



Dynamics of revenue mobilization by local governments in Sierra Leone: A case study

Samuel Karim ^{1*}, Caroline Jariatu Bah ²

¹⁻² Ernest Bai Koroma University of Science and Technology, Faculty of Social and Management Sciences, Makeni, Sierra Leone

* Corresponding Author: **Samuel Karim**

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Abstract

This research examines opportunities and constraints facing local revenue mobilization in Sierra Leone, with an emphasis on local governments settings. Specific revenue instruments and their effects on economic efficiency, income distribution and accountability are discussed. In particular, political and administrative constraints facing various revenue instruments and factors affecting citizens' compliance behaviour are addressed accordingly. The analysis is exemplified by critical examination from cases across local governments in Sierra Leone. A general conclusion emerging from the study is that local revenues mobilised in most local government authorities in Sierra Leone are necessary but not sufficient to develop and supply adequate services for the fast-growing population. On this basis constraints, opportunities and areas for further research on the dynamics local government revenue mobilisation in Sierra Leone are identified.

Keywords: mobilization, Dynamics, Sierra Leone, government

1. Introduction

In years ago, the trend towards decentralization and greater urban self-government has been growing in most developing countries as democracy is spreading throughout the world. This has created room for the political process to provide for greater autonomy notably, fiscal autonomy of local authorities to enhance development (Todaro & Smith, 2006:554). The dispensation of decentralization in Sierra Leone as enshrined in the constitution requires the existence of a system of local government and administration that has to be decentralized of its structures. The Local Government Act, 2004 (Part 2 Section 2) among others makes provision for the establishment of Local/District Councils (DC) as the planning authority of the District and the District Planning Committee as the service wing of the DC. The Local Government Act of 2004, (Part 5 Section 20, subsection 1 and 2a-k) stipulates the functions of the Local Government. It states that the local councils shall be responsible for the overall development of the district including the preparation and submission of developmental plans and budget of the district related to the approved national development plans. Besides, the DCs shall formulate and implement development plans, programs and strategies for the effective mobilization of the resources and ensure the continuous flow of resources necessary for the overall development of the district.

To ensure that the LCs/DCs are able to perform their constitutional functions of developing their local areas, the central government transfers some funds to them. For this reason, the Local Government Finance Committee (LGFC) was constitutionally established by government to provide for each local government unit, a sound financial base with adequate and reliable sources of revenue.

However, it has become clear of recent that the LGFC has become more eminent for its numerous functions that help to solve some challenges faced by many district councils in their quest to bring development to their communities or districts. Meanwhile, the issue of late disbursement of funds to the councils is still a challenge faced by them. The obstacles that surround the grants from the central government to the LCs are also hindering local development.

In the case of internal revenue, they hardly raise funds that would be enough to meet a single felt need. This is because they lack the necessary strong structures. In fact, this is why they mostly depend on the central government for aid. Based on these general concerns, the study examines specifically the revenue generated by the Bombali District Council with the aim to help them develop effective internal revenue mobilization strategies through the recommendations of the work.

1.2 Statements of the Research Problem

The role of finance in the decentralization process cannot be over emphasized as it is the life blood of organizations (Boachie-Danquah, 2007). The decentralization process in the world and Sierra Leone in particular is severely constrained by a lack of institutional capacity, limited local resource mobilization, and limited access to long-term financing for investment programs in order to embark upon their development agenda.

Sierra Leone's local government like any developing country, have various sources of funding such as Central Government Transfers, Locally Generated Revenue Fund, Donor Aid, Loans and overdrafts and Local Government Agencies. These sources are characterized by chronic financial problems. This chronic financial problem makes it very difficult for the DCs/LCs to ensure the overall development of the district and preparation and submission of developmental plans and budget of the district related to the approved national development plans. The DCs have not been able to mobilize the necessary resources for the development purposes in their local areas even though financial resources from the LGRF, the IGF are put in place to make the districts financially sound (Local Government Act, 2004 Section 55).

The Local Government Act 2004 (Part V11 Section 4a-g) allows the DCs/LCs to generate revenue locally through various sources such as property tax, fines, and grants from central government transfers, loans and among others. Literature has revealed that the IGF of most DCs has been low beyond expectations and this situation makes it difficult for the DCs to carry out their mandate of ensuring the overall development of the area.

1.3 Research Aim and Objectives

This part of the study outlines the aim and objectives that guide the researcher in carrying out the study.

1.3.1 Research Aim

To find out about the effectiveness of the sources of revenue generated internally by the Bombali District Council for local development.

1.3.2 Research Objectives

This seeks to give answers to the research question;

1. To assess the performance of the various sources of the IGF of Bombali District Council.
2. To assess the IGF, total expenditure and the cost benefit analysis involved in the mobilization of revenue by the Bombali District Council.
3. To look at the factors that have affected the IGF performance of Bombali District Council.
4. To explore the options that the council has in ensuring effective and enhanced revenue mobilization for local development.

1.4 Research Questions

The study tends to provide answers to the following questions:

1. What has been the performance of the Bombali District Council in mobilizing IGF for local development over the years under review?
2. Are the IGF, total expenditure and the cost benefit analysis involved in the mobilization of revenue by the Bombali District Council consistent?
3. What factors have influenced the performance of the Bombali District Council with regard to IGF mobilization?
4. What are the possible options available to the Bombali District Council to ensure enhanced revenue mobilization for local development?

1.5 Significance of the Study

The study is significant for a number of reasons in different areas amongst were:

1.5.1 Significance of the Study to the District Council

1. It helps the Bombali District Council to mobilize resources adequately based on the recommendations provided in the study.
2. It also helps the BDC to enhance their revenue mobilized internally. Since they have known their strength and weaknesses on the strategies and mechanisms they used in the revenue mobilization process over the years.
3. This is also important to other district councils that exhibit similar characteristics in the country.
4. The result of the research work could be useful to NGOs, communities and their members, researchers, Development Partners, Financial institutions and the central government as well for policy analysis.

