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Strengthening Domestic Resources Mobilisation for SDGs Financing in Sierra Leone

SIGNATURE PAGE

<p>Resident Coordinator Mr. Sunil Saigal</p> <p>March 31, 2020</p> <p><i>Signature</i></p>	<p>National Coordinating Authority</p> <p><i>Please see the Ministry Endorsement Letter</i></p>
<p>Lead UN Organization UNDP Resident Representative Mr. Sam Doe</p> <p>March 31, 2020</p> <p><i>Signature and seal</i></p>	
<p>Participating UN Organization UNCDF Executive Secretary Judith Karl</p> <p>March 31, 2020</p> <p><i>Signature and seal</i></p>	



YMT

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Ministry of Planning and
Economic Development
NAO Building
OAU Drive
Tower Hill
FREETOWN, Sierra Leone
25th March, 2020

MoPED/UNDP/ 153/207/0

Mr. Sunil Saigal
UN Resident Coordinator, Sierra Leone
Fourah Bay Close, Off Main Motor Road, Wilberforce
P.O. Box 1011
Freetown, Sierra Leone

Dear Sir,

Subject: Endorsement of Project Proposal for Strengthening Domestic Resource Mobilisation for Sustainable Development Goal (SDGs) Financing in Sierra Leone

In my capacity as the Development Secretary at the Ministry of Planning and Economic Development (MoPED) in Sierra Leone, which is responsible for the implementation of the Sustainable Development Goal (SDGs) in the country, I confirm that the abovementioned proposal is in accordance with the Government of Sierra Leone's Medium-Term National Development Plan (2019-2023). This Plan is the ultimate pathway for the country to achieve its middle-income status by 2035.

In that regard, I am pleased to endorse the above project proposal which will be submitted to the Joint SDGs Fund. If approved, the project will be implemented in collaboration with the lead ministry (MoPED) responsible for SDGs implementation.

Yours Sincerely,



Peter Sam-Kpakra
Development Secretary

Cc:
Honourable Minister of Planning and Economic Development
Deputy Minister of Planning and Economic Development
UNDP Resident Representative, Sierra Leone

A. COVER PAGE

1. Fund Name: Joint SDG Fund

2. MPTFO Project Reference Number:

3. Joint programme title:

Strengthening Domestic Resources Mobilisation for SDGs Financing in Sierra Leone

4. Short title: Sierra Leone Domestic Resources

5. Country and region: Sierra Leone, West Africa

6. Resident Coordinator: Mr. Sunil Saigal Email: sunil.saigal@one.un.org

7. UN Joint programme focal point: Milton Korseh-hindowa, UNDP, milton.korseh-hindowa@undp.org

8. Government Joint Programme focal point:

(Dr. Sheka Bangura, Director of Planning, Policy & Research, Ministry of Planning & Economic Development. Email:shekabangs@gmail.com)

9. Short description:

As Sierra Leone pushes towards SDG achievement, it is crucial to leverage domestic sources of development finance, but the fiscal space is severely constrained. Low volume of revenue collection limits available government resources to invest in Sierra Leone's 2019 Medium-Term National Development Plan (MTNDP), which is anchored in the SDGs. Also, recent growth in public borrowing, mainly due to a drop in the price of key export commodities, has led to increased interest rates paid on government debt, up to 25%. Raising more revenue is therefore one of the highest priorities for the Government of Sierra Leone (GoSL) and the country recently developed an Integrated National Financing Framework (INFF) based on recommendations from the 2018 Development Finance Assessment (DFA) report.

This Joint Programme (JP) reflects findings from these two reports, as well as consultations with GoSL and International Financial Institutions (IFI). It is designed to realize two key activities: 1) enhanced government revenue collection, and 2) increased domestic capital accumulation with expanded financial inclusion. This JP will focus on removing policy, institutional, and access barriers, while facilitating strong governance and coordination mechanisms among government, private sector, and civil society actors. It will support development of a gender responsive fiscal strategy that promotes women's economic participation. On many levels, this JP is a powerful means of enhancing domestic ownership of development finance.

10. Keywords: Integrated National Financing Framework (**INFF**), Development Finance Assessment (**DFA**), Medium-Term National Development Plan (**MTNDP**), Digital Financial Services (**DFS**), Ministry of Planning and Economic Development (**MoPED**), Government of Sierra Leone (**GoSL**), Ministry of Finance (**MoF**), National Revenue Authority (**NRA**), International Monetary Fund (**IMF**), African Development Bank (**AfDB**), Bank of Sierra Leone (**BSL**).

11. Overview of budget

Joint SDG Fund contribution	USD 930,000.00
Co-funding from UNDP and UNCDF	USD 424,000.00
TOTAL	USD 1,354,000.00

12. Timeframe:

Start date	End date	Duration (in months)
July 1, 2020	June 30, 2022	24 months

13. Gender Marker: The overall Gender Marker Score is 2.

14. Participating UN Organizations (PUNO) and Partners:

14.1 PUNO

Convening agency: UNDP (Doe Samuel Resident Representative, samuel.doe@undp.org.)

Other PUNO: UNCDF (Judith Karl, Executive Secretary, judith.karl@uncdf.org)

14.2 Partners

Government:

- Ministry of Planning & Economic Development (Bangura Sheka, Director of Planning, Policy & Research at Ministry of Planning & Economic Development, shekabangs@gmail.com)
- Ministry of Finance, which includes the National Revenue Authority (Finance Secretary and Director General NRA, Jusu Sandy; jususl@gmail.com; fsecretary@mof.gov.sl)
- Bank of Sierra Leone: (Prof. Kelfala M. Kallon, Governor, Bank of Sierra Leone; kkallon@bsl.gov.sl)
- Directorate of Science, Technology and Innovation: (Mohamoud Javombo, Eco-System manager, mahmoud.javombo@dsti.gov.sl)
- NASSIT National Pension Fund: (Director General, Mr Mohamed F. Daboh; mfdaboh@nassit.org.sl)

Civil society organizations:

- SLANGO (umbrella organization for local NGOs, to assist in identifying appropriate NGO partners for community activities)
- FAMBUL TOK – a community-led approach to post-war reconciliation (Caulker John, Executive Director, jcaulker@fambultok.org)
- Women’s and Community Groups to be identified in target communities

Private sector:

- Sierra Leone Association of Commercial Banks: (Shola Taylor-Pearce, Executive Secretary; execsecretary@slacb.org)
- Sierra Leone, Association of Microfinance institutions, (Kondoh Frances, Executive secretary; kondohfrances@yahoo.co.uk)
- Sierra Leone Chamber of Commerce (various contacts)

B. STRATEGIC FRAMEWORK

1. Call for Concept Notes: SDG Financing (2/2019) – Component 1

2. Programme Outcome [pre-selected]

- Additional financing leveraged to accelerate SDG achievement (Joint SDG Fund Outcome 2)

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3. UNSDCF Outcomes and Outputs (*same as Results Framework*)

3.1 Outcomes

This JP primarily supports these two outcomes in the Sierra Leone 2020-2023 UNSDCF:

Outcome Area 2: Transformational Governance

By 2023, people in Sierra Leone benefit from more gender and youth responsive institutions that are innovative, accountable, and transparent at all levels and can better advance respect for human rights and the rule of law, equity, peaceful coexistence, and the protection of boys and girls, women and men including those with disabilities

Outcome Area 4: Protection and Empowerment of the Most Vulnerable

By 2023, the most vulnerable, particularly women, youth, adolescents and children (especially girls), and persons living with disabilities are empowered and benefit from increased social protection services, economic and social opportunities

3.2 Outputs

Output 2.6. Government has strengthened Public Financial Management

Output 2.7. Government-wide national M&E system for development results strengthened

Output 4.5. Improved entrepreneurial skills, financial literacy, and employability among and of vulnerable groups (particularly women, youth, adolescents and children [especially girls], persons living with HIV and persons living with disabilities)

4. SDG Targets directly addressed by the Joint Programme

4.1 List of goals and targets

Goal 1 – No poverty

Target 1.1 - By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day

Target 1.2 - By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions

Target 1.4 - By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services,

ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

Goal 5 - Gender equality

Target 5.b. Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women

Goal 10 – Reduced inequality

Target 10.2 - By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Goal 16 – Accountable and Inclusive Institutions

Target 16.6 Develop effective, accountable and transparent institutions at all levels

Goal 17 – Partnerships for the SDGs

Target 17.1 - Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection

4.2 Expected SDG impact

This JP directly addresses the objective of Target 17.1 on domestic resource mobilization, and it increases capital accumulation in financial institutions to enable more private sector lending to promote economic growth and poverty reduction (SDG 1). It will also support GoSL to raise revenues in a sustainable manner to fill-up financial gaps in publicly-funded SDG programs, which presently include universal health coverage for vulnerable groups (SDG 3), free quality primary education (SDG 4), and the Heforshe campaign on gender equality (SDG 5). Further, activities geared towards financial inclusion will help with economic empowerment, including for women in rural areas, where more than 58% of the population resides (SDG 5 and SDG 10).

