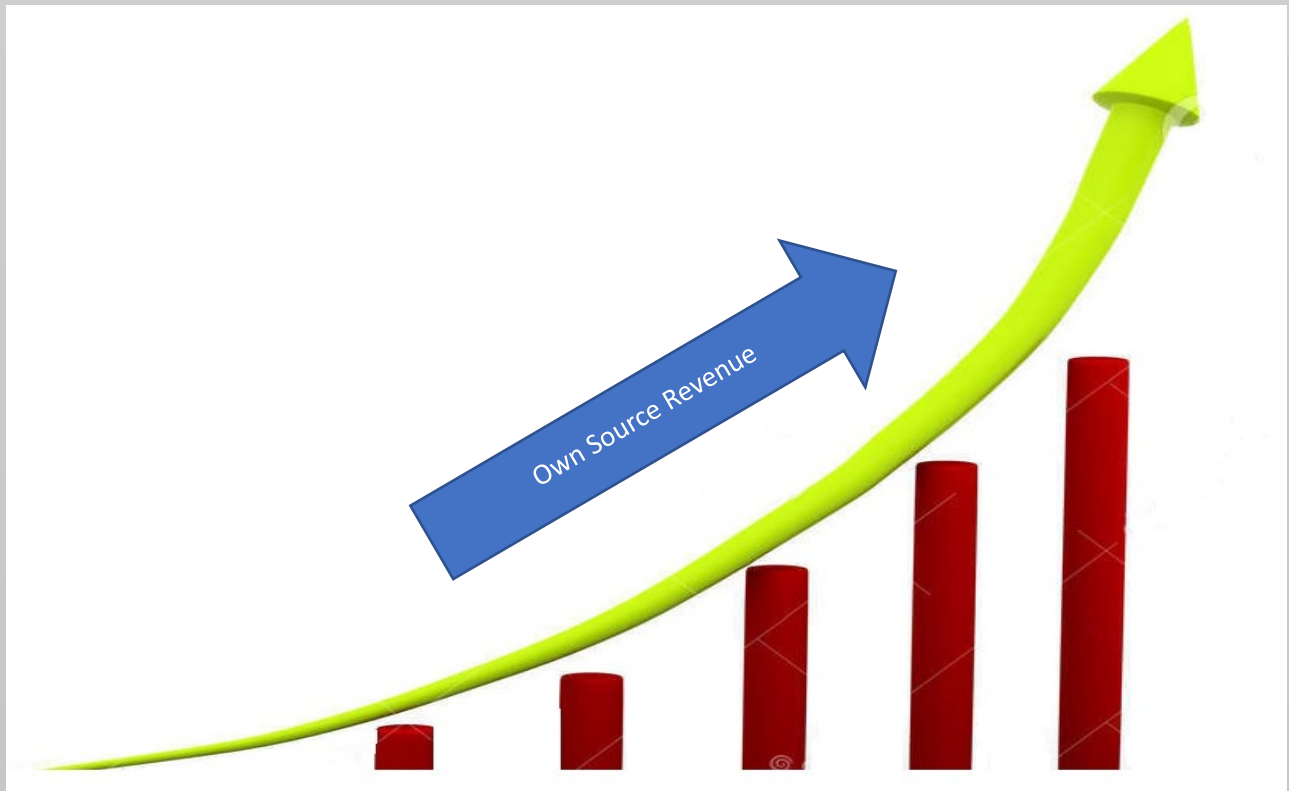


Increase Own Source Revenue for Social Service Delivery in Kailahun District



Revenue Mapping Report for Kailahun District Council- Sierra Leone



MAP OF THE KAILAHUN DISTRICT



CHIEFDOMS:

- DIA P.2
- JAWIE P.3
- KISSI KAMA P.4
- KISSI TENG P.5
- KISSI TONGI P.6
- LUAWA P.7
- MALEMA P.8
- MANDU P.9
- NJALUAHUN P.10
- PEHE BOGRE P.11
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- PENGUIA P.13
- UPPER BAMBARA P.14
- YAWEI P.15

Preface

We are pleased to present a comprehensive Revenue Mapping Report for Kailahun District, capturing major and minor revenue streams and potential other revenue streams. This is the first time BAN has undertaken such a study in Kailahun specifically covering the fiscal year 2022 to be able to determine the projected and actual revenues of the KDC on one hand.

A comparative analysis of the KDC's expenditure from own-source revenue, on the other hand, gives a vantage point to draw a line between the use of own-source revenue for quality service delivery on the citizens versus the administrative cost utilised by the Council over the period.