1.5.2 Significance of the Study to Policy Makers

1. The findings will help policy makers to fine-tune their policies about the fiscal decentralization and make it more responsive to the needs of both DCs and the communities.
2. It could also serve as a guide to policy makers, development workers and other stakeholders of decentralization in Sierra Leone in particular and the developing world in general.
3. It is also the author's contribution to making the local government financially autonomous, as it is the result of fiscal decentralization.

1.7 Limitations and Delimitations of the Study

1.7.1 Limitations of the Study

The following are some limitations faced by the researcher;

1. **Time:** The time frame that was given to conduct this research work was very limited, considering other workloads like going for seminars, compiling of report on internship, reading for exams and other academic activities the researcher will be having while the research will be going on.
2. **Finance:** This is another factor that seriously affected the researcher in carrying out this research work. Especially these days that we have rough economy and our economy is shrinking in the business cycle. The cost involved in transportation fare, printing of questionnaires, making follow-up to respondents and other costs that will be incurred along the process are too exorbitant.
3. **Materials Availability:** Materials especially recent

secondary materials that are related to this study were difficult to be accessed from the office as respondent are afraid.

4. Negative attitude of respondents the researcher will be face: Some respondents will be reluctant to give vital information about the institution and other necessary information.

1.7.2 Delimitations of the Study

In order to overcome the challenges faced by the researcher, the under listed are some strategies set;

1. The study was delimited to Bombali District Council as there are many local councils across the country.
2. The researcher delimited the research work by apportioning the stipulated time to the activities he has, so as to overcome the challenge of time.
3. Finances were given by parents, good friends and relatives to fasten the movement and some costs incurred in the research work.
4. Different articles, papers, websites were read by the researcher to provide accurate information about the topic under studied.

1.8 Scope of the Study

The scope of the study covers the content of the issues under investigation and time scope of the study. The area where the study was conducted is Bombali District Council North-Eastern Region of Sierra Leone where the Revenue Generated Internally in the Bombali District Council will be the unit of analysis. The study examined the performance of the revenue generated in the Bombali District Council, comparing the IGF, total expenditure and the cost benefit analysis involved in mobilizing revenue for local development and the challenges faced by BDC in mobilizing the revenue. The other area of the study is the options available to the DC to mobilize adequate and sustainable revenue for local development.

Time is much vital in the exploration of enhanced revenue mobilization of the BDC as the trend of revenue mobilization over the years have been collected. In doing this, the researcher gathered information on the levels of revenue of BDC. The data available ranges from 2015-2018 for the analysis of the revenue generated internally by BDC.

1.9 Definition of Terms and Acronyms

1.9.1 Definition of Terms

District/Local Council: This is a type of administrative division that is managed by the local government.

Decentralization: Decentralization involves the transfer of some responsibilities from the higher level to the lower one. In governance, it is the transfer of some responsibilities from the central government to the local level.

Development: This is a multidimensional process which embraces changes in the social structures, popular attitudes and national institutions. It also described as a continuous increase in economic growth, eradication of poverty and inequality.

Fiscal Decentralization: This is the transfer of fiscal resources and power to mobilize revenue, as well as the power of authority over budgets and financial decisions.

Government: This is a body empowered by the constitution to carry out the administration and serve as the administrative wing of a particular country or nation.

Internal Generated Funds: These are funds mobilized by

local councils internally from their various sources for local development.

Local Development: Local development refers to the process of development that ensures eradication of poverty, improvement in the living standards of the local people, reduction of inequality among others.

Local Government: Is a political sub-division in a nation or state, which is made by law and has highest degree in the control of local activities at the local level, which includes the powers to raise taxes of some purposes.

Local Government Act: This is a constitutional provision that allows the establishment of local councils.

1.8.2 Definition of Acronyms

B D C: Bombali District Council

C S O: Civil Society Organization

CBOs: Community Based Organizations

D Cs: District Councils

G O S L: Government of Sierra Leone

I G F: Internal Generated Fund

L Cs: Local Councils

L G A: Local Government Act

L G F C: Local Government Finance Committee

L G R F: Locally Generated Revenue Fund

NGOs: Non-Governmental Organizations

S S L: Statistic Sierra Leone

RGI: Revenue Generated Internally

1.10 Organization of the Research Study

2. Literature Review

2.1 Introduction

This chapter looks at review of literature on the concepts of decentralization, fiscal decentralization, the legislative mandate of the local government and as well the sources of funds for funding DCs/LCs activities. The last part of the session discusses the conceptual framework that guides this particular study.

2.2 Definition of Concepts

The following concepts are very relevant for meaningful understanding of the issues under investigation.

2.2.1 Local Government

Local government is a political sub-division in a nation or state, which is made by law and has highest degree in the control of local activities at the local level, which includes the powers to raise taxes of some purposes. The people in charge of the governing body are either elected or selected. In paragraph C of section 2 subsection (2) of the 1991 Constitution of the Republic of Sierra Leone makes provision for the establishment of local government and administration, which as well is to be decentralized for the purpose of development. The name given to this local government at the local level is known as the District Council (DC). According to the Local government Act, 2004, DC refers to that local authority with the highest political authority in the district exercising oversight responsibility over a whole district, a city/municipality on behalf of the central government.

2.2.2 Local Development

Development is as a multidimensional process that embraces changes in the social structures, popular attitudes and national institutions. In economic terms, it covers the area of accelerated economic growth, eradication of poverty and

inequality. Even though this definition covers the national economy, it applies to sub-national level as well. In this case, local development refers to the process of development that ensures the eradication of poverty, improvement in the living standard of the local people, reduction of inequality among others. Development must meet the three objectives of increasing the availability and widening the distribution of basic life- sustaining goods (food, shelter, health and protection), raising income level and expand the range of economic and social choices (Todaro and Smith, 2006).

2.2.3 Decentralization

Decentralization involves the transfer of some responsibilities from the central government to the local level. The responsibilities of central government of planning, managing, raising and allocation of resources are shifted to the local government to perform. This lower level of government includes those of semi-autonomous public authorities and non-governmental private or voluntary organizations (Rondinelli, 1989). According to Walker (2002)^[20], decentralization is the transfer of political power, the capacity to make decisions as well as resources from central to sub-national levels of government while Manor (1998)^[11] and Ribot (2001)^[15] viewed decentralization as the process by which the central government officially transfers its powers to the actors and institutions at lower levels in a political-administrative hierarchy. Administrative decentralization is the transfer of state responsibilities and resources from the central government ministries and agencies in the nation's capital to its periphery institutions in the districts within the same administrative system. The economic decentralization which is referred to also as market decentralization is where there is a shift of public function to the private sector. Fiscal decentralization is explained as the situation where expenditure decisions on revenues raised locally or transferred from the central government is done by the local authority.

