ECONOMISTI ASSOCIATI

INVESTMENT CLIMATE IN AFRICA PROGRAM

FOUR-COUNTRY IMPACT ASSESSMENT

SIERRA LEONE COUNTRY REPORT

Submitted by

Economisti Associati srl (Italy)

in association with

Center for Economic and Social Research (Poland)

The Africa Group LLC (USA)

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Table of Contents

ABBREVIATIONS AND ACRONYMS

DB	Doing Business
DBRC	Doing Business Reform Committee
DBRU	Doing Business Reform Unit
DFID	Department for International Development
DTIS	Diagnostic Trade Integration Study
ECOWAS	Economic Community of West African States
EU	European Union
FIAS	Foreign Investment Advisory Service
GDP	Gross Domestic Product
GoSL	Government of Sierra Leone
GST	Goods and Services Tax
ICF	Investment Climate Facility for Africa
IFC	International Finance Corporation
IMF	International Monetary Fund
M&E	Monitoring & Evaluation
NASSIT	National Social Security and Insurance Trust of Sierra Leone
NRA	National Revenue Authority
NTB	National Tourist Board
OARG	Office of the Administrator and Registrar General
PCR	Project Completion Reports
PM	Program Manager
PPD	Private – Public Dialogue
PR	Progress Reports
PSCS	Private Sector Cost Savings
RABI	Removing Administrative Barriers to Investment Project
SCM	Standard Cost Model
SLBF	Sierra Leone Business Forum
SLIEPA	Sierra Leone Investment and Export Promotion Agency
SLIBA	Sierra Leone Indigenous Business Association
SME	Small and Medium Enterprises
SR	Supervision Reports
TIF	Trade and Investment Forum
WB	World Bank
WBES	World Bank Enterprise Survey
WG	Working Group

Currency
Leone (Le)

Exchange Rates
2007	US$ 1.00 = Le 2,984.96
2008	US$ 1.00 = Le 2,984.59
2009	US$ 1.00 = Le 3,026.21
2010	US$ 1.00 = Le 3,896.82

EXECUTIVE SUMMARY

Introduction

The purpose of the Report is to provide an evaluation of ***Removing Administrative Barriers to Investment Project – Phase III*** ("RABI III" or the "Project") implemented by the IFC over the 2008 – 2010 period. In line with the Terms of Reference (TOR), the analysis is aimed at assessing "*both the efficacy of [the] program in achieving its initial objectives; and the quantitative impacts generated from program achievements*" (pages 2 and 3). In particular, the exercise involves (i) a ***qualitative part***, focusing on the relevance, effectiveness (outputs and outcomes), and efficiency of the IFC intervention, and (ii) a ***quantitative part***, aimed at quantifying the impacts achieved both by the Project as a whole ('cross cutting' impacts) and by specific interventions ('product or component-specific' impacts).

Project Overview

Objective and Approach. As indicated in the approval document, the Project's ***overall objective*** is to: "*support the effort of the government to work with the private sector to identify and remove barriers to investment and to promote investment by informal and formal businesses in Sierra Leone and to profile investment opportunities for attracting new investment*". The Project was largely conceived as a follow up initiative, aimed at providing support to and ensuring an effective implementation of the outcomes achieved under the previous phase of the project (RABI II), i.e. (i) the passage of a new legislation for start-up procedures and (ii) the set-up of a new national investment promotion agency, the *Sierra Leone Investment and Export Promotion Agency* (SLIEPA); as well as under a separate project implemented by the IFC's PEP Africa and FIAS, which supported (iii) the formalization of a platform for dialogue between the public and the private sector, the *Sierra Leone Business Forum* (SLBF)[1]. The scope of the Project encompasses additional, complementary activities contributing to the achievement of the overall objective, and falling under the following areas: tax reforms, Doing-Business reforms, and development of strategic sectors (tourism and agribusiness).