5. Relevant objective(s) from the national SDG framework

The Medium-Term National Development Plan (MTNDP) for 2019-2023 was formally adopted by the Government and people of Sierra Leone as a trajectory for the country to achieve middle-income status by 2035. The MTNDP is fully aligned with, and contributes to, achievement of the SDGs, and The Ministry of Planning & Economic Development (MoPED) has developed a SDGs results framework to track progress. Policy Cluster 8 of the MTNDP focuses on resource mobilization from various sources.

Similarly, an underlying approach in the INFF is to tap into core revenue sectors by transforming the way the government does things, better managing development interventions, and engaging key actors in the economy – private, public, domestic and international – for financing the SDGs.

For this goal, the INFF includes three key pillars: I) Domestic Public Finance, II) Private Sector Investment and Financial Services, and III) Development Cooperation. This JP directly

supports components of Pillars I and II, and indirectly supports Pillar III. Under Pillar I, it supports the objective of domestic revenue generation. For Pillar II on the private sector, this proposal boosts domestic capital accumulation within financial institutions and the national pension fund, allowing for more lending to the private sector, further enhanced by increased financial inclusion.

For Pillar III on Development Cooperation, this proposal would help Sierra Leone meet donor requirements for recipient countries, particularly as relates to government transparency and accountability, financial inclusion, consumer protection, and a financial environment conducive to private sector growth.

6. Brief overview of the Theory of Change of the Joint programme

The theory of change relies on several interventions that work in tandem with activities planned or underway to improve domestic resource mobilization through improved policies, systems, and outreach. Increasing government revenues for enhanced social service spending (Activity 1) and more lending to the private sector, as well as financial inclusion (Activity 2), are mutually reinforcing to ensure that both economic and social development advance in tandem, as neither will be as successful without progress on the other.

A key element of both activities is public-private dialogue that will engage Government agencies and SMEs, among other groups. Their joint understanding of how both activities are designed and complement each other will enhance their support for needed reforms and ensure complementary programs. For example, SMEs may be more willing to participate in the formal economy and make use of agent banking if they are part of discussions on how increased tax revenues will benefit social programs.

This JP will reduce GoSL's heavy reliance on borrowed funds and will crowd-in additional resources, (public and private), for sustainable financing of the SDGs. By expanding financial inclusion, developing improved savings products, and increasing contributions to the national pension fund, more domestic capital will be available for lending to the private sector, including SMEs. Also, by re-orienting the investment program of the national pension fund, more funds will be directed to large-scale SDG projects.

Cross-cutting themes are use of technology, improved governance, and financial inclusion - increasing both access and usage.

7. Trans-boundary and/or regional issues

Regional Trade Potential

Trade levels within West Africa are among the lowest in the world. Yet the West African regional market, with more than 300 million inhabitants, offers large trade potential that can boost job creation. By bringing more Sierra Leonean businesses, especially SMEs, into the formal sector under this JP, they will be better positioned to take advantage of regional trade opportunities and benefit from programs such as the ECOWAS Trade Liberalization Scheme, the African Continental Free Trade Area, and plans to introduce a common currency among West African countries. Once the common currency is in place, businesses that have established banking and formal relationships can more easily execute cross-border transactions.

C. JOINT PROGRAMME DESCRIPTION

1. Baseline and Situation Analysis

1.1 Problem statement

While Sierra Leone is taking many positive steps towards the SDGs, there remains a long path towards their full realization. The 2019 SDG Index and Dashboards Report ranked Sierra Leone at 155 out of 162 countries on SDG realization.¹ The country lacks adequate social services, economic opportunities, and infrastructure, including basic road access to most rural areas. GDP per capita (2018) was \$474 and average life expectancy is 59 years.

To accelerate the country's development, a Medium-Term National Development Plan (MTNDP) was prepared in 2019 that set an ambitious vision for the country's sustainable development path. The Plan targets stable economic growth, alongside progress in poverty reduction, education, health, and peace and cohesiveness. Plan realization is an important step in Sierra Leone's journey out of fragility towards its vision of becoming an inclusive, green, middle-income country by 2035, but a key bottleneck is lack of financial resources. Also, while the MTNDP prioritizes women and children, it lacks in laying out strategies to promote women's participation in raising domestic revenue.

The total estimated cost of the MTNDP is US\$8.15 billion for the period 2019 to 2023. Using Ministry of Finance fiscal projections for this period, including discretionary and non-discretionary expenditures and direct development (domestic and foreign), totalling US\$6.60 billion, there remains a financing gap of US\$1.55 billion. Bridging this gap requires a wide range of resources that go beyond public finance, as well as policy reforms for equal participation of women, especially from rural communities.

The context is one in which public finance and development assistance dominate. While there is a need to catalyse substantial investment from the private sector to close the SDG financing gap, the current financial climate in Sierra Leone is not conducive to private sector investment. Investment growth is limited due to the relatively high cost of capital, uncertainties in the capital market, and high banking transaction costs due to poor infrastructure and limited digitization. These conditions limit the attractiveness of saving and therefore the level of domestic savings mobilized to stimulate economic growth².

Existing limitations on public finance come in several forms, the first being low volumes of revenue collection - tax revenue as a percentage of gross domestic product (GDP) in 2017 stood at 11.1%³ compared to the average of 18.8% across Sub-Saharan Africa, partly due to the untaxed informal economy that is 53% of GDP.⁴ Women face obstacles for equal participation in the formal sector, as 64% of women in Sierra Leone cannot read and write.⁵ Studies on taxation in developing countries have shown that collaterals required for financial transactions are predominantly owned and controlled by men⁶.

¹ Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G. (2019): Sustainable Development Report 2019. New York: Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN).

² <https://www.bsl.gov.sl/GOVERNOR%27S%20DINNER%20SPEECH%20FINAL%20-%202018v5.pdf>

³ <http://documents.worldbank.org/curated/en/307101560154425941/pdf/Sierra-Leone-Tax-Reform-Engagement-Note.pdf>

⁴ <https://www.imf.org/en/Publications/WP/Issues/2017/07/10/The-Informal-Economy-in-Sub-Saharan-Africa-Size-and-Determinants-45017>

⁵ Sierra Leone Labor Survey 2014

⁶ Gender and Taxation (ICTD Summary Brief: Anuradha Joshi)

Tax revenues are largely contributed by men, who are more in the formal labour force than women. Statistics Sierra Leone indicates only 0.17% of women are employed in what is considered the formal sector, that is, businesses that withhold income tax from employee salaries. In fact, only slightly more, 4.5% of women, participate in any type of paid employment⁷ Gender targeted strategies that could promote equal participation of men and women in the economy would boost domestic revenue collection.

Another limitation stems from growth in government borrowing in recent years, stemming largely from the impact of the 2014-2016 Ebola health crisis and a drop in the price of key export commodities. This has led to an increased share of the national budget being allocated to interest payments.

Also, the country has a low gross domestic savings rate at 3% of GDP in 2017 compared to the regional average of 18% across Sub-Saharan Africa. More crucial is the low financial inclusion rate which stands at 20%. This implies that a large portion of the population and small businesses cannot save or have access to credit from the formal financial system.⁸ The bulk of financial institutions and services are concentrated in Freetown and districts headquarter towns, thereby restricting financial inclusion to mainly the urban population, yet 58% of residents live in rural areas.

Recognizing these financing challenges, Sierra Leone prepared a Development Financing Assessment (DFA) followed by the Integrated National Financing Framework (INFF). The DFA report provides a roadmap for policy reforms for more effective domestic resource mobilisation, through more effective taxation and expenditure management. The INFF includes specific recommendations to mobilise a range of public and private finance. This JP draws directly from INFF recommendations that once enacted would form a solid foundation for successful realization of the more advanced recommendations.

The overriding factors limiting domestic resource mobilisation include a lack of spaces that bring together public and private actors to discuss how to work together to finance the SDGs, gaps in tracking of public and private financing, and lack of programs to address financing gaps. This calls for new thinking and innovation on all fronts, including: 1) how to enhance tax revenues; 2) how to create the space for stakeholder dialogue to scale-up actions; 3) how to develop new sources of finance within the public sphere; and, 4) how best to grow and channel private sector investment with the full participation of women.

Fortunately, there are innovations in the context of Sierra Leone that will support activities under this JP. Rapid expansion of mobile phone ownership and network penetration across the country is opening the door to new services, making it easier than ever for people to use digital financial services (DFS) in their everyday lives. Adoption of DFS in the country continues to grow — active adult users increased from 6 percent in 2016 to 14 percent in 2018. As DFS becomes more mainstream, this can be a valuable tool to regularize the informal economy. According to the recent DFS Annual Provider Survey, at least \$23 million from the informal economy is currently being digitized at mobile money agents⁹, but this represents only the tip of the iceberg.

⁷ Sierra Leone Statistics Survey 2015

⁸ <https://www.uncdf.org/article/4817/the-challenges-of-domestic-resource-mobilization-in-sierra-leone>

⁹ <http://www.uncdf.org/mm4p/state-of-the-digital-financial-services-market-in-sierra-leone>

1.2 SDGs and targets

Some of the indicators that will be used to track JP progress on the SDG Targets, are taken from the Sierra Leone National SDGs Results Framework and therefore may differ from global SDG indicators. These were selected because of their relevance to the domestic environment and because the national statistics agency will regularly collect data on them.