2.3 Fiscal Decentralization and Local Development in Developing Countries

According to Ribot (2001)^[15], "fiscal decentralization is the transfer of fiscal resources and power to mobilize revenue, as well as the power of authority over budgets and financial decisions, to either deconcentrated officials and/or central government appointees or to elected politicians".

Smoke (2001)^[17] identifies the following three major reasons why fiscal decentralization is relevant to developing countries:

1. The failure of economic planning by central governments in promoting adequate development.
2. Changing international economic conditions and structural adjustment programmes designed to improve public sector performance which have created serious fiscal difficulties for developing countries.
3. Encouragement of the development of financial autonomy in developing countries by changing of political climates". This suggests that fiscal decentralization has political, economic and social significance to the local level (Smoke, 2001 cited in Inanga and Owusu, 2004)^[17].

The constitution guarantees the involvement of citizens in local government areas in terms of decision making. There is however, widespread dissatisfaction of citizens with regards

to the state of participation and accountability in Sierra Leone's Local Government System. In this regard, participation in the political process should include citizens as many as possible in taking crucial decisions that affects their lives in the locality (GOSL) LGA 2004. The decisions made by the local government of which the citizens should be involved include decisions about taxation and how these taxes should be used for the improvement of the lives of the people.

The non- state actors which should also be involved in making of decision include traditional authorities of the locality and Civil Society Organizations {CSO}. The traditional authorities are seen to play various roles in the communities to support the various activities of the district or locality.

Some other studies over the years have gone beyond broad analysis of the aggregate impact of decentralization on economic growth to suggest specific ways in which fiscal decentralization can affect macroeconomic stability (Tanzi, 1995)^[19]. Critics argue, among others, that local governments in many countries tend to run deficits, and draw on the central government budget to cover their shortfalls; local governments fail to repay loans from the central government, again forcing the latter to dip into its general funds, often to repay loans to international development organizations, such as the World Bank; strictly defined arrangements for sharing central resources with local governments take control from the centre over how to use public resources; local governments tend to be more corrupt than central governments, leading to bad spending decisions and misuse of public resources; there is need to worry about the extent to which decentralized units of government compete with the centre for tax bases, or compete with one another by undertaking policies that may affect business costs and free domestic trade (Tanzi, 1995)^[19].

2.4 District Councils and Local Development in Sierra Leone

According to the Local Government Act, 2004 (Part ii, section 2 sub section 2) provides for the creation and establishment of District Councils (DCs) by the President of the Republic of Sierra Leone (Dr. Alhaji Tejan Kabba). The DC per the constitution of Sierra Leone is the highest political authority of the district and has deliberative, executive and legislative powers. Factors considered in the creation of district councils among others include population size, the economic viability of the area and geographical continuity and future growth or expansion. The area should be economically viable to be able to raise its own resources for development purposes. The DC is made up of the following members: elected members representing the electoral areas (Ward Councilors), the Chair person and not more than 10% percent of all members of the DC appointed by the president. Part 5 of the LGA of Sierra Leone 2004, establishes the functions of the DCs as: formulating and executing plans, programmes and strategies for the purpose of mobilizing resources for the development of the district. It is also the duty of the District Council to levy and collect taxes, rates, duties and fees. The Local Government Act, 2004 (Part 5) subsection 2 without prejudice to the generality of subsection 1 identifies the functions of the LC to:

- a) Mobilize the human and material resources necessary for the overall development and welfare of the people in the locality.

- b) Promote and support productive activity and social development in the locality.
- c) Initiate and maintain programmes for the development of basic infrastructural and provides works and services for the locality.
- d) Be responsible for development, improvement and management of human settlement and the environment in the locality.
- e) Initiate, draw up and execute development plans for the locality.
- f) Determine the rate of local tax.
- g) Oversee Chiefdom Councils in the performance of functions delegated to them by the local council.
- h) Cooperate with relevant agencies to ensure the security of the locality.

The functions outlined above, illustrates that the DCs/LCs has as one of its key mandate of fostering and promoting development at the local level. One thing that stands out in carrying out this mandate is finance. Finance provides the means for organizational existence which then as a matter of fact the blood of organizations. Whether finance is mobilized internally or externally transferred, its importance in organizations can never be denied (Boachie-Danquah, 2007). This makes the mobilization of revenue by the DCs very important if they want to fulfill its mandate of total development of the district.

2.5 District/Local Councils Financing Sources for Local Development

The Local Government Act 2004, Section 52 sub section 1 makes provision for the establishment of a committee known as the Local Government Finance Committee to sit on all financial issues of LCs/DCs for adequate and reliable mobilization of resources for local development. The DCs/LCs can levy and collect taxes, rates and duties. Local governments in developing countries derive their revenues from two principal sources: funds transferred to them from a higher level of government and funds collected and retained in the locality itself (Painter, 2005) ^[14]. The financial provisions for the local government system in Sierra Leone are contained in Part V11 of the Local Government Act, 2004. "The revenue sources available to the local government for its development purposes may be classified into two namely: locally generated (traditional) funds and central government transfers".

2.5.1. Local/Internal Generated Funds (IGFs) of District/Local Councils

Part V11 of the 2004 Local Government Act of Sierra Leone under section 45 subsections 4, empowers the local government to raise revenue locally to supports its development agenda. These sources sometimes known as the traditional sources are derived from the following main sources: property rates, local taxes, fees and charges, licenses, share of mining revenues, interests and dividends and any other revenue due to the government.

Property Rates

According to Part V11 of the 2004 Local Government Act of Sierra Leone under section 45 subsection 4, the DC is the rating authority of the district and it is required to make and levy sufficient property rates to citizens on that particular district, that can be capable of funding part of the total

estimated expenditure budgeted for that year by the DC.