Components. Initially, the Project was to focus on seven areas, four covered by one single project[2] (also ensuring the overall coordination), and namely: (i) business start-up procedures, (ii) public-private dialogue (PPD), (iii) Doing-Business reforms, and (iv) monitoring and evaluation. The three remaining areas, i.e. (v) tax policy and administration, (vi) investment promotion, and (vii) tourism development, were specifically addressed by separate projects[3]. The split into separate projects was due to internal management reasons, but, as far as counterparts and donors (i.e. DFID) were concerned, there was only one IFC Investment Climate project in Sierra Leone. Monitoring and evaluation (M&E) activities were abandoned early due to their excessively broad scope and unrealistic institutional set-up. Project activities can be grouped into ***six components***, whose objectives are summarized in the table below.

Project Components

Component	Objectives
#1 – Starting a Business	Implementing new organizational and procedural arrangements to support legislative changes in the business registration regime
#2 – PPD	Supporting and strengthening the SLBF as a tool to improve the investment climate
#3 - DB Reforms	Supporting the Country's efforts towards improving Doing Business rankings
#4 – Tax	Assisting the National Revenue Authority (NRA) and the Ministry of Finance to improve tax policy and administration

[1] The Sierra Leone Business Forum project (# 548665).
[2] The SL Removing of Administrative Barriers to Investment (RABI) Ext Phase 2 project (#562368).
[3] The three separate projects were: (i) Sierra Leone Tax Simplification Rollout (#561268), (ii) Promoting Investment and Export for Sierra Leone (#565247), and (iii) Sierra Leone Tourism (#565967).

#5 – Investment Promotion	Strengthen the capacity of the SLIEPA to attract investment and implement sector-specific proactive investment promotion program
#6 – Tourism Development	Addressing institutional and regulatory constraints to the development of the tourism sector

Timeline and Budget. The Project was ***approved in February 2008,*** but only became operational on December 1, 2008, with a duration of 31 months. At approval, the Project had an estimated overall budget of about ***US$ 8.8 million***, of which US$ 2.9 million funded by DFID. The large size of the budget is explained by the inclusion of (i) financial support to some local entities (about US$ 1 million) and (ii) expensive transaction advisory services to be rendered in connection with sector-specific investment promotion initiatives (over US$ 2 million). During implementation, the total amount of funds managed by the IFC was cut to ***US$ 7.2 million***, of which US$ 2.4 million were contributed by DFID. Such a decrease was largely determined by the change of the DFID grant period, requiring all the funding to be fully committed before March 2010 and, thereby, leading to the cancellation of some initiatives, whose implentation become unfeasible within the new time frame. Nevertheless, the Project managed to raise additional contributions from local partners, bringing the total Project size to a value similar to the original, i.e. at ***US$ 8.5 million***.

Project Environment. The Project was implemented in a country that had just emerged from a long armed conflict. Therefore, the Project had to confront an extremely difficult operating environment, characterized by largely dysfunctional government institutions, lack of knowledgeable local counterparts, and a weak, mostly informal private sector. Weaknesses at the institutional level were particularly severe, and this inevitably affected Project activities, by making it unusually difficult to translate the advice provided into concrete actions. This has obvious implications from an evaluation perspective, as the results measured based on standard evaluation metrics and criteria have to be interpreted considering the pioneering nature of the Project.

Evaluation

Strategic Relevance. ***The Project is fully aligned with the overarching poverty reduction strategy of the GoSL from 2008-2012*** (i.e. the Second Poverty Reduction Strategy Paper), which emphasizes the importance of generating a sustainable rate of economic growth through encouraging the private sector to play a greater role in the economy. However, the appropriateness of some actions undertaken under the Component #6 looks somehow doubtful due to the country's real conditions. The Project was ***largely geared towards the achievement of 'structural reforms'***, such as the set-up of a business registry, the institutional strengthening of brand new local institutions, i.e. the SLIEPA and the SLBF, and the amendment of some pieces of legislation. Comparatively smaller emphasis was placed on 'quick wins', whose achievement has also been penalized by a lack of prioritization in the Government agenda and excessive reliance on the SLBF as a facilitator. The Project enjoyed backing from key decision makers, including the country's political leadership however, ***in many cases, the operational cooperation with counterpart institutions proved less than ideal***. The existence of similar difficulties was fully acknowledged by the Project Team since the very beginning. However, the situation proved to be more difficult than initially foreseen and was made even more complex by a number of changes of local counterparts experienced during the Project implementation.