SDGs and Targets	Baseline	Source of Baseline	Target at End of 2 years (2022)
<p>Goal 1 – No Poverty</p> <p>Target 1.1 Indicator: 1.1.1 Proportion of national population in absolute poverty.</p> <p>Target 1.2 Indicator: 1.2.1 Proportion of extremely poor population by national food poverty line</p> <p>Target 1.4 Indicator: Financial Inclusion rate, all population</p>	<p>52.90%</p> <p>13.90%</p> <p>20%</p>	<p>Sierra Leone Integrated Household Survey (SLIHS) 2011</p> <p>SLIHS 2011</p> <p>UNCDF Annual providers survey</p>	<p>44.10%</p> <p>9.30%</p> <p>35%</p>
<p>Goal 5- Gender Equality Target 5.b.</p> <p>Indicators:</p> <p>Financial inclusion rate, women</p> <p>Women trained as agent bankers</p> <p>Women who received Financial Literacy training</p>	<p>15%</p> <p>None</p> <p>Not presently tracked</p>	<p>UNCDF Annual Providers Survey</p> <p>Bank of Sierra Leone Reports.</p> <p>Bank of Sierra Leone Reports</p>	<p>25%</p> <p>2000</p> <p>Increase by 250,000</p>

<p>Goal 10 – Reduced Inequality Target 10. B Indicators: Banking access points (either mobile network agents or agent bankers) Financial Inclusion rate, all population</p>	<p>4,631 (presently, all are mobile money agents)</p> <p>20%</p>	<p>UNCDF Annual providers survey</p> <p>UNCDF Annual providers survey</p>	<p>10,000 (will include both mobile money agents and banking agents)</p> <p>35%</p>
<p>Goal 17 – Partnerships to achieve the goals</p> <p>Target 17.1 Indicator: 17.1.1 Total Domestic Revenues as % of GDP</p> <p>Savings Penetration as % of GDP</p> <p>Pension Contributions as a % of GDP</p> <p>% of NASSIT investment portfolio going to infrastructure</p>	<p>13.30%</p> <p>5.0%</p> <p>3.5%</p> <p>0%</p>	<p>World Bank reports</p> <p>World Bank reports</p> <p>World Bank reports</p> <p>NASSIT Reports</p>	<p>14.23%</p> <p>15.0%</p> <p>10%</p> <p>3%</p>

This JP will directly advance the domestic resource mobilization Target 17.1, as well as Target 16.6 on effective, accountable and transparent institutions. Target 1.1 will be addressed by reducing extreme poverty through expanded public provision of basic services in health and education to reduce the financial burden on families for these services. Progress will be made on Target 1.4 by providing vulnerable groups with equal rights and access to basic services, specifically financial services and microfinance.

Gender equality will be enhanced under Target 5.b through the expansion of financial education, agent banking and DFS to reach women in rural areas not currently served by commercial banks, to enhance their potential as entrepreneurs. Target 10.2 will be addressed by enabling participation in the formal economy and facilitating trade activities for persons living in rural areas.

Important overall social benefits will result from increased public spending on health, education, and gender equality, in support of SDGs 3, 4, and 5, respectively.

1.3 Stakeholder mapping and target groups

The following table outlines key stakeholder groups for JP implementation. The level of involvement and interest of each stakeholder would depend on their mandate and comparative advantage in contributing to the activities under this program.

Stakeholder	Role and interest in Joint Programme
UN Agencies - UNDP, UNCDF	Overall coordination and oversight of JP
International Financial Institutions – World Bank, IMF, African Development Bank (AfDB)	World Bank, IMF and AfDB have complementary domestic resource mobilization activities, as discussed below in Section 2.2.
Tax Inspectors Without Borders (TIWB) – UNDP-OECD	Support activities on tax compliance and study of avoidance and evasion issues.
Government Ministries, Departments & Agencies - Ministry of Planning & Economic Development, Ministry of Finance, National Revenue Authority, Bank of Sierra Leone, Directorate of Science, Technology and Innovation	Ministry of Planning & Economic Development is lead government partner in the implementation of the JP. The other ministries, departments, and agencies will be key to various initiatives under this JP, such as the National Revenue Authority for digitization of tax payments, and the Bank of Sierra Leone for agent banking policies and consumer protections.
NGOs –FAMBUL TOK community groups and others	Support social mobilisation & financial literacy programs at local community level
NASSIT National Pension Fund	Partner for increasing participation in the Fund and for reorienting its investment portfolio towards the SDGs
Private sector – Large enterprises & MSMEs Commercial banks, Sierra Leone Association of Commercial Banks, Sierra Leone Association of Microfinance Institutions, Sierra Leone Chamber of Commerce, Mobile Phone Companies and other consumer - linked groups, such as the Post Office	Among the target groups for the activities aimed at increasing tax collection, pension contributions, and savings deposits. Partners for expanding devising new types of savings products and financial inclusion products, including increased use of mobile money and agent banking.
Persons living in rural areas of Sierra Leone	The target group for activities aimed at financial inclusion through enhanced banking access and mobile money; among the target groups for increased savings deposits
Development partners - European Union, DFID, SIDA, USAID	Mobilization of expertise from these partners and their close interaction with the government could help to influence policy changes.

2. Programme Strategy

2.1. Overall strategy

The strategy behind this domestic resource mobilization JP is to build sustainable public sources of finance, increase the level of financial inclusion, and foster an economic environment attractive for increased savings and economic investment by both men and women. Future proposals to the Joint SDG Fund will build on this program and more aggressively target private sector growth and SDG investment from internal and external sources, once the enabling conditions are in place.

This JP will apply innovative approaches to overcome persistent technical and institutional barriers to improved tax compliance and deposit mobilisation in Sierra Leone. It will firstly support improvement in tax administration through better and gender-aware service provision, taxpayer education, effective use of automated systems and strengthening audit and human resource management capabilities in line with the Addis Tax initiative to which Sierra Leone subscribes.

This JP approach relies on evolving ideas about the drivers of tax compliance. Traditional approaches to tax reform have generally aimed to strengthen compliance through investments in enforcement and facilitation of tax payments. These approaches treat taxpayers as strictly rational economic actors responding to the likelihood of audit, the strength of penalties, and the ease and cost of compliance. There is now, however, extensive evidence that non-pecuniary drivers of compliance ("tax morale") - rooted in ethics, social norms and views about the fairness, equity, reciprocity, and accountability of tax systems – are a critical determinant of tax compliance. Supporting this is the fact that observed tax compliance rates are higher than what 'rational compliance' calculations alone would predict, given the limited enforcement resources available to most governments.¹⁰

This JP addresses non-pecuniary drivers of compliance, complementing other GoSL efforts underway to address pecuniary drivers. This JP will contribute to building trust, to improve taxpayers' willingness to pay, and to the construction of a broader fiscal contract through policy and program reforms. The UN is well-positioned to support the dialogue necessary to build this trust, due to its established relationships with the government and the level of confidence placed in it by the general population.

It is useful to think of four broad components of trust, capturing the extent of taxpayer beliefs that: (a) tax systems are fairly and competently designed and administered¹¹ (b) burdens are equitably distributed, and everyone pays their share; (c) tax revenues will be translated into reciprocal publicly provided goods and services; and (d) the governments administering those tax systems are accountable to taxpayers.

It must be noted that investments in enforcement and in building trust are complementary, rather than distinct strategies. Taxpayers are more likely to comply when: (a) the likelihood

¹⁰ Cummings, R. G., Martinez-Vazquez, J., McKee, M., & Benno, T. (2009). Tax morale affects tax compliance: Evidence from surveys and artefactual field experiment. *Field Experiments in Economics*, 70 (3):447-457. A range of other factors are found to be relevant, for a recent overview, see Alm, J. (2018), What Motivates tax compliance? *Journal of Economic Surveys*, no. 33(2)

¹¹ Kirchler, E., Hoelz, E., & Wahl, I. (2008). Enforced versus voluntary tax compliance: The "Slippery Slope" framework. *Journal of Economic Psychology* 29:210-225.

of detection, and penalties for non-compliance, are higher (Enforcement); (b) it is relatively easy and low cost to comply (Facilitation); and (c) they have a higher intrinsic willingness to pay – either because they believe that paying taxes is “the right thing to do”, that taxes are fair, or because they believe that taxes will be translated into public benefits (Trust). Importantly, these elements reinforce one another. A key component of trust in the tax system is a belief that everyone pays their fair share and is punished fairly if they do not. This JP will contribute to building trust and expanding public benefits of taxation, while complementing enforcement and transparency efforts underway.

Another key element to this JP strategy is the premise that if given the right information and tools to better understand and participate in the financial system, more people will increase their savings and negotiate for their businesses. Financial literacy skills are pivotal for most entrepreneurs and are especially needed for women in rural communities. These skills will enhance women’s ability to develop a business and understand the business landscape. This will, in turn, grow the economy and increase their willingness and ability to save, thereby contributing to Sierra Leone’s domestic resources. This transformation will be further supported by expansion of agent banking and DFS, other key initiatives under this strategy

The last strategic element leverages the financial potential of an existing pool of capital in the form of the national pension fund. Presently, only some businesses, mostly large, contribute to the pension fund. Outreach efforts under this proposal are designed to increase contributions from businesses and individuals, as well as to re-orient the pension funds investment strategy to better align with the SDGs. Both these activities will have strategic financing impact by developing a sustainable source of investment capital within the public sphere suited to large-scale infrastructure investment, including through public-private partnerships. Increased contributions to the pension fund will have the added benefit of helping to ensure economic security for participants during retirement.