Local Taxes

The District Council have the autonomous power to levy taxes on the citizens at a reasonable cost determined by the central government for the development of their district, chiefdom and locality at large.

Fees and charges

The District Council as part of its revenue mobilization efforts could charge some fees on certain services and goods within its area of operation. Under the Local Government Act, the following are sources that could be fined: cattle pounds; conservancy; slaughter houses; market dues; market stalls/stores; lorry park dues; advertisements; trading; kiosks; restoration of conservancy service; graveyard receipts; bread bakers; chop bars; corn mills; and dressing stations. The District Council is empowered to make bye-laws that will help in its administration purposes. The non-compliance of these bye-laws allows the DC to fine the individual or institution who fails to comply. Some of these include unauthorized or illegal development of land, not observing sanitation/hygienic codes, etc.

License

License is supposed to be obtained from the DC before any individual or organization embarks upon some activities. This kind of revenue is derived from the following sources: dog licenses; hawkers; hotels and restaurants; beer and wine sellers; petroleum installations; palm-wine sellers; herbalists; taxi cabs; lorry parts overseers; self-employed artisans, fishing tolls and births and deaths.

Miscellaneous

This source covers a broad area and among the areas include casino revenue, betting tax, entertainment duty, gambling tax, income tax (registration of trade, business, profession or vocation and income tax payable by specific categories of self-employed persons in the informal sector), daily transport tax and advertisement tax. Painter (2005) ^[14] identified and classified them into three categories such as "taxes, fees and user charges". However, in many districts these sources of revenue are either inadequate or poorly developed due to the general poverty level and underdevelopment of infrastructure and services as well as cost implications in the collection from the sources identified.

From the many sources of revenue available to the DC for revenue mobilization for development purposes, not all these sources are utilized and some have not been effectively utilized for local development. Yet many DCs still complain of inadequate resources for local development. The study therefore seeks to explore the ways of mobilizing revenue internally for their development purposes. Even though these revenue points have been identified and assigned to the various DCs, what their performance has been with respect to the various councils has not been known and as to which of these collection points yield a lot to the council is yet to be assessed. It is known that most councils have not been meeting their targets and this is because of lack of accurate data on landed property, massive level of revenue leakages, low capacity and low training for revenue personnel in the various districts and lack of proper monitoring of the revenue collectors, all affects the DCs mobilizations.

2.5.2 Central Government Recurrent Expenditure Transfers

Central government recurrent expenditure transfers takes the form of payment of salaries and other remuneration, operational and administrative expenses of the administrative structure of the staff at the DCs. The DC staff employed by the central government whose salaries are paid directly by the central government forms parts of the central governments expenditure on the council.

2.6 Elements of Local Government Financing

According to Smoke (2001) [17], “he identified five basic elements of local government financing which he considered as critical for development. These among others include an adequate enabling environment, assignment of an appropriate set of functions to local governments, assignment of an appropriate set of local own-source revenues to local governments, the establishment of an adequate intergovernmental fiscal transfer system and the establishment of adequate access of local governments to development capital”.

From the earlier reviewed literature, it’s very clear that some of these elements have not worked well for the development of local government in Sierra Leone and therefore their efforts to mobilize revenue internally and externally by District Councils are impeded.

2.7 Constraints of Financing Development at the Local Level

The heavy reliance on government sources has made it very difficult for DCs to increase internal revenue mobilization. There are many constraints to financing local development and some of the constraints identified are lack of institutional capacity among local governments, limited local resource mobilization, and limited access to long-term financing for investment programs. The amount of revenue raised and spent through taxes internally is dependent on the amount of transfer of payments from higher tiers of government.

2.8 Conceptual Framework

Since this research centered in the effectiveness of DC in generating revenue internally, the District Council (DC) have been given several responsibilities to perform in order to ensure that their local areas are developed. The performance of the district level functions requires adequate funds and appropriate financial arrangement for the council to make them responsive to the various delivery needs of the citizens. The main sources of funding for the district councils to finance their development are grouped into two; they are external and Internally Generated Fund (IGF). The sources of IGF are rates, fines/fees, license, lands, rents and investments. These sources are examined to establish their performance as they are the sources that contribute little to the DCs financial resource base.

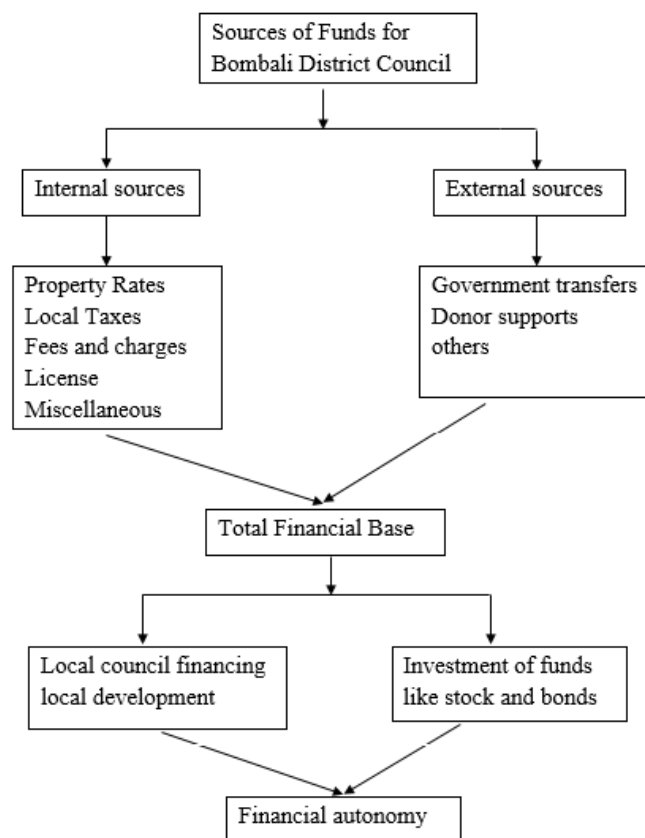


Fig 1: Conceptual Framework of the Sources of Funds for the Council

Author’s own construct

From the conceptual framework above, it is clear that the Bombali District Council gets funds directly from two sources to finance their local area. These two sources are; internally or traditional and external sources. The BDC mobilized their revenue internally through levying property

rates, local taxes, fees and charges, license and miscellaneous. A review has shown that the BDC generates huge amount of revenue internally through property rates and licenses such as house rates and business licenses. It is clear that left to the revenue mobilized alone by BDC this will not be enough in meeting the financial obligations of the

councils: so, the central government and any other NGO may transfer funds to the council so as to enable them meet the targeted development agenda undertaken in their locality. Part of the funds generated by the council can be used for developing the locality and part used for investment purposes. These two make the council's financial autonomy.