Delivery of Outputs. ***The Project delivered a fair number of outputs, most of them of good, if not excellent, quality***. However, this overall assessment deserves some cross-component qualifications. Almost all output targets included in the monitoring plans for Components #4 and #5 were achieved or overachieved. Vice versa, the prolonged restructuring of the SLBF negatively affected the performance of Components #2 and #3. Still, the instrumental support provided by the Project towards ensuring a smooth restructuring of the SLBF has to be mentioned, despite the fact that it cannot be captured by IFC standardized indicators. Components #1 and #6 are somewhere in between, having contributed to the realization of some extremely positive results, such as the introduction of transparent procedures for the awarding of concession agreements and the opening of a Business Registration Center at the OARG, while the delivery of some other outputs, for instance in the land policy area, lags behind expectations. ***The assistance provided by the Project is positively assessed by counterparts***, with virtually all beneficiary institutions declaring themselves as highly satisfied or satisfied.

Achievement of Development Outcomes. In general, ***the degree of acceptance and implementation of recommendations formulated under the Project is rather modest***, and characterized by important differences depending upon the nature of the actions. A couple of positive outcomes were achieved as far as legal changes are concerned (i.e. the Companies Law and the GST law). The acceptance and implementation of recommendations came at the end of a long and laborious process, requiring constant contacts with relevant GoSL and other stakeholders, due to the sensitive nature of the reforms addressed and/or the sheer existence of large institutional constraints at the local level. Very limited results were achieved in the case of administrative reforms, as well as in the land policy and tourism development areas. Nevertheless, as a result of the reforms supported by the Project, between 2008 and 2010 ***Sierra Leone recorded an improvement in DB rankings, climbing from the 160th out of 178 economies to 148th position out of 183 economies***. In particular, improvements concerned the ‘starting a business’ indicator but progress has been captured by the DB 2010 survey which also references the ‘getting credit,’ ‘protecting investors,’ and ‘paying taxes’ indicators. However, DB improvements should be cautiously regarded, as limited evidence of the actual impact exerted by some legal changes on business operations was gathered and some inconsistencies on baseline values were detected in the case of business registration. On the other hand***, technical assistance and capacity building provided to SLIEPA and NASSIT produced extremely positive outcomes***, as demonstrated by the significant rise of investor enquiries recorded by the former and the successful awarding of a concession agreement for the rehabilitation, redevelopment, operation, and maintenance of the Cape Sierra Hotel.

Efficiency. A clear-cut assessment of the Project cost-effectiveness is prevented by the lack of detailed and updated information on expenses and cost items. Nevertheless, the following budgetary and organizational aspects should be highlighted. As of the end of 2009, a ***huge gap between planned and actual expenditures*** was detected (i.e. US$ 2.4 million against US$ 4.6 million), ***primarily due to operational difficulties faced during implementation***, which involved the drop of some initially envisaged activities and significant delays in the recruitment of the local team, in the disbursement of financial support to local entities, i.e. SLIEPA and SLBF, and in the implementation of some activities. Given the extremely difficult operating conditions, both ***the decision of having a strong on-the-ground presence*** and ***the efforts deployed to maximize synergies with other donors and international organizations should be regarded as positive features of the Project.*** On the negative side, ***the early abandon of the M&E component*** deprived the management staff of an extremely useful tool to both put pressure on local counterparts as well as to promptly spot (and correct) any deviation from the operational objectives.

Impact Assessment

Introduction. The impact assessment exercise focused on 7 types of impacts, namely:

- two ***overall impacts***, relevant for all components or product areas, including: (i) the aggregate private sector cost savings, and (ii) the private sector investment generated;

- five ***product-specific impacts***, including: (i) the number of new businesses registered, (ii) the number of new jobs created, (iii) the number of new businesses complying with the tax regime, (iv) the tax revenue generated, and (v) the increase in trade flows.

