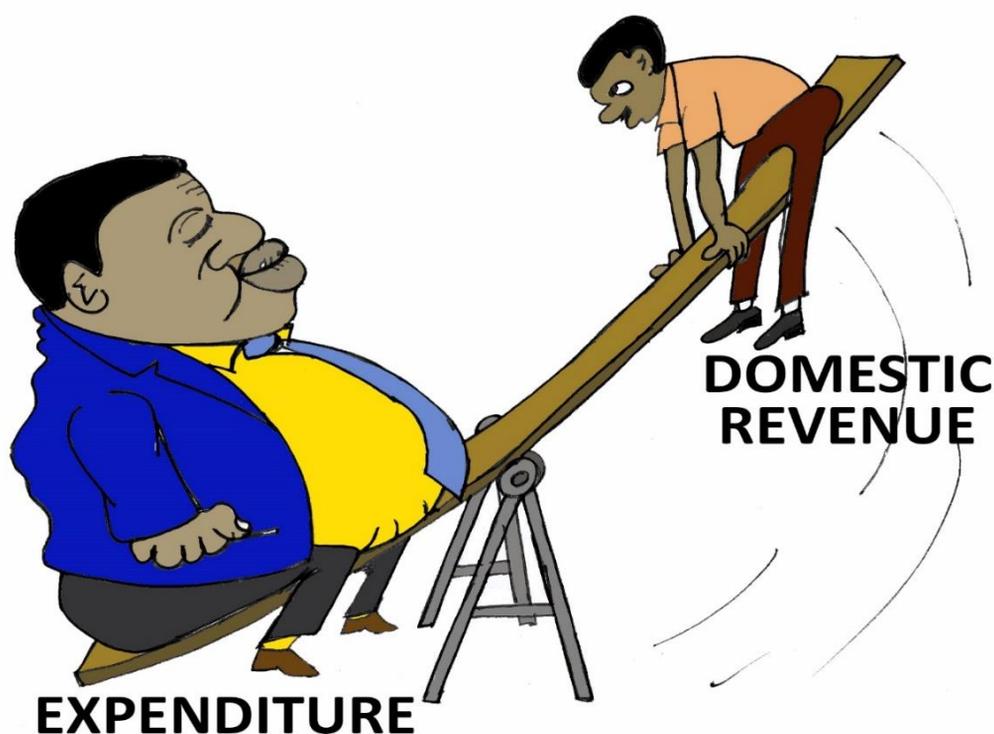
Figure 4 and 5 above show that government is spending more on general public services, seconded by economic affairs and education than every other sector.

**Table 6a: Trend in monthly sector expenditure vs domestic revenue (Jan-Jul 2020)**

	2020							
	Jan	Feb	Mar	Apr	May	Jun	Jul	
<b>Total payment to sector (Le/\$ million)</b>	636,852.83 (\$65.48)	567,099.50 (\$58.16)	426,851.35 (\$43.72)	453,017.00 (\$46.69)	479,438.00 (\$49.06)	895,235.00 (\$81.60)	724,899.00 (\$74.20)	4,183,392.69 (\$418.92)
<b>Total domestic revenue (Le/\$ million)</b>	473,953.30 (\$48.73)	409,868.81 (\$42.03)	470,395.29 (\$48.18)	365,131.00 (\$37.63)	388,628.00 (\$39.77)	510,633.00 (\$46.55)	454,365.00 (\$46.51)	3,072,974.39 (\$309.40)
<b>Payment to sector vs domestic revenue (Le/\$ million)</b>	-162,899.54 (-\$16.75)	-157,230.70 (-\$16.12)	43,543.94 (-\$4.46)	87,886.00 (-\$9.06)	90,810.00 (-\$9.29)	84,602.00 (-\$35.06)	270,534.00 (-\$27.69)	1,110,418.30 (-\$109.51)