3. Presentation and analysis of findings

3.1 Introduction

This chapter covers the presentation and analysis of research findings. The first aspect will deal with the rate of responses of respondent that were administered questionnaires to, the demographic analysis of respondents. The other part of this research work talks about the presentations and analysis of the research findings based on the data collected about the council's revenue for the period under review. A chance has also made to assess the performance of the various sources of revenue by the BDC internally, their IGF, total expenditure and the cost benefit analysis involved in the mobilization of

revenue by the BDC, the factors that affects the performance of the internal revenue generated by the BDC and also to explore the options the council do in ensuring effective and enhanced revenue mobilization.

3.2 Respondents Rate of Responses

From the research, out of the total number of 30 revenue collectors and 115 revenue payers that were given questionnaires all of the them per take in filling out the questionnaires since they have been sensitized.

3.3 Performance of the Various Sources of Internal Generated Fund

In order to assess the performance of the various sources of revenue, it is important to note that revenue sources available for the BDC is of two sources they are internally sources (locally generated) and externally sources (central government transfers), (LGA 2004 Part V11).

Table 1: Various Components of IGF on the BDC

| Components of RGI | 2015 (million Leones 000) | 2016 (million Leones) | 2017 (million Leones) | 2018 (million Leones) | Average Value (million Leones) |
|-----------------------|---------------------------|-----------------------|-----------------------|-----------------------|--------------------------------|
| Property tax | 170,230 | 200,867 | 220,000 | 300,239 | 222,834 |
| Local Taxes | 12,850 | 16,000 | 15,065 | 18,000 | 15,478.75 |
| Fees and Charges | 95,500 | 103,878 | 113,000 | 195,445 | 126,955.75 |
| Licenses | 13,500 | 16,500 | 15,000 | 12,000 | 14.25 |
| CBO& NGO registration | 13,080 | 19,000 | 22000 | 20,000 | 18520 |
| Total | 305,160 | 356,245 | 385,065 | 545,684 | 383,802.75 |

Source: Table 1 Appendix Authors own construct 2019 (based on data available)

Table 2: Proportionate Contribution of Individual Components of RGI to RGI for 2015-2018

| Components of RGI | 2015 % | 2016 % | 2017 % | 2018 % | Average % |
|-----------------------|--------|--------|--------|--------|-----------|
| Property tax | 55.8 | 56.4 | 57.1 | 55.0 | 56.0 |
| Local Taxes | 4.2 | 4.5 | 3.9 | 3.3 | 4.0 |
| Fees and Charges | 31.3 | 29.2 | 29.3 | 35.8 | 31.4 |
| Licenses | 4.4 | 4.6 | 3.9 | 2.2 | 3.8 |
| CBO& NGO registration | 4.3 | 5.3 | 5.7 | 3.7 | 4.8 |

Source: Author's construct (Base on data available by BDC) 2019

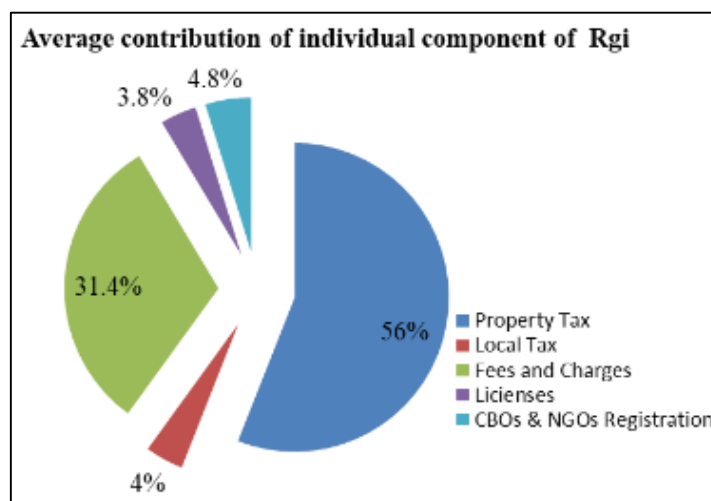


Fig 2: Pie Chart Showing the Proportionate Contribution of Individual Components of RGI by BDC for 2015-2018

From the pie chart above, it is clear that property tax on average contributing half of the major components of RGI by the BDC in financing the local development i.e, property tax alone contribute 56% on average, Fees and charges contribute 31.4% on average, 4.8% on average of the RGI is from CBOs

and NGOs registration and 4%, 3.8% of the RGI contributions are from local tax and licenses

3.4 IGF and Total Expenditure Appropriation

One of the processes of assessing the financial strength or

performance any organization is the extent to which its revenue finances the total expenditure of the. In this regard, the study was to measure the proportion of the total

expenditures of the BDC financed from its IGF. Can be illustrated in the table and figure.