Three methodological issues must be highlighted at the outset. First, the exercise required the use of a variety of data, both of a micro and macro-economic nature, collected from a variety of sources. Unfortunately, in a number of cases, the quality of data is less than ideal and, therefore, ***sometimes only rough estimates could be produced***. Second, the notion of 'product-specific' impact (i.e. related to work carried out in a specific area of intervention) is at times diminutive, as some impacts are in fact the result of more than one strand of activities or components (as well as by other external factors). Therefore, ***whenever feasible, the analysis was extended to consider all the main contributing factors***. Third, the impact assessment exercise covers the period until end 2010. It is well known that in many cases investment climate reforms take time to produce effects, which become visible only in the medium term. This is particularly the case for impacts on investment and employment, as economic agents tend to respond with a time lag to the opportunities created by changes in the legislative and regulatory framework. Therefore, it is important to stress that the quantitative estimates provided in this Report refer only to ***the initial impacts of the IFC intervention, and do not consider the effects that could materialize in the future***.

Private Sector Cost Savings. Private sector cost savings (PSCS) are defined as the savings accruing to private economic agents as a result of reforms in the investment climate. They include: (i) ***cost savings***, associated with the reduction in <u>out of pocket expenses</u> incurred by private enterprises thanks to the elimination/reduction of certain fees (stamp duties, service fees, etc.) and/or of the need to rely on service providers for certain formalities (e.g. legal advice); (ii) ***time savings***, refers to the gains in terms of <u>opportunity costs of labor</u> resulting from regulatory simplification and/or from the adoption of improved organizational models for certain services; and (iii) ***financial savings***, related to the reduction in the <u>financial burden</u> shouldered by private operators as a result of changes in the payment modalities for a certain fee or tax, with ensuing cash flow advantages. Over the 2008–2010 period, the PSCS generated by the reforms supported by the Project can be estimated ***at about US$ 900,000.*** Overall, over 60% of total PSCS are connected with just one reform, i.e. the elimination of the renewal of the business registration license. An additional 14% of all PSCS are generated by the introduction of the GST Law.

Private Sector Investment Generated. The short-term impact on private investment is the result of the simplification of the business registration system, which contributed to accelerating the process of enterprise formation, and the implementation of sector-specific investment promotion activities, which led to the successful privatization of the Cape Sierra Hotel. For the former driver, based on average investment parameters in newly formed enterprises, the value of incremental private sector investment in some way associated with the reforms promoted by the Project can be estimated at between US$ 10-12.5 million for the 2008 – 2010 period. As for the privatization of the Cape Sierra Hotel, no official information on the amount invested is available, but, based on typical, sector investment cost parameters, the value of resources mobilized thanks to the IFC assistance can be estimated in the order of US$ 10-15 million, of which about US$ 5-7 million might have materialized in 2010. As result, ***the short-term impact of the Project can be assessed in the US$ 15-20 million range***. This estimate appears fairly realistic and compatible with overall trends in private investment, with investments generated by the Project accounting for 3-4% of total private investment. A ***substantially higher medium-term impact is foreseen as a result of the strengthened capacity of SLIEPA of attracting foreign investment***. Indeed, the value of incremental private sector investment associated with SLIEPA activities has been tentatively estimated at <u>US$ 150 million for the whole period 2011 – 2013.</u>

Number of New Business Registered. In Sierra Leone the pace of business registration quickened considerably in connection with the introduction of reforms supported by the Project. Indeed, the number of newly registered enterprises increased from about 1,800 per annum, a value steadily recorded in the 2005 – 2007 period, to over 3,000 in 2008, and 3,800 in 2009. Extrapolating data for the first six months of 2010 to the whole year, the number of new business registrations is expected to be in the order of 4,300 in the current year. When allowance is made for firms previously operating informally, the number of new businesses whose establishment can be linked in some way to the Project can be estimated at ***around 2,200 – 2,800 for the 2008 – 2010 period***.