2.2 Theory of Change

The theory of change relies on activities that work in tandem with those already planned or underway, identified from consultations with GoSL and IFIs. Interventions are grouped under two activities: 1) improved government revenue collection, and 2) increased domestic capital accumulation. Cross-cutting themes are use of technology, dialogue, and financial inclusion. A figure depicting the Theory of Change follows the text below.

Activity 1 – Improved Government Revenue Collection

If Public-Private Dialogue occurs **under this JP** between NRA and businesses, particularly those businesses currently operating in the informal sector, to build trust and better understand obstacles to tax payment by businesses;

If awareness is raised among the public on how taxes are used to benefit the country through Public-Private Dialogue **under this JP** and events like annual Taxpayers Day planned initially for 2020 (AfDB support);

If more Tax Preparers are trained to support SME tax filings through an ongoing program (AfDB support);

If NRA improves its overall tax administration capability through data management improvements (IMF support);

If NRA adopts an integrated tax administration system (ITAS) consolidating different accounts for the same taxpayer into a single account for a more simplified and transparent system (World Bank support);

If NRA enhances collection of the existing Goods and Services Tax through an ongoing program that includes expanding the use of electronic cash registers (AfDB support);

If NRA has improved capacity for tax collection and auditing of businesses and individuals due to the digitization of tax filing and collection systems and support on compliance by Tax Inspectors Without Borders **under this JP**;

Then, GoSL will increase revenues and increase spending on SDG social programs, while and other parties, such as donors, the private sector, and the diaspora, will recognize this commitment and the improved fiscal environment and increase financial flows to Sierra Leone for SDG realization,

Because the culture will transition from one of tax avoidance to responsible tax payment, SMEs will have the support and tools necessary to be tax compliant, NRA will increase its capacity and efficiency for tax collection and auditing, and the country will demonstrate its full commitment to funding the SDGs and stabilizing the fiscal environment.

Activity 2 – Increased Domestic Capital Accumulation

If Public-Private Dialogue occurs **under this JP** among the Ministries of Finance, Planning, Trade and other state institutions, financial institutions, and civil society groups representing consumers to identify types of savings products that would encourage more privately held savings to be deposited in the formal banking sector;

If financial institutions design savings products that respond to the needs of individuals and SMEs and market these products throughout the country;

If those lacking financial literacy skills are well trained to improve their confidence in dealing with money matters and the formal banking sector (ongoing UNCDF project);

If consumer confidence in the banking system is enhanced by the development and publicizing of legal protections for banking consumers (ongoing UNCDF project);

If Public-Private Dialogue occurs **under this JP** between Bank of Sierra Leone, financial institutions, and potential third-party banking agents to develop a plan to reach areas of the country not currently served by commercial banks;

If Bank of Sierra Leone continues to develop its agent banking guidelines with technical assistance **under this JP** and support is provided for implementation systems;

If ongoing initiatives with the Ministry of Finance, the Bank of Sierra Leone and mobile phone service providers to develop mobile banking services throughout the country are accelerated **under this JP**;

If the national pension fund (NASSIT) is provided with technical assistance **under this JP** to digitize contributions from businesses and promote use of the fund, thus making it easier for businesses of all sizes to contribute to the fund;

If NASSIT is provided with technical assistance **under this JP** to improve its governance and assess the composition of its investment program and consider modifications to better channel investments towards SDG realization;

Then participation in the formal banking sector will increase along with use of savings products; groups currently lacking financial literacy and access to banking services, including women in rural areas, will have improved skills and access; and, more funds will be available for SDG investment,

Because increased funds accumulated in savings products by individuals and SMEs, and the increased capital in the national pension fund, would be available for lending to the private sector, and a re-oriented investment program of the national pension fund could direct more funds to large-scale SDG investment projects.

Key Assumptions Associated with the Theory of Change

- Public-Private dialogue will result in acceptable models of how to move forward on initiatives such as increased participation in tax filing and payments, establishment of agent banking, and design of new savings products.
- The national pension fund (NASSIT) will modify its investment portfolio based on recommendations to better support SDG investments.
- Outreach efforts will be successful in raising financial literacy and encouraging businesses and individuals to contribute more to savings accounts and NASSIT.
- Efforts will succeed to increase investment and commitment for digital solutions, mobile network operations, and banking extension into rural areas.

Theory of Change for More SDG Investment



Activity 1- Improved Government Revenue Collection

Public-Private Dialogue on tax payment obstacles and to build trust

Awareness raising on how taxes benefit the country

Tax preparer training to support SME tax filings

Support to NRA for data management, digitization, tax collection and administration

Culture moves from tax avoidance to responsible tax payment

SMEs have tools and support to be tax compliant

NRA increases capacity for GST and income tax collection

NRA increases auditing capacity

GoSL demonstrates its commitment to SDG funding

Government revenues increase and more funds are applied to social programs

Donors and the private sector **increase investment in the country**

Activity 2 – Increased Domestic Capital Accumulation

Public-Private Dialogue on savings products suited to individuals and SMEs

Financial literacy training and consumer protection for banking customers

Public-Private Dialogue on expanded banking through agents / mobile providers

Support to BSL for agent banking guidelines and programs

Technical assistance to NASSIT for digitization of contributions and outreach

Support to NASSIT for reorienting its investment portfolio

Savings

Consumers have more accessible savings products

There is increased consumer confidence in the banking system

Financial Inclusion

There is increased financial literacy and banking participation

Agent banking develops in rural areas

Volume of banking done through mobile service providers expands

Pension Assets

NASSIT increases its client base

NASSIT invests more in infrastructure projects

More people use banking services and **participate in the formal economy**

Financial institutions have **increased capital for lending**

NASSIT has a larger pool of capital and invests more in **infrastructure projects**

2.3 Expected results by outcome and outputs

The following table shows JP outputs with their linked outcomes, as well as the responsible partners for each output. The 'Outcome' column also indicates in bold when an indicator specific to the Joint SDG will be advanced.

Output	Outcome	Partners
<p>Public-Private Dialogue on improving tax operations and understanding of taxes, with attention to including women's perspectives</p>	<p>Partnership framework for INFF will be accelerated. Joint SDG Fund indicator 4.3</p> <p>Tax morale, willingness and ability to pay taxes improves among businesses and the general population.</p>	<p>MoPED, MoF, NRA, Chamber of Commerce, UNDP, Tax Inspectors without Borders</p>
<p>Support to NRA for digitization of tax filing and payment</p>	<p>INFF strategy implemented Joint SDG Fund indicator 4.2</p> <p>The volume of tax filings and payments increases</p>	<p>MoPED, MoF, NRA, Ministry of Social Welfare, Gender & Children's Affairs, Directorate of Science, Technology and Innovation, TIWB, UNDP, UNCDF</p>
<p>Capacity Building at NRA to manage gender aware digitized tax filing and collection systems</p>	<p>INFF strategy implemented Joint SDG Fund indicator 4.2</p> <p>NRA is equipped to handle the increased volume of tax filings and payments incorporating gender awareness</p>	<p>MoPED, MoF, NRA, Chamber of Commerce, Ministry of Social Welfare, Gender & Children's Affairs, Directorate of Science, Technology and Innovation, TIWB, UNDP, UNCDF</p>
<p>Public-Private Dialogue on bringing privately held savings into the formal banking sector (<i>Quick Win</i>)</p> <p>Financial literacy training for women and men, with attention to including women's perspectives and promoting entrepreneurship skills</p>	<p>Partnership framework for INFF will be accelerated Joint SDG Fund indicator 4.3</p> <p>Understanding of and trust in banking institutions increases among populations who will be reached by financial inclusion activities</p> <p>Entrepreneurship skills are developed among training recipients</p>	<p>MoPED, MoF, NRA, Bank of Sierra Leone, FAMBUL TOK, Association of Microfinance Institutions, Women's and Community groups (to be identified), UNCDF</p>