Table 3

| Year | IGF (million Leones) | Total Expenditure (billion Leones) |
|------|----------------------|------------------------------------|
| 2015 | 305,160 | 2,500,909 |
| 2016 | 356,245 | 2,000,000 |
| 2017 | 385,065 | 2,070,000 |
| 2018 | 545,684 | 2,300,000 |

Source: Appendix 1 Table 4 author’s own construct (base on data available by BDC)

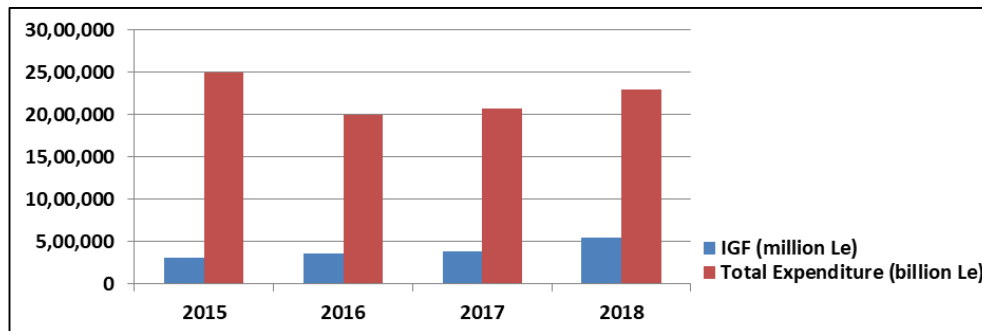


Fig 3: Bar Chart Showing the IGF and Total Expenditure Incurred

3.5.1 Cost Benefit Analysis Involved in the Mobilization of Revenue by the BDC

The primary indicator used to estimate the efficiency of revenue administration is the cost benefit analysis (Gill, 2000). The cost benefit analysis tries to calculate the cost involve in generating revenue as against the actual revenue generated for a particular point in time. It shows per unit cost incurred to generate a unit of revenue.

The cost component of IGF mobilization in BDC comprises salary and commission of revenue collectors of IGF, and

other equipments used by the IGF unit of the council during the mobilization period. It was difficult to access data on recurrent expenditures such as travel and transport, allowances, general and miscellaneous etc used by the IGF unit. The assembly for the whole council’s recurrent expenditures such as stationary, office utilities and many others were not available. This situation has made it difficult to estimate the cost incurred by IGF unit. The table below shows analysis of the cost -benefit of Bombali District Council.

Table 6: Cost Benefit Analysis Involved in the Mobilization of Revenue by the BDC

| Years | Expenditure Components | | Total Expenditure C=A+B (million Leones) | Actual IGF D (million Leones) | Cost Benefit Ratio E= C/D |
|-------|---|---|--|-------------------------------|---------------------------|
| | Salaries of Revenue Collectors A (million Leones) | Equipment Used by the IGF Unit B (million Leones) | | | |
| 2015 | 18,450 | 87,250 | 107,715 | 305,160 | 0.35 |
| 2016 | 17,500 | 89,050 | 108,566 | 356,245 | 0.30 |
| 2017 | 18,920 | 103,000 | 123,937 | 385,065 | 0.32 |
| 2018 | 19,640 | 150,500 | 172,158 | 545,684 | 0.32 |

Source: Author’s Own Construct 2019

It cost the council 107,715 (million Leones) to mobilize a total IGF of 305,160 in 2015. This means that in 2015 for every one Leone it cost the council 0.35 Leones to mobilize it revenue. For the year 2016, it cost the council 0.30 Leone on a revenue collector to mobilize one Leone. In 2017 and 2018, it cost the council 0.32 Leones to mobilize every one Leone of IGF. It must be noted that the expenditure could be higher if all other cost were included and for that matter the cost per every one Leone IGF collected could be higher. This is because the data for many expenditure items were not available for the study.

3.6 Factors That Affects the Mobilization of RGI by the Bombali District Council

The study in looking into the challenges of revenue collection by the council, sought for answers from the finance officer, revenue collectors, and the tax payers. All these are aiming at

finding out the factors that influence the revenue mobilization efforts of the council. Below are some views given.

3.7.1 Level of Stakeholders Involvement of IGF Administration

The study revealed that the level of stakeholders’ participation in making decision concerning IGF mobilization is minimal. According to the finance officer, the stakeholders in revenue mobilization of the council include market chairpersons, financial institutions, business organizations, traditional rulers, council members, livestock dealers, artisans, revenue collectors and among others. The interview with the tax payers however revealed that all of them were not participating in the decision making process of the council especially about revenue administration decisions.

All the revenue collectors also affirmed to the fact that their

participation in making of decision about revenue of the council is limited. It was also realized from the collectors that 70 percent of them are given targets to achieved for a particular point in time but with regards to the council's targets about 80 percent did not know the council's revenue collection targets for the years of study (2015-2018). This is a clear indication that the people who are in-charge of mobilizing revenue for the council are not involved in the revenue planning which could negatively affect revenue collection. Those at the top management position do not know the reality on the ground to be able to enhance the collection process. This situation could be described by the researcher as top-down approach to revenue decisions about planning and collection.

3.7.2 Dishonesty of Revenue Collectors

According to the interview with the Finance Officer of the council, the revenue collectors are dishonest in the sense that they engage in the practice of corruption that leads to revenue leakages to the council, as sometimes they do not account for all the revenue collected. The collectors are noted to under declare the revenue collected from the tax payers and share the differences with the tax payer. This actually confirms the views expressed by the tax payers during the interview with them that some property owners bribe revenue collectors to under value their properties for them to pay less. According to the finance officer, the revenue leakages exist purely because of the poor remuneration of revenue collectors offered by the council and the economic hardships suffered by the revenue collectors.

To the finance officer, the council could not deal with the challenges of the revenue leakages because revenue collectors develop a sophisticated way of getting money for their own benefit. Even if the revenue leakages point is blocked, collectors quickly identify new ways, which the council may not know of. This therefore implies that there is still perceived leakages in the revenue collections processes. The finance officer added that, the revenue leakages were more pronounced in the issuance of market tickets, where collectors demand goods from traders instead of issuing tickets to them were some of the views shared by both the finance officer and the revenue collectors.

Concerning revenue collectors, collectors demand goods from sellers and under declare the real value of the goods for the sellers to pay to their advantage.

3.7.3 Late issuance of Demand Notice to tax Payers

Out of the 115 tax payers/ revenue payers respondents interviewed about 73.0% of the them testify that the issuance of demand notices to the tax payers as a way to increase revenue mobilized by the council. And when demand notices were issued late the tendency for tax payers to cooperate is slim during the collection period. As a result, revenue collectors went into logger heads with the revenue payers and this leads to low revenue mobilized.