Number of Jobs Created. The increase in the number of new businesses also reverberates on employment levels. Based on average parameters for employment levels in newly established enterprises derived from the comparative review of several sources (i.e. 6 people at start-up), the number of jobs in some way associated with the reforms supported by the Project can be estimated between ***13,500 and 16,800 for the entire 2008 – 2010 period***. In the medium term, the employment impact of the Project is expected to further increase as a result of the number of direct jobs created in connection with investments facilitated by the SLIEPA.

Other Impacts. Regulatory changes on the self-assessment facilitated and the large income tax awareness campaign and other tax education & training initiatives carried out by the Project in 2009 and 2010 played an instrumental role towards increasing tax compliance among the business community. Based on some conservative assumptions, the Project contribution to the increase in tax compliance was estimated at between ***350 and 550 additional businesses paying taxes for the 2009 – 2010 period***. Based on these figures and the average value of income tax paid by different types of taxpayer (i.e. about US$ 2,300 for unincorporated businesses and US$ 10,300 for corporations), the ***tax revenue generated by the Project was estimated between US$ 1.4-2.1 million for the period 2009-2010***.

Recommendations

The Project is expected to be followed up by another initiative whose preparation is currently ongoing. Evaluation results provide elements that could be considered in the design of the new initiatives. In particular:

- in order to prevent excessively high expectations and minimize the likelihood of underperforming, the ***initial design should be informed by a realistic approach***, setting a reasonable time frame and carefully assessing the actual capacity and commitment of local counterparts;
- the design should also ***avoid concentrating too many activities in the hands of a single actor.*** An excessive burden, in terms of both the range of activities to be carried out and the complexity of the reforms to be facilitated, was placed on the SLBF. This situation is particularly inefficient if a transition from a donor-led to a fully independent, local entity is planned;
- concerning operational aspects, the ***current organizational model centered on a strong in-country presence should be maintained;***
- regarding monitoring, an effort should be made to ***increase the clarity and information content of project reporting*** and ***improve the M&E system***. The integrity and usefulness of the M&E system could be significantly improved by clearly stating sources and assumptions underlying the definition of baseline and target indicators.

MAIN TEXT

1 INTRODUCTION

This Sierra Leone Country Report (the "Report") is the sixth deliverable to be submitted to the International Finance Corporation (IFC) within the framework of the "Investment Climate in Africa Program - Four-Country Impact Assessment" (hereinafter referred to as "the Assignment" or "the Study"). The Report was prepared by *Economisti Associati*, in collaboration with the *Center for Economic and Social Research* and *The Africa Group*, collectively referred to as "the Consultant".

The purpose of the Report is to provide an evaluation of ***Removing Administrative Barriers to Investment Project – Phase III*** ("RABI III" or the "Project")[4] implemented by the IFC over the 2008 – 2010 period. In line with the Terms of Reference (TOR), the analysis is aimed at assessing "*both the efficacy of [the] program in achieving its initial objectives; and the quantitative impacts generated from program achievements*" (page 2 and 3). In particular, the exercise involves (i) a ***qualitative part***, focusing on the relevance, effectiveness (outputs and outcomes), and efficiency of the IFC intervention, and (ii) a ***quantitative part***, aimed at quantifying the impacts achieved both by the Project as a whole ('cross cutting' impacts) and by specific interventions ('product or component-specific' impacts).

The Report is based on a combination of primary and secondary sources. Secondary sources consist of a variety of ***project documents***, including approval documents, supervision reports (SR), progress reports to donors (PR) as well as ***substantive reports*** on various topics produced by IFC staff or consultants during implementation. Primary information was collected during a ***field mission*** carried out in July 2010 as well as on subsequent fact finding work carried out by a local consultant in July – October 2010. Throughout the implementation of the Assignment, the Consultant enjoyed the ***support of the relevant IFC staff***, who kindly supplied background documents and, most importantly, provided clarifications and contributed their views on various aspects of Project activities.

An earlier version of this Report, submitted in December 2010[5], was subsequently commented upon in extensive detail by the IFC staff. In some cases, comments were accompanied by the provision of additional information, which had not been made available at earlier stages. As a result, several parts of the Report were extensively reworked.