<p>Public-Private Dialogue on introduction of agent banking to underserved areas, with attention to building trust and reflecting interests and concerns of women and men (<i>Quick Win</i>)</p>	<p>Partnership framework for INFF will be accelerated. Joint SDG Fund indicator 4.3</p> <p>Gender aware agent banking services are established in underserved areas, particularly low-income rural areas, supporting greater and inclusive economic participation by these communities.</p>	<p>MoPED, MoF, NRA, Bank of Sierra Leone, Association of Commercial Banks, Association of Microfinance institutions, Women’s and Community groups (to be identified), UNCDF</p>
<p>Support for gender responsive programs and capacity building for mobile banking expansion to underserved areas and groups, including women in rural areas</p>	<p>INFF strategy implemented Joint SDG Fund indicator 4.2</p> <p>There is increased use of mobile banking which creates expanded economic opportunities, especially for SMEs now operating in the informal sector and those in remote areas.</p>	<p>MoPED, Association of Microfinance Institutions, Ministry of Social Welfare, Gender & Children’s Affairs, UNDP, UNCDF</p>
<p>Technical assistance to the national pension fund (NASSIT) to digitize contributions and to conduct outreach to increase the number of businesses contributing</p>	<p>INFF strategy implemented Joint SDG Fund indicator 4.2</p> <p>More businesses use the pension fund for retirement savings and the volume of contributions increases, thereby providing more capital for investment.</p>	<p>MoPED, MoF, NRA, NASSIT, Chamber of Commerce, UNDP, UNCDF</p>
<p>Technical assistance to NASSIT to improve its governance and re-orient its investment program to better support large-scale SDG investments</p>	<p>INFF strategy implemented Joint SDG Fund indicator 4.2</p> <p>The pension fund maximizes its potential to invest in large-scale SDG projects, particularly in the area of infrastructure, that meet its investment guidelines.</p>	<p>MoPED, MoF, NRA, NASSIT, Chamber of Commerce, UNDP, UNCDF</p>

At the end of the JP, we would expect to see: a strengthening of the tax system and a reduction in tax avoidance; significant increase in public sector revenues from current levels; and, overall enhanced capacity of NRA. Further, we will see expanded banking services and financial inclusion for currently unserved areas of the country, including women living in rural areas, and increased savings as well as pension contributions. The population will see expanded social services funded by the government, growth of the private sector, and infrastructure funded by the national pension fund.

Through this JP, SDG Target 17.1 on domestic resource mobilization will be clearly advanced. In addition, increased government revenues directed to social programs and private sector

expansion from increased domestic investment, including in infrastructure, will reduce national poverty levels to advance SDG 1. Those living in poverty will have access to basic financial services, microfinance, and digital financial services (in some cases) to empower their economic inclusion in support of SDGs 1 and 10. Because of a focus on gender differences in the design, expansion, and orientation to improved financial services, women's confidence in using the formal banking system will increase, as well as their participation in the economy.

The end of the JP will not mark the end of the UN's support to GoSL to mobilize resources for the MTNDP and SDG funding gap. Building on the improved fiscal situation and scaled up financial inclusion, the UN will support implementation of other INFF recommendations, such as municipal and diaspora bonds, promotion tours to attract foreign investment, and reactivation of the domestic stock exchange that has been inactive since the civil conflict. Continued collaboration between the UN and the GoSL will keep the varied resource mobilization efforts on track.

2.4 Budget and value for money

We are confident that there will be strong value for money from the US\$930,000 invested in this JP to fund domestic resource mobilisation. By bringing about systematic change in tax programs, the banking environment, the pension fund, and public attitudes towards taxes and financial services, this JP will fundamentally alter the financial architecture of Sierra Leone in a significant and sustainable manner, creating the conditions for continued economic and social improvement. The value realized from investment in this JP will be substantial in terms of empowering vulnerable populations and elevating Sierra Leone from its current status as a low-income, fragile state.

This JP will reduce the financing gap of US\$1.55 billion needed to implement the MTNDP. Currently, there are no alternative approaches that could have the same level of impact on SDG financing, as their eventual success depends on improvements in the overall fiscal, banking, and investment environment that will be achieved by this program.

The joined-up approach of UN agencies to combine competencies and work on complementary focus areas makes for efficiencies. In addition, the JP will consider 4Es while doing any expenditure: Economy- in expenditure; Efficiency- immediate results/ output generated by the expenditure; Effectiveness- short-term results/ outcome generated by the expenditure; and, Equity- how an expenditure reaches women and other disadvantaged groups, leaving no one behind.

This last point is worth revisiting to note the extent to which this JP will positively impact gender equality in Sierra Leone. Presently, women in rural areas face many challenges and lack the tools to participate in economic life. By investing in financial literacy training and providing access to banking services, the more than 50% of women who live in rural areas of Sierra Leone will be empowered to participate in the economy, while also benefiting from improved social services.

PUNOs are committed to ensuring that we deliver value for money with programme funds. When consultants are required for specialized expertise. The best value for money principles will be applied by the evaluation committee. National consultants will be hired through open and competitive recruitment processes in line with PUNOs' rules and regulations. Apart from

these, the standard procurement processes will be following for ensuring value for money in every dollar expenditure.

Given the specialized financial nature of this JP, and the different resource mobilisation aspects that it covers, it is unlikely that there would be another partner with the range of expertise and experience to better support Government of Sierra Leone on these programs. UNDP and UNCDF have established working relationships with MoPED, Ministry of Finance and Bank of Sierra Leone, each of whom are pivotal for the systematic changes proposed in this JP for the financial architecture in Sierra Leone. While these government institutions are committed to positive fiscal reforms, they presently lack the resources, (technical and financial) to develop and systemize all needed reforms without partner support.

The combined expertise of UNDP and UNCDF in policy and practical implementation matters, will strengthen the government efforts underway. As a trusted partner of both the public and private sectors, the UN is well-positioned to coordinate dialogue between these groups on financial sector reform. In addition, UNDP was instrumental to the completion of the Sierra Leone DFA and INFF reports, which form the basis for activities in this JP. Last, but not least, the PUNOs have working relationships with the commercial banks operating in Sierra Leone, the NASSIT pension fund, and the two major mobile phone companies, all of whom have key roles to play in financial reforms and expanded financial inclusion.

While the nature of this JP does not easily lend itself to a traditional co-finance element, and donor resources are already strained to meet various country needs, there are several ongoing programs that complement this proposal and the PUNOS will continually seek opportunities to engage additional funding partners. Specifically, the JP will carry out the following activities to leverage additional finance:

- 1) Identify international best practices in domestic resource mobilisation and support the government to contextualize suitable international best practices in Sierra Leone.
- 2) Work with key development partners active in Sierra Leone that have been great advocates for domestic mobilisation through institutional capacity building interventions and other efforts to create enablers for leveraging financing from the private sector and other development partners.
- 3) Leverage other projects that are supporting the private sector to plan and design innovative business models and products that bring many more people in the formal financial services fold.
- 4) Support government institutions, such as NASSIT, and private sector actors to collaboratively develop models for infrastructure investment that leverage private sector capital in a way that supports innovation and creates the most SDG value.

The inherent value of this JP comes from a system-change approach that focuses on removing barriers through dialogue and policy reforms, developing new opportunities, enhancing institutional readiness, and improving coordination among all actors for increased domestic resource mobilization.

2.5 Partnerships and stakeholder engagement

From the government side, the JP will be led by MoPED, which has the overall responsibility in the implementation of the SDGs in Sierra Leone. Stakeholder engagement will be led by the government to promote ownership and capacity building along those lines, with PUNOs providing coordination and support drawing on their expertise as outlined below.

UNDP will use its broad development mandate and lead in policy advocacy to support an enabling environment to ensure implementation of the programme. UNDP will leverage ongoing programs and ensure that gender issues are mainstreamed in planning and project implementation. UNDP is the only UN agency with an SDG Accelerator Lab in the country and it provided key support for preparation of the MTNDP. With the Lab, UNDP will foster innovation through partnership with the DSTI, particularly for the digital aspects of this JP. UNDP will ensure accelerated, participatory processes for activities with rural populations, where UNDP is active. The UNDP-OECD Tax Inspectors Without Borders program will bring relevant expertise for activities supporting NRA improvements.

UNCDF brings its capital mandate and vast experience in supporting private investments, innovation focus of the private investments to promote the use of digital solutions and other disruptive technologies, and its experience in working with government to establish income generating investments. Using its in-house technical expertise, UNCDF will also support the development of appropriate governance structures of the programme to ensure operational and financial sustainability after it is implemented. UNCDF plays an important role in the financing for development architecture. By deploying catalytic capital bundled with technical assistance into selected SMEs and projects, UNCDF can create attractive risk and reward ratios for more commercial investors and therefore mobilize more finance into the deal. UNCDF also creates powerful demonstration effects that pave the way for additional follow-on investments by larger financial institutions and have the potential to drive market transformation for the “missing middle”.

In addition to using the PUNOs’ own knowledge, expertise, and experiences from similar countries, international consultants with specific expertise may be contracted through an open and competitive procurement process, or through existing long-term agreements with trusted suppliers that can be called upon at short notice.

The partnership strategy of this JP will operationalize platforms for dialogue, coordination, governance and innovative solutions using the following approach:

Multi-stakeholder Engagement and- Constituency Building for Reforms

Multi-stakeholder platforms will be formed under the leadership of appropriate government authorities, potentially under the Ministry of Planning and Economic Development. The platforms will bring in the senior government officials from relevant ministries, IFIs, business leaders, development partners, and civil society to work together in a coordinated manner directed towards achievement of the JP objectives. The UN is a trusted partner to coordinate this platform and brings varied expertise and experience to the exercise.

Concerted efforts will be made to facilitate the full participation of NGOs, civil society groups, and community groups representing rural residents in stakeholder consultation and dialogue, recognizing that these groups may lack the resources in the area of communications, technology, or transport.