The social contract around paying taxes is to ensure that the district is developed. A clear call for transparency and accountability on the use of own-source revenue paves the way in-between cultivating the culture of trust on the side of the citizens towards Council authorities, and for the Council to be able to improve in their revenue generation drive going forward.

We intend to provide a clear pathway upon which the KDC should tread and continue to improve on future revenue generation without losing the trust of the citizens in a way. Therefore, the results of this study can be very useful to push the KDC through the line to succeed in its mandate which is to ensure the local development of the district.

Thanks to the programme staff of Budget Advocacy Network for their extensive input in crafting this report. Their comments and editing of the final report helped a whole lot with the quality at hand. Another thanks to the Kailahun District Council for using some of their diagrams and content to explain the mandate and function of the Kailahun District Council.

Special thanks to Irish Aid for providing the funds for this work under the Ireland Civil Society Partnership for a better world Development Stream.

“Promoting Accountability and Community Engagement (PACE) project and Christian Aid Sierra Leone for providing leadership.

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Introduction

Christian Aid Sierra Leone and partners, Budget Advocacy Network (BAN), Network Movement for Justice and Development (NMJD); Green Scenery; Social Enterprise Development (SEND), and Women's Network for Environmental Sustainability (WoNES) are implementing a consortium project titled: **“Promoting Accountability and Citizens’ Engagement” (PACE), which has a national outlook.**

The PACE project seeks to work with partners to enhance citizens voice and agency in claiming their rights to land, peaceful coexistence (crop farmers and herders), environmental protection and climate adaptation/mitigation measures and improved services with effective management of resources.

BAN was established as a social movement in 2006 to advocate for effective service delivery at the national and local levels. On that note, BAN's commitment to working on budgets and budget policies is to enhance policy-making and implementation for sustainable and equitable development as BAN “envisions a Sierra Leone where citizens are benefiting from transparent, participatory, and accountable pro-poor policies and programmes that will improve their living standards.” On that note, BAN is contributing directly to the PACE project in ensuring that public financial management is improved by way of promoting actions that improve domestic revenue collection in a transparent and accountable manner. A key component of the project is the intensive development of managerial, organisational, and technical components of local CSOs working on PFM identified through the mapping and baseline exercises as working on civic education and governance issues in Kailahun District. The capacity assessment is to inform capacity development activities under this project. Supporting capacity development processes effectively requires identifying what capacities exist and what additional capacities may be needed to achieve project objectives.

This intervention targeting the Kailahun District's own-source revenue mapping will identify areas where they can improve their revenue collection and management processes so that they can be able to use public resources more efficiently and effectively, which can ultimately benefit citizens. This intervention will also enhance policy-making and implementation for sustainable and equitable development, as the process will not only increase absolute own-source revenues for the district, it also improves the fiscal autonomy of the Kailahun District Council, thereby allowing them to better manage their public finances in a manner that is more appropriate to their economies.

Objective

The overall objective is to map the revenue streams of the Kailahun District Council with a focus on an increase in revenue generation in the future.

The specific objectives include:

- ❖ Tracking all revenue streams of the Kailahun District Council for 2022
- ❖ Monitor the revenue streams from which the Kailahun District Council collected revenue in 2022
- ❖ To assess the extent to which the council tried to collect revenue in 2022
- ❖ Identify potential future revenue sources

Scope of Work

The mapping looked at all revenue streams collected in 2022 and those to be collected by the Kailahun District Council in the future in a bid to assess which of the revenue streams was collected fully, partially and not collected at all and other potential sources and their viability.

Data Collection Method

The data collection methods include the following: review of existing records and information on Kailahun District Council own-source revenue; the use of a semi structured discussion guide and questionnaire.

Review of Existing Records: Existing lists of own revenue was collected from the Kailahun District Council and were reviewed to determine which revenue was collected fully, partially and not collected at all.

Use of semi structured discussion Guide: Semi structure discussion guide was used to capture information from the council with respect to their dealings in the areas of their operations. The discussion guide was designed to elicit information on the undermentioned areas: Taxable items, items that are currently taxed by the council; items that the council is supposed to tax but unable to collect; level of tax collected; administration of the tax revenue, shared tax between council and the chiefdom governance and accountability of the revenue.

Use of questionnaire: Questionnaire was used to solicit information from the councils and tax payers on taxes meant for the local council.