**Table 6b: Trend in monthly sector expenditure vs domestic revenue (Jan-Jul 2019)**

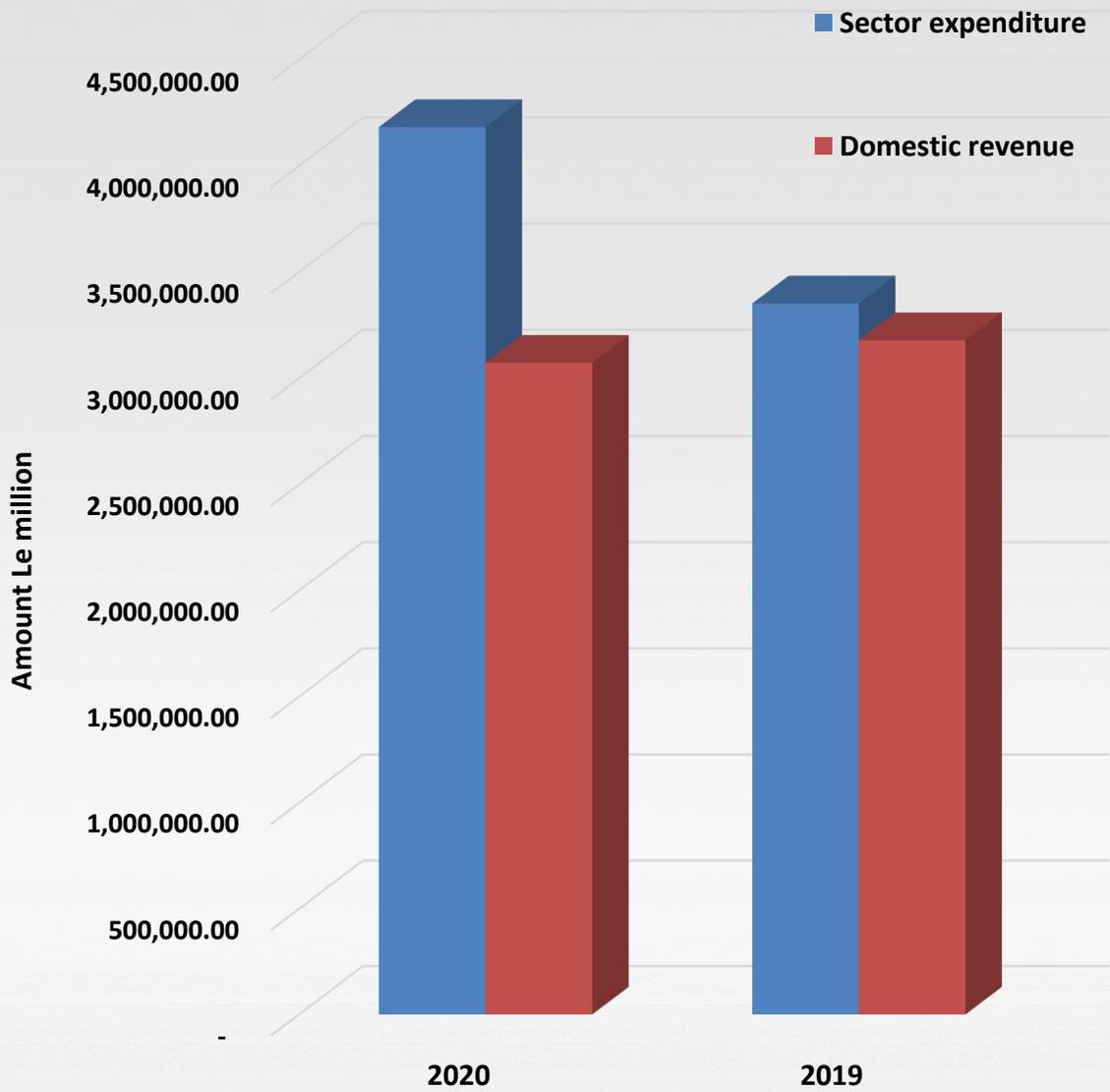
	2019							
	Jan	Feb	Mar	Apr	May	Jun	Jul	Total
<b>Total payment to sector (Le/\$ million)</b>	369,345.63 (\$43.78)	375,226.00 (\$44.02)	431,853.11 (\$50.08)	429,122.60 (\$49.34)	601,392.00 (\$68.61)	529,608.00 (\$60)	616,131.00 (\$69.18)	3,352,678.34
<b>Total domestic revenue (Le/\$ million)</b>	395,078.02 (\$46.83)	413,001.00 (\$48.45)	550,124.96 (\$63.79)	419,567.64 (\$48.24)	508,220.25 (\$57.98)	481,881.00 (\$54.59)	411,550.00 (\$46.21)	3,179,422.87
<b>Payment to sector vs domestic revenue (Le/\$ million)</b>	25,732.40 (\$3.05)	37,775.00 (\$4.43)	118,271.85 (\$13.71)	9,554.96 (-\$1.10)	93,171.75 (-\$10.63)	47,727.00 (-\$5.41)	204,581.00 (-\$22.97)	173,255.47 (-\$18.91)



Total sector expenditure outweighs total domestic revenue for all the months under review for 2020 as shown in table 6a. For instance, the total sector expenditure from January to July 2020 is Le 4.18 trillion while the total domestic revenue for the same months is Le 3.1 trillion. This means that sector expenditure is more than domestic revenue by Le 1.1 trillion. 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. In 2019, domestic revenue was more than the sector expenditure for the first three months (January – March), however, this trend changes from April to July as shown in table 6b. Figure 6 shows the difference between 2020 and 2019 sector expenditure and domestic revenue.

**Figure 6: Sector expenditure versus Domestic Revenue**



## 4.0 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.

There are chances of NRA coming back on track with domestic revenue mobilization. This is dependent on the pace of recovery of the global economy from the COVID-19 pandemic and associated effect. Despite the interruptions, NRA is still able to collect substantial domestic revenue. The analysis indicates revenue loss in the first and partly second quarter of 2020. Some of the reasons for the slow gains are attributed to NRA's flexibility measures in handling payment plans for business entities to be able to comply in paying taxes without recourse to jeopardizing their economies. This is reducing the monthly revenue collection among other issues. There is an indication based on the trend that the NRA would likely hit their 2020 revised domestic revenue target if the trend of

collection continues to improve in Q4 (current revenue to GDP stands between 1.08% and 1.21% of domestic revenue to GDP per month on average). However, it is also very likely that NRA may not meet its 2023 domestic revenue to GDP target by 2023 as a result of the shock on the economy due to COVID-19.

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.