In addition, this JP will foster sustainable innovation using the following approach:

Institutional Capacity Building at all levels (government and the private sector), Knowledge Management and Innovation

The focus is to promote a shift away from business as usual and ensure greater institutional, policy and market readiness to address the challenges, risks and opportunities around

domestic resource mobilisation as Sierra Leone transitions away from fragility. The JP will set in motion mechanisms for the country to be able to mobilise more resources to invest in social services and infrastructure projects.

For all of the above, the support of donors will be solicited to strengthen this JP, particularly those who have demonstrated their SDG commitment as donors to the Joint SDG Fund, such as Sweden, EU, and Germany UN already partners with these donors in Sierra Leone and this JP will be a vehicle for re-enforcing these partnerships.

IFIs, including the World Bank, IMF and AfDB, already have domestic resource mobilisation activities, as referenced in Section 2.2 Theory of Change, and it is likely that they will expand their efforts over time.

Private sector entities, working in coordination with DSTI, are best positioned to bring efficiencies and technological innovations (design products) that support digitized savings, payments, collections etc., working to develop client-centric financial products that can spur economic development. The two mobile phone companies operating in Sierra Leone are also key partners for expanding digital financial services.

NGO partners will be engaged for financial literacy training who have experience working with women in the context of Sierra Leone.

3. Programme implementation

3.1 Governance and implementation arrangements

For quicker results and employing a rapid implementation model, the JP will be leveraging on the existing cooperation platforms on governance, coordination, implementation and monitoring.

The host government agency for this JP will be MoPED. The programme would be managed and implemented through an oversight committee comprising of senior GoSL officials from MoPED, Ministry of Finance, Directorate of Science Technology and Innovation, Bank of Sierra Leone, and National Revenue Authority, among others. The UNCDF will act as a secretariat to the oversight committee in development and implementation of the JP, and UNDP will also participate in the oversight committee. This national level oversight committee will link up directly with district coordination committees who will be charged with follow-up on JP resource mobilization actions, to include monitoring and reporting at the district level. They will regularly meet to review the status of revenue mobilization and financial inclusion at the district level, and the report to the national oversight committee. MoPED will play a central role in supervising these local coordination structures to ensure that they deliver expected results.

At an operational level, technical working groups will be formed to focus on specific elements, for example, financial literacy training or agent banking regulations. The technical working groups will be comprised of UN agencies and all relevant government, civil society, and private sector partners involved in an activity. The two PUNOs will as well be tasked to coordinate in a less structured manner with specific ministries, departments, and agencies and private sector stakeholders based on their work constituencies during the implementation of this JP.

UNCDF, UNDP and MoPED will have monthly meetings to review the progress of the implementation and make recommendations to the oversight committee that will meet on a quarterly basis. UNDP would be the communication point and reporting agency for this programme with the government.

A report will be prepared for submission to the UN Resident Coordinator Office in Sierra Leone on a quarterly basis after the oversight committee meeting. A formal progress report will be made and submitted the secretariat (UN RCO). The implementation of this programme will also be discussed during the semi-monthly UNCT meetings, for all UN agencies to potentially contribute to activities and for update purposes.

All central repository of documents will be established, comprising of both internal and external reports. All stakeholder engagement reports and other materials developed would be housed to be shared by all PUNOs interested.

3.2 Monitoring, reporting, and evaluation

The implementation of this program will be results-oriented, and evidence based. UNDP and UNCDF will provide the Convening/Lead Agent with the following narrative reports prepared in accordance with instructions and templates developed by the Joint SDG Fund Secretariat:

- Quarterly reports to be filed every end of quarter to the secretariat (UNDCO)
- *Annual narrative progress reports*, to be provided no later than one (1) month (31 January) after the end of the calendar year, and must include the result matrix, updated risk log, and anticipated expenditures and results for the next 12-month funding period;
- *Mid-term progress review report* to be submitted halfway through the implementation of Joint Programme¹²; and
- *Final consolidated narrative report*, after the completion of the joint programme, to be provided no later than two (2) months after the operational closure of the activities of the joint programme.

UNDP assisted by UNCDF will compile the narrative reports and submit a consolidated report to the Joint SDG Fund Secretariat, through the Resident Coordinator.

The Resident Coordinator will monitor the implementation of the joint programme, with the involvement of Joint SDG Fund Secretariat to which it must submit data and information when requested. As a minimum, joint programmes will prepare, and submit to the Joint SDG Fund Secretariat, 6-month monitoring updates. Additional insights (such as policy papers, value for money analysis, case studies, infographics, blogs) might need to be provided, per request of the Joint SDG Fund Secretariat. The Joint programme will allocate resources for monitoring and evaluation in the budget.

Data for all indicators of the results framework will be shared with the Fund Secretariat on a regular basis, in order to allow the Fund Secretariat to aggregate results at the global level and integrate findings into reporting on progress of the Joint SDG Fund.

UNDP and UNCDF will be required to include information on complementary funding received from other sources (both UN cost sharing, and external sources of funding) for the activities

¹² This will be the basis for release of funding for the second year of implementation.

supported by the Fund, including in kind contributions and/or South-South Cooperation initiatives, in the reporting done throughout the year.

UNDP and UNCDF shall provide the Administrative Agent with the following statements and reports prepared in accordance with its accounting and reporting procedures, consolidate the financial reports, as follows:

- Annual financial reports as of 31st December each year with respect to the funds disbursed to it from the Joint SDG Fund Account, to be provided no later than four months after the end of the applicable reporting period; and
- A final financial report, after the completion of the activities financed by the Joint SDG Fund and including the final year of the activities, to be provided no later than 30 April of the year following the operational closing of the project activities.

In addition, regular updates on financial delivery might need to be provided, per request of the Fund Secretariat.

After completion of a joint programme, a final, *independent and gender-responsive*¹³ *evaluation* will be organized by the Resident Coordinator. The cost needs to be budgeted, and in case there are no remaining funds at the end of the joint programme, it will be the responsibility of PUNOs to pay for the final, independent evaluation from their own resources.

The joint programme will be subjected to a joint final independent evaluation. It will be managed jointly by PUNOs as per established process for independent evaluations, including the use of a joint evaluation steering group and dedicated evaluation managers not involved in the implementation of the joint programme. The evaluations will follow the United Nations Evaluation Group's (UNEG) Norms and Standards for Evaluation in the UN System, using the guidance on [Joint Evaluation and relevant UNDG guidance on evaluations](#). The management and implementation of the joint evaluation will have due regard to the evaluation policies of PUNOs to ensure the requirements of those policies are met and the evaluation is conducted with use of appropriate guidance from PUNOs on joint evaluation. The evaluation process will be participative and will involve all relevant programme's stakeholders and partners. Evaluation results will be disseminated amongst government, development partners, civil society, and other stakeholders. A joint management response will be produced upon completion of the evaluation process and made publicly available on the evaluation platforms or similar of PUNOs.

3.3 Accountability, financial management, and public disclosure

The Joint Programme will be using a pass-through fund management modality where UNDP Multi-Partner Trust Fund Office will act as the Administrative Agent (AA) under which the funds will be channelled for the Joint Programme through the AA. Each Participating UN Organization receiving funds through the pass-through has signed a standard Memorandum of Understanding with the AA.

Each Participating UN Organization (PUNO) shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent of the Joint SDG Fund (Multi-Partner Trust Fund Office). Such funds will be administered by each UN Agency, Fund,

¹³ [How to manage a gender responsive evaluation, Evaluation handbook](#), UN Women, 2015

and Programme in accordance with its own regulations, rules, directives and procedures. Each PUNO shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

Indirect costs of the Participating Organizations recovered through programme support costs will be 7%. All other costs incurred by each PUNO in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs.

Funding by the Joint SDG Fund will be provided on an annual basis, upon successful performance of the joint programme.

Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the Joint SDG Fund.

PUNOs and partners must comply with Joint SDG Fund brand guidelines, which includes information on donor visibility requirements.

Each PUNO will take appropriate measures to publicize the Joint SDG Fund and give due credit to the other PUNOs. All related publicity material, official notices, reports and publications, provided to the press or Fund beneficiaries, will acknowledge the role of the host Government, donors, PUNOs, the Administrative Agent, and any other relevant entities. In particular, the Administrative Agent will include and ensure due recognition of the role of each Participating Organization and partners in all external communications related to the Joint SDG Fund.