These data collection methods were used to gain insight into the mapping of the council own-source revenue; their operational contexts; the levels of capacity to collect the tax and use of it. It was also beneficial to solicit information on coordination efforts among the various stakeholders for the purpose of learning and sharing.

The mapping used both qualitative and quantitative techniques. This was done by a number of ways. Firstly, a desk review was done to ascertain the level of interventions for the targeted groups. Secondly, stakeholders identified were requested to identify and provide information on council own sources revenue and areas that have revenue potentials for service delivery.

Data Analysis

Data obtained from the participatory mapping exercise, using semi discussion guide, was extracted manually and entered into excel software for onward analysis to produce tables and charts where necessary.

the reintroduction of decentralized governance in Sierra Leone, governance at the lowest level was

entrusted to the chiefdoms headed by traditional leaders called paramount chiefs. Kailahun has 14 chiefdoms

Kailahun District Council was divided into 29 wards as at the last boundary delimitation for wards, headed by elected councilors who together constitute the local councils. The wards are used to provide information from the council to the constituents and similarly get feedback from the constituents. They are used for consultations and play a key role in the functioning of the council. The predominant local languages spoken are Kissi and Mende. However other tribes exist like the Fulahs, Madingos, Susu, and, Temnes. Mende and Kissy are in the majority. The Golas are also found in Kailahun mostly from Liberia and engaged in cross-border trade. The major economic activities are small-scale mining, cash crop production, and petty trading. Agriculture is the backbone of the Kailahun economy, characterized by cash crop production. Rice production is the most predominant seconded by cassava, oil palm, cocoa, and banana productions. They are among the most important crops that contribute to the household incomes of the local people in the district. This is supported by a conducive weather that favors their production.

The major source of livelihood is subsistence food and cash crop production for approximately 85% of the population. Commercial agriculture is mainly based on cash crops such as cocoa, coffee, oil palm, and cashew nuts. This is engendered by the thick forest cover induced by the high rainfalls within the year. The soils are relatively fertile favoring agriculture and cash crop production in particular. Government and partners have provided support to cash crop farmers and this has increased farmers' income.

STRUCTURE OF KAILAHUN DISTRICT COUNCIL

Kailahun District Council came into effect in 2004 following the enactment of the Local Government Act of 2004. It is the highest administrative and political authority in the district and has the legislative authority for leading and promoting the development of the district

The District Council is headed by a chairman supported by a Deputy and Ward Councilors. They constitute the political unit of the council and are elected every five years. Chairpersons cannot be elected for more than two terms. The administrative unit of the council is headed by the Chief Administrator, supported by a Deputy, and several core staff grouped into several departments such as Administration, Finance, Planning, etc. The third unit of the council is the group of devolved sector heads who provide technical support and lead in the planning and implementation of devolved sectors of the council.