3.7.4 Inadequate Remuneration of Revenue Collectors

The finance officer identified the remuneration of the revenue

collectors and supervisors as a challenge of the council. As it was observed from the interview with the revenue collectors that, the commission earners earned averagely Le 520,000 per month which just 5% on average IGF, and the permanent collectors earned averagely Le 1,040,000 per month. The revenue collectors saw this amount earned as inadequate. The study revealed that the commission has been slashed down by the council, to use the difference to pay some council members, who have come in as revenue task force. The complains of the revenue collectors is that even with the commission of 5 percent per month is normally delayed in payment. This low remuneration affects the moral of the collectors and if the morals of these people are affected then their collections efforts should also affect the amount of revenue collected.

3.7.5 Low Capacity of Revenue Collectors

According to Hadingham (2003), one of the risks associated with decentralization is weak human resource. In affirmation the importance of personnel in revenue collection, Mahi (2002) asserted that good quality human resource capacity forms part of the factors of tax requirement in mobilizing revenue for local development. The study revealed that council has in all 33 revenue collectors made up of 7 permanent collectors and 26 commission earners. The study revealed that the council requires 7 more collectors to add to the 33, as it is very difficult for collectors to cover all areas of the revenue points of the council. The revenue collectors indicated that the number of revenue collectors at that time was adequate for the task, and it was 83.3 percent of the collectors, who affirmed to that. This is probable because they thought of their job security when more revenue collectors were to be recruited by the council.

3.7.6 Tax Payers' Perception of Tax

It is revealed that of the tax payers interviewed, 73.9% paid taxes to the council while the 26.1 percent did not pay their taxes to the council. The reasons cited by the tax payers for the non-payment of taxes were that, no revenue collector came to them for the rates, there is no money for the payment, they have no documents covering their properties, and they are royals and for that own the land. In addition, the revenue collectors are not aware that they are supposed to pay taxes of their properties. Other reasons cited by the tax payers were that there is no need to pay for it, because, they do not know what the council uses the taxes for, high taxes fixed by the council. Less than 2 percent of the property owners however thought that they could not get up and just go to the council to pay rates.

3.7.7 Tax payers' rights and Obligation

In the interview with the tax payers, it was observed by the study that, many of the tax payers were educated to know about their rights and obligations as tax payers. It was observed that 76.5 percent of the tax payers had information about their rights and obligations as tax payers while 23.5 percent were unaware of the information. This is has been illustrated in the Figure below

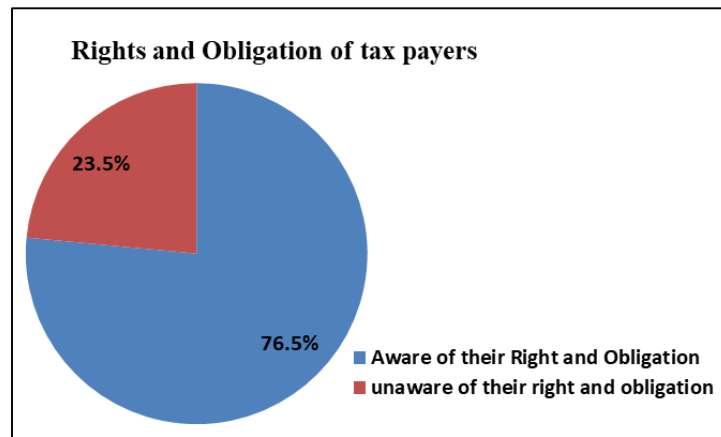


Fig 4: Pie Chart Showing the Rights and Obligation of Revenue/ Tax Payers

The tax payers' sources of information concerning their rights and obligations were varied from tax payer to another. The study revealed that 60.9 percent had the information from the media such as radio announcements, 13.0 percent of the tax payers were informed by the revenue collectors, 8.7 percent had the information from their school lessons while 17.4 percent were informed by their the local chiefs through announcements. If the council made these radio announcements, over and again then the people who own property now would know that there is the need to pay rates for the properties they own.

3.8 Ways to Enhanced Effective Revenue Mobilization of the BDC

Despite the many difficulties encountered by the council in revenue collections, the study wanted to know from respondents the various options available to the council to enhance their revenue collection efforts. These responses emanated from the interview with the finance officer, the revenue collectors and the tax payers as the options that the council could embark on in order to ensure effective and enhanced revenue mobilization for local development.

3.8.1 Dealing with Non-compliance Tax Payers

The tax payers interviewed had varied answers in attempt to let the tax payers who did not pay tax to pay to ensure increase IGF to the council. The tax payers who wanted the council to reduce the taxes paid by them were 34.8 percent, 8.7 percent wanted the tax payers to be educated and 56.5 percent wanted the tax payers who defaulted in tax payment to be punished severely by applying the bye-laws of the council. Also 17.4 percent of the tax payers wanted the council to provide the defaulters with sources of income to enable them pay the tax to the council, 60.9 percent wanted the council to provide adequate services for the tax payers to be encouraged to pay since they would have known what the council uses their taxes to do, 13 percent suggested to the council to involve the traditional authorities. And the rest said they could not provide any suggestion to the council because they were not working with them.

3.8.2 Education of Tax Payer on Taxation

The finance officer agreed to the fact that public education on taxation is very little and suggested that efforts would be made by the council to ensure that the tax payers are adequately informed on the need to pay revenue to the council. This is to explain to tax payers to understand the

importance of the payment of the revenue to the council. The revenue collectors and tax payers also shared these views.

3.8.3 Remunerations

On the issue of remuneration of revenue collectors, the finance officer view was that the revenue collectors need to be motivated better by the council and the way they should be motivated is through the giving of bonus and promotions of the revenue collectors. The council has also seen the need to promote revenue collectors especially those who are permanent collectors by promoting them base on the effort and amount of revenue collected over the period and collectors who meet their targets consistently have to be promoted. The commission earners particularly asked for their commission to be increase to 15 percent and further increase to 20 percent. The tax payers also proposed for the recruitment of more revenue collectors since the current number is very small compare with the task to be performed by them. The revenue collectors further asked for motorbikes and bicycles to make their work more easily and effective.

3.8.4 More Orientation and training of revenue collectors

The Finance officer suggested that about training of the revenue collectors and that efforts should be made by the council to undertake more training programmes that would help upgrade and update the skills of revenue collectors. This is because as the study revealed, the revenue collectors of the council are of the low caliber. The revenue collectors equally argue in support of training programmes for collectors since for a very long time the never training course organized by the council.