3.4 Legal context

Agency name: United Nations Development Programme

Agreement title: Standard Basic Agreement Assistance

Agreement date: 21st December 1977

D. ANNEXES

Annex 1. List of related initiatives

Name of initiative/project	Key expected results	Links to the joint programme	Lead organization	Other partners	Budget and funding source	Contact person (name and email)
Digitisation of Government payments	Digitisation of all government payments	Provides learnings on deployment of digital solutions in government programs	UNCDF	Freetown City Council	IBSA	Wycliffe Ngwabe Wycliffe.ngwabe@uncdf.org
SDG Accelerator Lab	Will identify ways of more rapidly advancing the digitization and financial inclusion elements	They work closely with DSTI, the main government partner for digitization	UNDP	National Youth Commission & Local Councils	TRAC funding mechanism of UNDP	Tuzlyn Bayoh Tuzlyn.Bayoh@undp.org
NRA Data Management Improvements	Data management improvements at NRA	Supports increased revenue collection	IMF	NRA	IMF funds	Dr. Monique Newiak, mnewiak@imf.org
Tax Preparer Training and Tax Preparer Day	More tax preparers and awareness increase SME tax filings	Supports increased revenue collection	AfDB	NRA	AfDB funds	Ms. Peninah Kariuki p.kariuki@afdb.org
NRA ITAS System Installation	Integrated tax administration system (ITAS) in place at NRA	Supports increased revenue collection	World Bank	NRA	World Bank funds	Dr. Gayle H. Martin gmartin@worldbank.org
UNDP-OECD Tax Inspectors Without Borders	Improved GST and income tax collection; auditing and digitization	Supports increased revenue collection	UNDP	NRA	UNDP HQ funds	Orria Goni Orria.goni@undp.org

Annex 2. Results Framework

2.1. Targets for Joint SDG Fund Results Framework

Joint SDG Fund Outcome 2: Additional financing leveraged to accelerate SDG achievement

Indicators	Targets	
	2021	2022
2.1: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scope ¹⁴		TBD
2.2: Ratio of financing for integrated multi-sectoral solutions leveraged in terms of scale ¹⁵		TBD

Joint SDG Fund Output 4: Integrated financing strategies for accelerating SDG progress implemented.

Note: Refer to table in Section C.2.3 to see what is counted here.

Indicators	Targets	
	2021	2022
4.1: #of integrated financing strategies that were tested (disaggregated by % successful / unsuccessful)		1
4.2: #of integrated financing strategies that have been implemented with partners in lead ¹⁶	3	2
4.3: # of functioning partnership frameworks for integrated financing strategies to accelerate progress on SDGs made operational	3	

¹⁴Additional resources mobilized for other/ additional sector/s or through new sources/means

¹⁵Additional resources mobilized for the same multi-sectoral solution.

¹⁶ This will be disaggregated by (1) government/public partners (2) civil society partners and (3) private sector partners

Joint SDG Fund Operational Performance Indicators Level of coherence of UN in implementing programme country¹⁷

- Reduced transaction costs for the participating UN agencies in interaction with national/regional and local authorities and/or public entities compared to other joint programmes in the country in question
- Annual % of financial delivery
- Joint programme operationally closed within original end date
- Joint programme financially closed 18 months after their operational closure
- Joint programme facilitated engagement with diverse stakeholders (e.g. parliamentarians, civil society, IFIs, bilateral/multilateral actor, private sector)
- Joint programme included addressing inequalities (QCPR) and the principle of "Leaving No One Behind"
- Joint programme featured gender results at the outcome level
- Joint programme undertook or draw upon relevant human rights analysis, and have developed or implemented a strategy to address human rights issues
- Joint programme planned for and can demonstrate positive results/effects for youth
- Joint programme considered the needs of persons with disabilities
- Joint programme made use of risk analysis in programme planning
- Joint programme conducted do-no-harm / due diligence and were designed to take into consideration opportunities in the areas of the environment and climate change

¹⁷ Annual survey will provide qualitative information towards this indicator.

2.2. Joint programme Results framework

Note: The table below reflects relevant outcomes and targets from the 2020-2023 UNSDCF, as shown in the '2022 Target' column, as this is how we understood the instructions. While this JP would contribute to achievement of these 3-year targets, the exact contribution would be difficult to measure. Readers are referred to Section C.1.2 of this proposal for indicators specific to this JP, along with their 2-year targets.

Result / Indicators	Baseline	2021 Target	2022 Target	Means of Verification	Responsible partner
Outcome 2 – TRANSFORMATIONAL GOVERNANCE: By 2023, people in Sierra Leone benefit from more gender and youth responsive institutions that are innovative, accountable and transparent at all levels and can better advance respect for human rights and the rule of law, equity, peaceful coexistence, and protection of boys and girls (children, girls), women and men including those with disabilities.					
Indicator: Corruption perception index score (0-100)	30 score 129 th rank (2018)	n/a	35 score 113 th rank	Transparency International Index	UNDP & UNCDF
Indicator: Global Peace Index ranking	1.74 score	n/a	1.5 score	Institute for Economics and Peace Index	UNDP & UNCDF
Output 2.6 - Government has strengthened Public Financial Management					
Indicator Local Councils with capacity and plan for monitoring revenue and expenditure in line with PFM standards	0	n/a	22	Ministry of Planning & Economic Development data Ministry of Local Governance & Rural Development data	UNDP & UNCDF
Output 2.7 - Government-wide national M&E system of development results strengthened					
Indicator A system in place for M&E	0	n/a	1	National Agency for Monitoring & Evaluation information	UNDP & UNCDF
Outcome 4 - PROTECTION AND EMPOWERMENT OF THE MOST VULNERABLE: By 2023, the most vulnerable, particularly women, youth, adolescents and children (especially girls), and persons living with disabilities are empowered and benefit from increased social protection services, economic and social opportunities					
Indicator: Gender Development Index (GDI)	0.872 (2017)	n/a	1	UNDP – Global Human Development Report data	UNDP & UNCDF
Indicator Gender Inequality Index (GII)	0.645 (2017)	n/a	0.57	UNDP – Global Human Development Report data	UNDP & UNCDF
Output 4.5 - Vulnerable groups have improved entrepreneurial and, financial literacy, and employability					
Indicator Percentage of women and youth (males and females) who created their employment	10%	n/a	18%	Labour Force Survey	UNDP & UNCDF

Annex 3. Gender marker matrix

Indicator		Score	Findings and Explanation	Evidence or Means of Verification
N°	Formulation			
1.1	Context analysis integrate gender analysis	2	The context analysis reflects gender concerns and issues to a great and significant extent in promoting taxation and savings by small and Medium Enterprise.	The gender analysis looks at the various needs of women and men and how
1.2	Gender Equality mainstreamed in proposed outputs	2	Gender equality is not the main objective of the project, but gender has been mainstreamed in most of its output and has been consistently measured in all of its indicators	The outputs and indicators designed are gender considerate
1.3	Programme output indicators measure changes on gender equality	2	The program outputs measure the changes in the conditions and interests of women and men in the project. It measures the result the project will have on the lives of women and men.	Gender responsive indicators are designed
2.1	PUNO collaborate and engage with Government on gender equality and the empowerment of women	2	The project will collaborate with the Ministry of Economic Planning in reviewing policies and regulations that will reflect women's interests and needs, which will empower women in small Medium Enterprise	The strategies specified aimed at working with the Ministry to ensure financial inclusion and gender equality
2.2	PUNO collaborate and engages with women's/gender equality CSOs	2	The project designed seeks to target women's groups in communities, whose skills will be increased to enhance their agency to contribute to the revenue mobilisation and be exposed to other groups that could build their capacities in contributing meaningfully to the economy	Strategies specified seeks to target women's group farmers, traders, in the councils that we work in
3.1	Program proposes a gender-responsive budget	2	The project allocates more than 15% of its budget to addressing gender concerns in their project	The Project budget
Total scoring		2		

Annex 4. Budget and Work Plan

4.1 Budget per UNSDG categories

The budget below details the allocation categories and PUNO contributions.

Budget Notes:

UNDP's contribution of US\$54,000 currently reflects activities for 2020 on strengthening the national M&E system and the training and mentoring of the innovators in entrepreneurship and business formalization by the SDGs Acceleration Lab

UNCDF contribution of \$370,000 has been allocated for the on-going pilot of revenue collection digitization with the National Revenue Authority and Freetown City Council. This proposal, therefore, seeks to supplement these efforts to accelerate the country's domestic resource mobilization.

Most of the work on financial literacy and entrepreneurship training will be facilitated by consulting firms that will be selected competitively (under category 4: Contractual Services of UNCDF)

Funds will be transferred to the respective organizations and government ministries, departments and agencies for capacity building and Public-Private Dialogue activities (under category 6: Transfers and Grants of UNDP)

A project coordinator position will be recruited by UNDP (under category 4: Contractual Services of UNDP)

PUNO contribution amounts are all allocated to Year 1, as these agencies receive funds on yearly funding cycles.

UNDG Budget Categories	UNDP		UNCDF		Total	
	Joint SDGs Fund (US\$)	PUNO contribution (US\$)	Joint SDGs Fund (US\$)	PUNO contribution (US\$)	Joint SDGs Fund (US\$)	PUNO contribution (US\$)
Staff & other personnel	-		-			
Supplies, commodities & materials	5,000		2,000		7,000	
Equipment, vehicles & furniture (including depreciation)	-		10,000		10,000	
Contractual Services	50,000		320,000		370,000	
Travel	-		10,000		10,000	
Transfers & Grants to counterparts	382,290	54,000	30,000	370,000	412,290	424,000
General Operating & other Direct costs	30,000		29,869		59,869	
Total Direct Costs	467,290		401,869		869,159	
Indirect Support cost (max 7%)	32,710		28,131		60,841	
Total costs	500,000	54,000	430,000	370,000	930,000	424,000
1st Year	250,000	54,000	215,000	370,000		
2nd Year	250,000		215,000			

4.2 Budget per SDG targets

The largest proportion of the budget (45%) is allocated to SDG target 17.1, as the primary focus of this JP is to strengthen domestic resource mobilization. After that, Target 1.4 represents 15% of the budget to ensure that all men and women, particularly the poor and vulnerable, have equal rights to economic resources through community engagement for these activities.