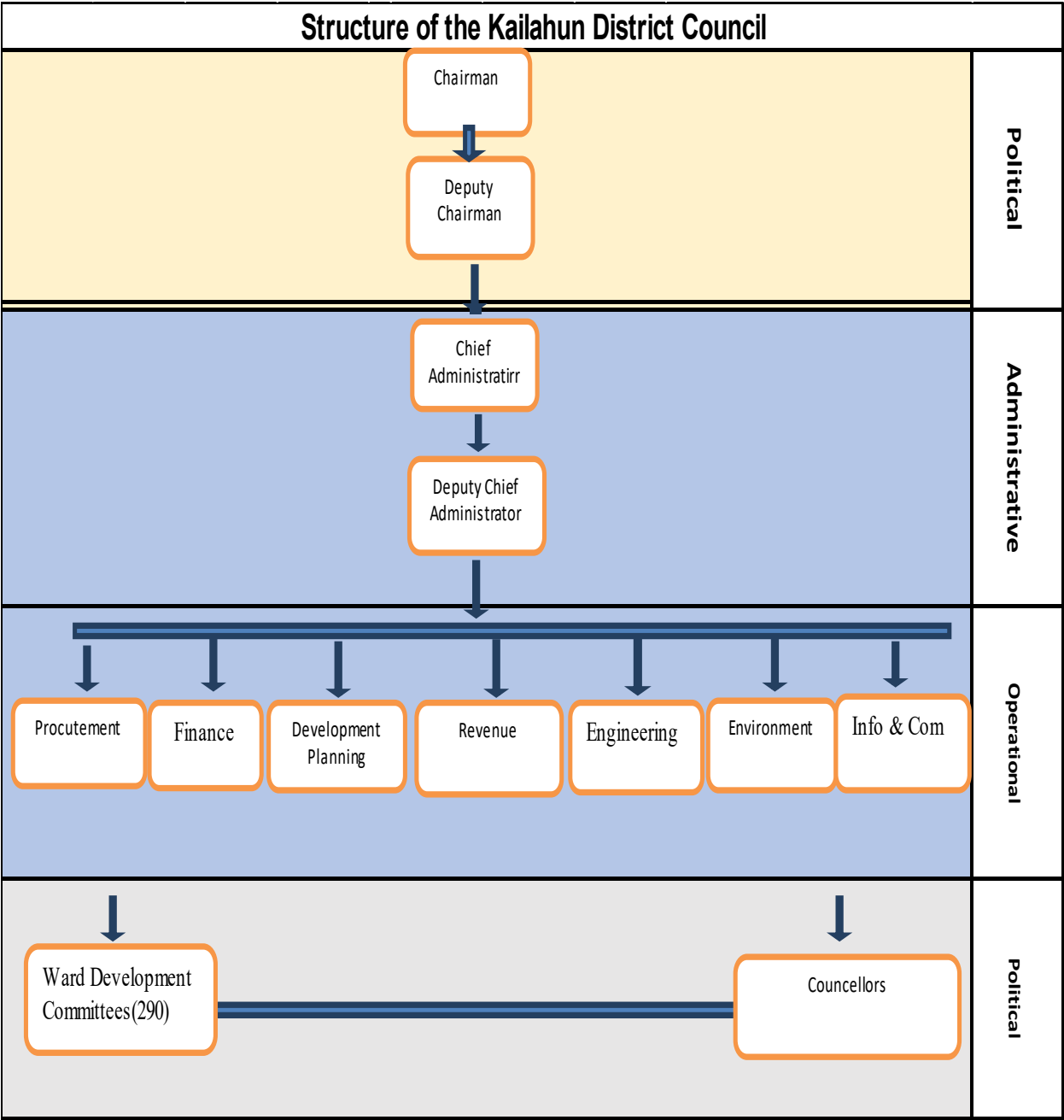
Below the council is another level of administrative unit, the Chieftom Council headed by Paramount Chiefs. The chieftom council performs traditional functions and other delegated functions of the council.

The Ward Development Committees (WDCs) comprise elected councilors in the twenty-nine wards. The WDCs meet regularly to develop plans and also support the council in the execution of development projects. The councilors are representatives of the 29 wards and are elected in every 5 years.

The vision for Kailahun District Council is to achieve gender equality, a well-educated and healthy self-sustaining, and well-governed population by the year 2035. The mission is to serve the Community through the coordinated delivery of services that focus on National and local priorities and contribute to the improvement in the quality of life; of people in Kailahun District.

Whilst the council seeks to improve the overall standard of living conditions, specifically it aims to achieve the following:

- Promote participatory bottom-up planning to create a system of shared decision-making acceptable and owned by the constituents.
- Influence development initiatives in desirable directions to improve the quality of life and standard of living of the people.
- To instill community-based planning and monitoring skills for better management of community projects in the district.
- To promote an informed citizenry; vibrant civil society and an engaging community.



LEGAL FRAMEWORK FOR OWN SOURCE REVENUE

Pursuit of the functions devolved to local councils and consistent with the basic principles of finance, “*finance follow functions*”, the government devolved several functions to local councils to finance their devolved and development functions. This is consistent also with provisions in

the Local Government Act which in Section 49. (1) states A local council shall be financed from-

- a) its own revenue collections;
- b) central government grants for devolved functions; and
- c) transfers of services delegated from Government Ministries

Section 49 (4) indicates the revenue sources for local councils as follows:

- a) grants (recurrent and capital) for devolved functions from the Government;
- b) precepts from local taxes;
- c) property rates;
- d) licences;
- e) fees;
- f) share of mining revenues;
- g) interests and dividends; and
- h) any other revenue due to the Government but assigned to local councils by the Minister responsible for finance by statutory instrument

2022 REVENUE ESTIMATE AND ACTUAL COLLECTION FOR KAILAHUN DISTRICT COUNCIL

2022 Own source revenue calculation and assumption

Based on Kailahun District Council's calculation and assumptions, a total of Le 2,478,979 was estimated to be collected in 2022 with the property rate being the highest in terms of the revenue proposal as shown in Table 1

Table 1: Kailahun District Council calculation and assumption for the 2022 fiscal year