3.8.5 Accountability

According to the tax payers, for the council to meet its development expenditure needs, mentioned several views. In the view of the tax payers, the council should account to the tax payers regularly what revenue has been used for and hence the need to pay when there is any increase. This should be publicly done for all meaning tax payers to get to know what is happening in the council especially those of the revenue collected. With this, those who did not normally pay taxes would see the need to pay taxes.

4. Summary, Discussion of Findings, Conclusion and Recommendations

4.1 Introduction

This chapter provides the summary of findings from the

analysis of the IGF of the Bombali District Council. Base on the summary of findings, recommendations are made based on the research results and conclusion made to ensure that the council's efforts of achieving enhanced revenue is attained.

4.2 Summary, Discussion of Findings

The results of the study are summarized below. These are made according to the objectives set to achieve.

From the findings and analysis made in the previous chapter, the financial strength of the Bombali District Council is weak. For the period of four years (2015-2018), the council's IGF could finance only 12 percent of its total expenditures on the average. It implies that for the council to be able to finance this revenue gap, it has to look externally for funds to be able to raise 88 percent of the revenue just to support its budget expenditure. In the event that these external sources are not met, then, the council would not be able to carry out a lot of its development plans. The implication of this development is high incidence of poverty. Moreover, the major contributor among the IGF components property tax. From the study, it reveals property tax alone of the five revenue components on average contributes 56 percent of the IGF of the council and this is because of the status of the district. The least contributor comes from licenses which contribute 3.8% of the total IGF over the period of study.

Moreover, it prevails that for the period under study, the council IGF could finance only 18.1 percent of its total expenditures on the average. It has also been observed that the council spends 0.35 in 2015 and 0.32 in 2018 to mobilize every one Leone of its IGF for its development purposes.

Hadingham (2003) asserted that the low level of participation of stakeholders is one of the risks of decentralization. This underscores the importance of the stakeholders' involvement in the development process of the council. The study observed that in the revenue planning process, there was no broad base stakeholder consultation. Both the revenue collectors and the tax payers confirmed that they were not involved in the revenue administration. The revenue collectors are not even aware of the targets of the council for the period of study. This also accounted for the poor performance of the council's IGF as about 90 percent of the revenue collectors did not know the target of IGF of the council for the years of study and were also not involved in IGF planning. Not all the tax payers were also involved in the process. The Finance Officer attests to the fact that there is some amount of dishonesty on the revenue collectors during the process of collecting revenue, the council could not deal with the challenges of the revenue leakages because revenue collectors develop a sophisticated way of getting money for their own benefit. And thus concluded that there is still an existence of revenue leakages. 73% of the tax payers/ revenue payers confirm that the demand notices were issued late. The study reveals that the revenue collectors are remunerated 5% of IGF. It also proves that the 33 revenue collectors in the council are not enough in the mobilization of revenue. Out of the 115 revenue payers interviewed, 73.9% are paying their taxes and 76.5% of them had information about their rights and obligations as tax payers.

However, in other to enhance effective mobilization, 60.9 percent of the tax payers wanted the council to provide adequate services for the tax payers to be encouraged to pay since they would have known what the council uses their taxes to do. The finance officer agreed to the fact that public education on taxation is very little and suggested that efforts

would be made by the council to ensure that the tax payers are adequately informed on the need to pay revenue to the council. The view of the finance officer is that revenue collectors also needs to be motivated and the commission earners asked for an increase in their commission to 15%. Also, the revenue collectors need to be more orientated. And the tax payers said that the council should account to the tax payers regularly what revenue has been used for and hence the need to pay when there is any increase.

4.3 Conclusion

District Councils including the Bombali District Council has been assigned specific internal revenue sources for collection and these sources are identified as property tax, local tax, fines/fees, licenses, business registration and CBOs and NGOs registration which are legally bound by the DCs. The council is supposed to collect these revenues to fund development plans as part of the assignment given by the central government to perform at the local level. It has however, been observed from the study that these revenue sources have not provided adequate revenue for its development plans. In assessment of the performance of the IGF of Bombali District Council it was revealed that the council is not financially autonomous, as it has been observed that the council depends greatly from external grants to finance its budgets, the highest component of IGF in the council is coming from property tax. It was always revealed that the several difficulties in the mobilization of revenue from the internal sources among others include lack of stakeholders' involvement in the IGF administration, dishonesty of revenue collectors, late issuances of demand notices to tax payers, inadequate remuneration of revenue collectors, low capacity of revenue collectors etc.

The ways used by the council to mobilize revenue for the council include dealing with non-compliance tax payers, education of tax payer on taxation, remunerations, orientation and training of revenue collectors, accountability etc.

4.4 Recommendations

The recommendations below is been made not only for the case study but also to other district councils that across the country since the all attribute the same characters.

- Efforts should be made by the council to investigate to widen and improve the revenue base of the council than it current has. Had it not been property tax, the council's IGF would have been very low as property tax contributes about 56 percent to it and efforts should be made to improve upon the other components in order to boost the IGF performance. Government should also cede the collection of certain revenue to the district council.
- The council should embark on serious educational campaign in the various communities to ensure that awareness of the need and reason for taxation to pay taxes and ensure that there is public accountability of the revenue collected. This can be done by organizing forums annually for the people to have a fair idea of the use of the revenue by the council. It should also ensure that traditional rulers, town and council zone and members take part in mobilizing revenue. The revenue collectors should also form part of the core of the stakeholders in determining revenue mobilization planning and that of the tax payers whose representative are normally seated at the meetings without any active

role.

- The council should take immediate steps to provide the revenue collectors with uniforms to distinguish them as recognized revenue collectors from the council and remunerated well in order to boost their morale. The commission earner should take at least 15 percent commission and that this should be paid promptly every monthly.

4.4.1. To the Government

The central government and policy makers are to cede more taxes to the local level to enable them mobilize adequate revenue as well as strong commitment from the council to train the personnel and recruit profession revenue collectors to undertake these activities.

4.5.2. To Future Researchers

It is recommended for future research to look into options available to the district council to strengthen the various component of revenue generated by the council. And also to look into large extent the internal and external revenues for the councils.

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