	SDGs Target	%	Amount (US\$)
	Direct contribution:		
	Target 17.1 - Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection	45	609,300
	Indirect contribution:		
	Target 1.1 - By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day	10	135,400
	Target 1.2 - By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions	10	135,400
	Target 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance	15	203,100
	Target 5.b - Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women	10	135,400
	Target 10.2 - By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	10	135,400
			1,354,000
	TOTAL	100%	

4.3 Work plan

UNSDCF Outcome 2		By 2023, people in Sierra Leone benefit from more gender and youth responsive institutions that are innovative, accountable, and transparent at all levels and can better advance respect for human rights and the rule of law, equity, peaceful coexistence, and the protection of boys and girls, women and men including those with disabilities																	
Output	Annual Target		List of activities	Time Frame								Planned Budget				PUNOs involved	Implementing partners		
	2020	2021		2020		2021				2022		Overall Budget Description	Joint SDGs Fund (US\$)	PUNO Contributions (US\$)	Total Cost (US\$)				
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2							UNDP	
Government has strengthened Public Financial Management	NA	NA	Strengthen public-private dialogue between the National Revenue Authority (NRA) and business in the informal sector the advantages of formalising their businesses			X	X	X	X					Support to NRA on formalisation of businesses	60,000		60,000	UNDP	MoPED, NRA, Private sector, CSOs, NGOs, MoF
	NA	NA	Strengthen NRA capacity on income tax collection & auditing of businesses		X	X	X	X					Support to NRA on business auditing	50,000		50,000	UNDP	MoPED, NRA, MoF, TIWB	
	NA	NA	Study to determine the trends in the complexity of the tax system, and the extent of tax avoidance and evasion			X	X						Support to NRA to determine extent of tax avoidance & evasion	20,000		20,000	UNDP	MoPED, NRS, MoF, TIWB	
	NA	NA	Strengthen the Local Councils capacity to plan for monitoring revenue and expenditure in line with PFM standards			X	X	X					Support to the local councils	50,000		50,000	UNDP	MoPED, MLGRD	
	NA	NA	Support NRA to raise awareness to taxpayers, especially SMEs, on tax filing and to improve				X	X	X	X			Support to NRA on tax filling by SMEs	50,000		50,000	UNDP	MoPED, NRA, MoF, private sector	

			public attitudes on the use of the tax system														
	NA	NA	Support the National Social Security Trust Fund (NASSIT) to re-orient its investment programme to support large scale SDGs investment				X	X	X	X		Support to NASSIT to promote SDGs investment	60,000		60,000	UNDP	MoPED, NASSIT, private sector
	NA	NA	Create partnerships with innovation hubs/private sector to train and mentor the innovators in entrepreneurship and business formalization – UNDP SDGs Acceleration Lab	X	X							Technical support to local innovation.		24,000	24,000	UNDP	DSTI
Government-wide national M&E system of development results strengthened	NA	NA	Strengthen the capacity of the National Monitoring & Evaluation Agency			X	X	X				Support to strengthen M&E system	50,000		50,000	UNDP	MoPED, NaMED
	NA	NA	Support to roll-out of GIS enabled & automated M&E system (ongoing UNDP)	X	X							Support to strengthen M&E system		30,000	30,000	UNDP	MoPED, NaMED
	NA	NA	Support to the SDGs Fund Coordination Secretariat (lead & coordinate)	X	X	X	X	X	X	X	X	Support to SDGs Fund Secretariat	65,000		65,000	UNDP	MoPED
	NA	NA	Study on challenges & enablers on women's participation to domestic revenue mobilization			X	X					Consultations and Research	15,000		15,000	UNDP	MoPED, MSWGA
	NA	NA	Monitoring, reporting & communication on program activities		X	X	X	X	X	X		Reporting and Communications	15,000		15,000	UNDP	

	NA	NA	End of project Evaluation (Independent consultant)									X	Program Evaluation	10,000		10,000	UNDP	Independent consultancy firm
	NA	NA	Recruitment of a Project Coordinator to oversee implementation	X	X	X	X	X	X	X	X		Project Coordination	55,000		55,000	UNDP	NA
Sub Total														500,000	54,000	554,000		
UNSDCF Outcome 4																		
By 2023, the most vulnerable, particularly women, youth, adolescents and children (especially girls), and persons living with disabilities are empowered and benefit from increased social protection services, economic and social opportunities:																		
																UNCDF		
Vulnerable groups have improved entrepreneurial and financial literacy skills and employability	NA	NA	Training of trainers in entrepreneurial and financial inclusion packages together with financial education. Trained trainers will cascade this training to youth, male and female entrepreneurs.										Technical assistance to youth group associations	50,000		50,000	UNCDF	MoPED, Private sector, CSOs, NGOs, BSL
	NA	NA	Piloting community ambassador programmes to improve leadership, entrepreneurial skills and financial literacy and develop youth-led solutions for youth empowerment										Technical assistance to youth group associations	50,000		50,000	UNCDF	MoPED, Private sector, CSOs, NGOs, BSL
	NA	NA	Support service providers focus on recruiting more female Mobile Financial Services agents, especially in rural areas										Technical assistance to private sector	120,000		120,000	UNCDF	Private sector, CSOs, NGOs, BSL
			Capacity Building and grant activities to Banks									X	X	Technical assistance to				

Banks, Mobile network and other actors have capacity developed capacity to mobilize domestic savings leveraging digital innovations	NA	NA	and Mobile Operators on product development		X	X	X	X	X			private sector	110,000	70,000	180,000	UNCDF	Private sector
	NA	NA	Pilot to digitize government payments and collections & support to ongoing municipal bonds pilot	X	X	X	X	X	X			Technical assistance to the government		300,000	300,000	UNCDF	Private sector
	NA	NA	Pilot to digitize National Social Security and Insurance Trust collections		X	X	X	X	X	X	X	Technical assistance to NASSIT to digitize collections	50,000		50,000	UNCDF	Private sector
	NA	NA	Regulator capacity development and knowledge exchange and public private dialogue		X	X	X	X	X	X	X	Grant to the government	30,000		30,000	UNCDF	MoPED, MOF, BSL, DSTI
	NA	NA	Knowledge Management		X	X	X	X	X	X	Monitoring, Evaluation, Review, and Communication	20,000		20,000	UNCDF	NA	
Sub-Total													430,000	370,000	800,000		

NA = not applicable

Annex 5. Risk Management Plan

Risks	Risk Level: (Likelihood x Impact)	Likelihood: Certain - 5 Likely - 4 Possible - 3 Unlikely - 2 Rare - 1	Impact: Essential - 5 Major - 4 Moderate - 3 Minor - 2 Insignificant- 1	Mitigating measures	Responsible Org./Person
Contextual risks					
Risk of humanitarian crisis and displacements especially with the outbreak of the coronavirus diseases (COVID-19)	6	3	2	Have dedicated team members for this programme from PUNOs, so as to minimize the resource movements out of this joint programme.	UNDP/UNCDF
Economic and developmental risks due to global market environment	2	2	1	The time and resource allocations would be pre defined both from National Government stakeholders and UN agencies. This will ensure allocated time and efforts and invested as planned.	UNDP/UNCDF
Restrictions emanating from the state of emergency due to COVID-19, including on movement	20	4	5	PUNOs and stakeholders will prioritise programme activities in line with the 12-mont State of Emergency now in place in the country.	UNDP/UNCDF
Programmatic risks					
Failure of the implementing agencies and government counterparts to own up due to competing management and operational arrangements – failures of planning and coordination	9	3	3	Monthly among the implementing PUNO and quarterly meetings held with oversight committee at national level to ensure effective guidance and support towards coordination with public and private stakeholders. This programme would also be discussed during UNCT meetings as one of the agenda.	UNDP/UNCDF

Joint Programme Objectives too ambitious to achieve in the given time frame	6	3	2	This would arise as a risk, if there is delay due to in effective partner coordination with stakeholders. PUNOs are assigned with specific tasks based on their expertise and will be delivered based on an action plan which will be monitored on monthly basis in PUNO team meetings to ensure timely deliverables.	UNDP/UNCDF
Institutional risks					
Change in team members affecting continuity, timeliness and quality of outputs	9	3	3	Upfront human resource allocation towards the joint programme will be defined and dedicated team member from respective PUNO deputed to this assignment. PUNOs with their institutional expertise would be able to manage the change in team member if it occurs. Regular team meetings would also ensure that work being undertaken and progress thereof made is known by all team members involved.	UNDP/UNCDF
Reputational risk coordinating this exercise as a neutral entity	4	2	2	In the action plan to be developed, multi stakeholder mapping would be undertaken to ensure that all required public and private stakeholder categories have been covered and consulted.	UNDP/UNCDF
Fiduciary risks					
Defined financial allocation to various activities at programme needs to be differently allocated during implementation	3	3	1	In quarterly PUNO meetings, review of any financial allocation changes that may be required will be discussed and based on all participating agencies decision, based on practical implementation requirements financial allocation changes may be agreed to.	UNDP/UNCDF