Revenue Source	No. of Units/Bas e	Rate (Le)	Compliance Rate (%)	Totals (Le)
Local Tax/Poll Tax				49,410,000.00
<i>(15 Chiefdoms)</i>	19,764	5,000	50%	49,410,000.00
Property Rates				796,122,600.00
<i>Domestic</i>	8,121	35,000	96%	272,865,600.00
<i>Commercial</i>	3,231	150,000	98%	474,957,000.00
<i>Hall Rental</i>	75	700,000	92%	48,300,000.00
Business Registration/Contractors				263,175,000.00
<i>Class -A</i>	65	1,500,000	95%	92,625,000.00
<i>Class -B</i>	60	1,000,000	80%	48,000,000.00
<i>Class -c</i>	76	750,000	85%	48,450,000.00
Community-based organisation	90	500,000	95%	42,750,000.00
<i>International- NGO</i>	10	1,500,000	89%	13,350,000.00
<i>Local - NGO</i>	20	1,000,000	90%	18,000,000.00
Lease of Council Property				14,000,000.00
<i>Council Properties</i>	4	3,500,000	100%	14,000,000.00
Evacuation fees				176,400,000.00
<i>Evacuation fees</i>	90	2,000,000	98%	176,400,000.00
Erecting of Communication Poles (Towers)				220,000,000.00

ORANGE	25	5,000,000	100%	125,000,000.00
AFRICELL	13	5,000,000	100%	65,000,000.00
QCELL	6	5,000,000	100%	30,000,000.00
Other Revenue Sources:				97,262,500.00
<i>Sales of Bids</i>	35	350,000	95%	11,637,500.00
<i>Collection of funds for signs/billboards:</i>				
<i>4'*4'</i>	85	500,000	90%	38,250,000.00
<i>8'*4'</i>	35	1,000,000	85%	29,750,000.00
<i>Collection of funds for sands</i>	750	25,000	94%	17,625,000.00
Business Licences				177,608,500
<i>Collection of Herbalist licence</i>	85	100,000	90%	7,650,000.00
<i>Collection of licences from Barbng Shop/salon</i>	52	100,000	85%	4,420,000.00
<i>Collection of licences from Entertainment Centers(Clubs,video, Tele)</i>	73	250,000	89%	16,242,500.00
<i>Collection of licences from Restaurants, cookery shops</i>	57	100,000	93%	5,301,000.00
<i>Collection of licences from Fuel Stations</i>	10	300,000	95%	2,850,000.00
<i>Collection of licences from cattle rearing</i>	40	100,000	98%	3,920,000.00
<i>Collection of licences from Drug Stores</i>	33	500,000	100%	16,500,000.00
<i>Collection of licences from Tailor Shops</i>	150	250,000	97%	36,375,000.00
<i>Collection of licences from Bakeries</i>	20	150,000	95%	2,850,000.00
<i>Collection of licences from Hotel</i>	7	3,500,000	100%	24,500,000.00

<i>Collection of licences from Guest House</i>	15	1,000,000	95%	14,250,000.00
<i>Collection of Licences from Produce Stores</i>	150	300,000	95%	42,750,000.00
<i>Other Revenue Sources:</i>				685,000,000.00
<i>Government Estate Buildings</i>				585,000,000.00
<i>Mining Fees</i>				100,000,000.00
GRAND TOTAL OWN SOURCE REVENUE				2,478,978,600.00

All of the revenue streams for Kailahun District Council do not meet half of their target except fees from evacuation which exceed its revenue target for 2022. Overall, Le **2,478,979** was approved as the revenue estimate from its own source revenue but only **Le 793,615** was collected for 2022. This means that 68% of the revenue estimate in the approved budget was not collected in 2022 for Kailahun District Council.

68% OF THE APPROVED OWN-SOURCE REVENUE FOR KAILAHUN DISTRICT COUNCIL FOR 2022 WAS NOT COLLECTED

**Based on the assumption,
Kailahun District Council has
the potential to increase its
revenue by almost 300% in
2023 and more in the
subsequent years**

Revenue Estimate and Actual Collection by Revenue Streams

Figure 1 and Table 2 clearly shows that all the revenue stream did not perform well except fees from evacuation. Property tax which has the greatest potential to generate more revenue for the council disappointedly did not perform well. This is also the case for the other revenue streams.

Figure 1: Revenue estimate and actual collection by revenue streams

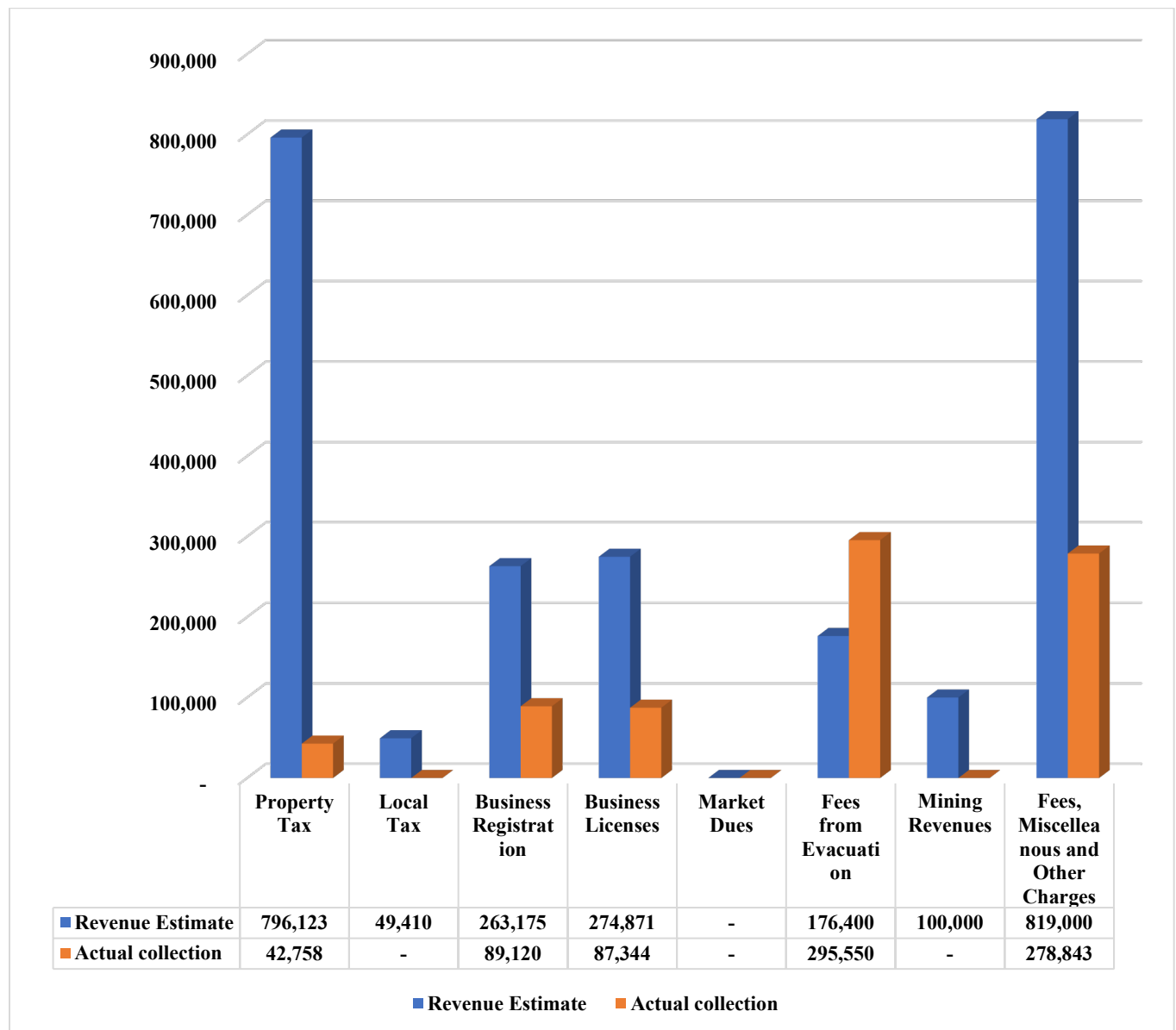


Table 1: Own source collected by the Kailahun District Council in 2022

Revenue Source	Approved Revenue estimate	Actual collection	Variance	% of revenue not collected
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Property Tax	796,123	42,758	753,365	95%
Local Tax	49,410	-	49,410	100%
Business Registration	263,175	89,120	174,055	66%
Business Licenses	274,871	87,344	187,527	68%
Market Dues	-	-	-	
Fees from Evacuation	176,400	295,550	-119,150	-68%
Mining Revenues	100,000	-	100,000	100%
Fees, Miscellaneous and Other Charges	819,000	278,843	540,157	66%
	2,478,979	793,615	1,685,364	68%

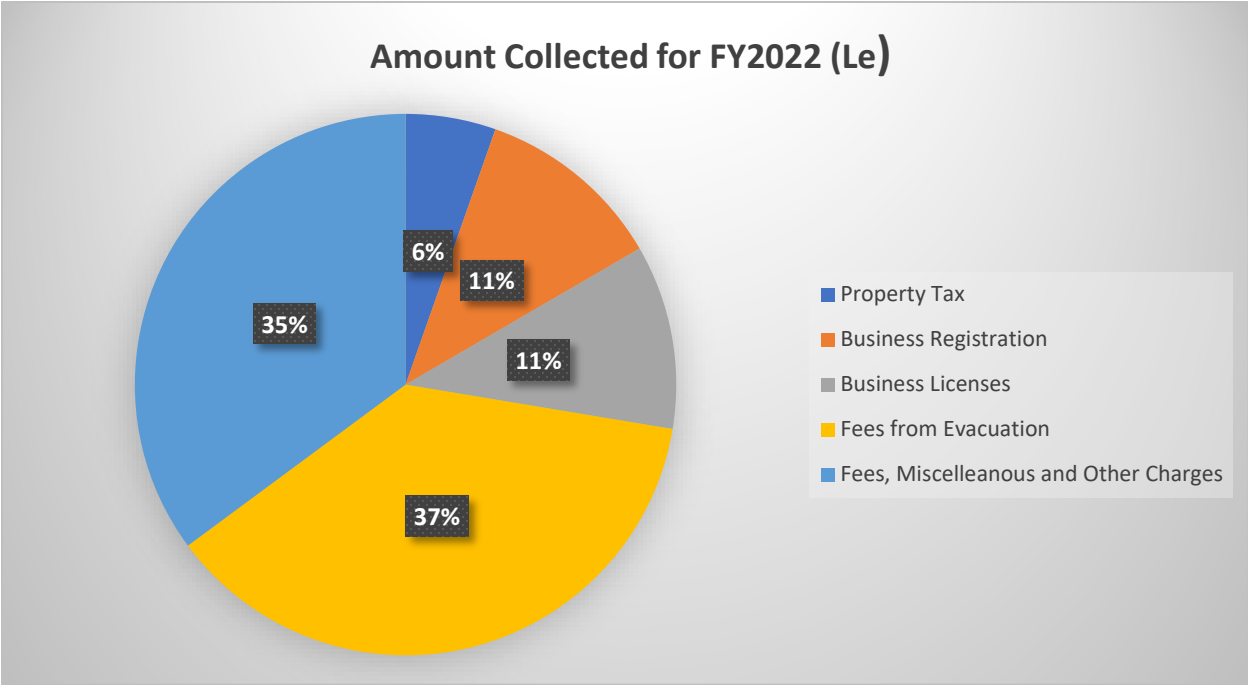
Some of the reasons for the low revenue collection were:

- I. Tax enforcement was not done because of the election
- II. Most people cannot distinguish between Council and Chiefdom dues.
- III. Much sensitization and tax education were not done by the council during the financial year 2022.
- IV. There is inadequate involvement of CSOs and other community leaders in tax education and own source revenue generation.
- V. Some people are not willing to pay local taxes on the excuse that the Council has not been transparent and accountable in the collecting, recording, and reporting of its own source revenue.

Share of own source revenue collected by revenue streams

Of the total collected, fees from evacuation accounted for 37%. Evacuation fees are charges levied on the transportation of agricultural products such as cacao, timber, and palm oil. The levy is based on the size of the vehicles transporting the products out of the district. Next in the potency of collection are fees, miscellaneous, and other charges accounting for about 35%. This includes fees levied on the use of council property such as the council's hall, the use of a mini stadium, and the use of a lorry park amongst others. Others in the ranking order are business licenses, business registration, and property tax accounting for about 11%, 11%, and 6% respectively as shown in Figure 1.

Figure 1: Share of the percentage of own-source revenue collected



OWN SOURCE REVENUE EXPENDITURE

All of the own resources were spent on administration and nothing on service delivery. The guidelines for the use of own source revenue state that at least 35% of own source revenue should go to service delivery.

All of the own source revenue expenditure for 2022 goes towards administrative expenses while nothing was spent on service delivery

ACCOUNTABILITY AND REPORTING OF OWN SOURCES REVENUE COLLECTED

The Council also holds Monthly Council Sitings (MCS) which are open to the general public. During these meetings, the Chief Administrator provides updates on revenue generated and expenditure plans for Councilors' approvals. There is also a notice board where these transactions are articulated for public consumption from time to time.

There is a Valuation Unit that is charged with the responsibility to collect revenue for the council but grossly staff to effectively carry out their work across the length and breadth of the district. This to a large extent has been responsible for the low collection rate and for which the Council is constrained to deliver the much-needed services to the people.

CONCLUSION AND RECOMMENDATIONS

Conclusion

It is clear from the mapping exercise that Kailahun District has huge revenue potential, if harnessed well would contribute in no mean way to the district's overall development. To achieve this, there has to be a willingness on the side of local citizens to pay the various taxes, which on the side of the Kailahun District Council needs to be managed well by ensuring that the taxpayers see the worth of development from the taxes they are paying. However, an analysis of its own source revenue expenses revealed that the Kailahun District Council is spending more than 60% of its own source revenue on administration.

The Kailahun District Council should be transparent and accountable to the people of Kailahun whose taxes constitute the amount of money the council is spending to ensure quality service delivery. This would not only increase the own-source revenue of the Council but will establish a sense of ownership for locally-driven projects in terms of monitoring implementations and holding duty-bearers accountable for service delivery. In this direction, Budget Advocacy Network will continue to provide technical support to ensure that the own-source revenue is effectively tracked.

The Kailahun District Council on the other hand should ensure a robust public education on taxation with a clear explanation of the various types of taxes and how different each type is to avoid any sort of misinformation about taxation which often would lead to misconception thereby

bringing the whole issue into disrepute. Most traders and farmers cannot tell which type of taxes and dues to pay to either the council or their chiefdom authorities.

Recommendations

It is evident from this exercise that the current own-source income of the Kailahun District Council is not enough to adequately support overall development and quality service delivery for the people in line with the 2022 Local Government Act.

To improve on the revenue generation drive, it is recommended that the Kailahun District Council adopts the following:

- **Increase transparency and accountability in the process:** The Council Chief Administrator should ensure to publish the detailed monthly income and expenditure statements from its own source revenue in a reader-friendly manner.
- **Inclusion of key stakeholders in the collection, reporting, and utilization of own-source revenue:** The Council management team should ensure to include CSOs, trade unions, the media, the District Budget Oversight Committee (DBOC), women's groups, persons with disabilities, and other stakeholders in the decision-making processes relating to the collection of own-source revenue, management, and reporting. This will increase trust between stakeholders and the council; hence it has the potential to increase own-source revenue.
- **Weekly Council Hour Program:** A regular radio discussion programme targeting public education on taxation and the use of own-source revenue by the Council would present a better opportunity to interact with the public on the issue and would reach many in the district. This programme should conduct phone-in sessions and text messages from the wider audience as a form of feedback. The panel should constitute Council Staff, CSOs, trade unions, representatives from the devolved sectors, and local authorities. For instance, the panel could look at the forms of tax assessment and a typical question would be “what the rate demand notice contains, how the assessment was made, where and when to pay and how to appeal, etc.
- **Mobile Personal Address System:** Council should use the key moment to target citizens and the general public with awareness raising and sensitisation on own-source revenue mobilisation and use. It is relatively simple to play jingles or songs/tracks in local

languages to attract attention and then give out messages regularly during football matches, festivals, periodic market days (lumas), etc.

- **Paramount Chief Meetings:** It is important to involve the Paramount Chiefs as traditional authorities. They have close connections and influence on their people. Paramount Chiefs have their revenue source competing with the Council revenue collection even though they are obliged to comply with the Local Government Act (S27). When a high level of courtesy of information and encouragement is accorded to them, they are bound to comply and fully support the process.
- **District Stakeholders Meetings:** Although radio offers the widest and broadest forms of information dissemination, District Stakeholders' meetings are very important fora for taxpayers to voice out their opinions or ideas, questions, and concerns. Meetings for taxpayers to voice out their concerns and feedback are very critical in revenue generation. Therefore, the Valuator, Chairman, and the CA should make use of such opportunities to explain to the people the significance of paying taxes and use of the money.
- **Business Leaders:** Kailahun District Council can organize revenue mobilization meetings with the leadership of business associations and trader's unions. At such meetings, information about taxes and licenses can be responded to by these leaders with questions and support such as street/ market cleaning and other council services as a multiplier effect.
- **Earmark's own source revenue:** development projects financed by the council from their own source should be labeled clearly "from your source revenue"