The Report is structured as follows:

- Section 2 provides an overall presentation of RABI III (timeline, budget, components, etc.);
- Section 3 analyzes in some detail Project activities, focusing on individual components;
- Section 4 provides a qualitative evaluation of the Project, focusing on issues related to relevance, effectiveness and efficiency;
- Section 5 provides a quantification of Project's impacts, looking at 'cross cutting' impacts as well as some component specific impacts;
- Section 6 summarizes the key findings and formulates some recommendations.

The Report also includes four Annexes. In particular:

- Annex A, listing the documentary sources used;

[4] Four interrelated projects have been collectively implemented under the Sierra Leone Investment Climate Program, and namely: (i) SL Removing of Administrative Barriers to Investment (RABI) Ext Phase 2 (#562368), (ii) Sierra Leone Tax Simplification Rollout (#561268), (iii) Promoting Investment and Export for Sierra Leone (#565247), and (iv) Sierra Leone Tourism (#565967). The project was split into these components for internal management reasons, but, as far as donors (DFID) and counterparts were concerned, there was only one IFC Investment Climate project in Sierra Leone.

[5] Report #6 - Sierra Leone Country Report, December 6, 2010.

- Annex B, listing the persons and entities interviewed during fieldwork;
- Annex C, providing a detailed analysis of one of the impacts analyzed, the so called private sector cost savings;
- Annex D, providing a detailed analysis of the other impacts.

The Report was written by Enrico Giannotti (Senior Evaluator) with substantial support from Roberto Zavatta (Team Leader) and research assistance from Tommaso Grassi (Senior Evaluator) and Elena Esposito (Research Assistant). Fact finding work in Sierra Leone was carried out by Roberto Zavatta, with the assistance of Braima Ronnie Kargbo (Local Consultant). As indicated above, the Consultant greatly benefited from inputs provided by IFC staff involved in various capacities in the Project. However, as it is customary for consulting reports, especially in the case of independent evaluation assignments, the views expressed in this Report are those of the authors only and should not be attributed in any way to the IFC, its staff and, in general, the World Bank Group.

2 PROJECT OVERVIEW

2.1 Background, Objective, Timeline and Scope

Background. Since early 2005, FIAS has been engaged, in cooperation with the DFID, in Sierra Leone. After an initial phase (RABI I), aimed at building analytical foundations[6], a second, implementation phase (RABI II) was carried out between September 2005 and September 2007. During RABI II some of the priorities identified and agreed upon with local stakeholders were addressed to remove obstacles to business formalization and barriers to private investment. In particular, key achievements included: (i) the passage of new legislation for start-up procedures; and (ii) the set-up of a new national investment promotion agency, the *Sierra Leone Investment and Export Promotion Agency* (SLIEPA). Between March 2007 and the end of 2008, support for the formalization of a platform for dialogue between the public and the private sector, the *Sierra Leone Business Forum* (SLBF), was provided by the IFC's PEP Africa and FIAS with DFID funding under a separate project.

Objective. Following the successful implementation of RABI I and II, a third-phase extension was launched in February 2008. RABI III is one of the initiatives of the Investment Climate Advisory Services (IC) program of the World Bank Group, which provides technical assistance and advice to countries seeking to improve their investment climate. At approval[7], the Project's overall objective was to: "*support the effort of the government to work with the private sector to identify and remove barriers to investment and to promote investment by informal and formal businesses in Sierra Leone and to profile investment opportunities for attracting new investment*". The Project was largely conceived as a follow-up initiative, aimed at ensuring the full materialization of the impacts associated with previous achievements, with the inclusion of additional, complementary activities, further contributing to the achievement of the overall objective. As a result, the Project encompassed a wide range of initiatives, characterized by the adoption of different approaches and time frames. Following discussions with both the DFID and the Government of Sierra Leone (GoSL), the decision was, therefore, taken to split RABI III into four interrelated, but separate projects (see below).

Timeline. RABI II closed in September 2007. The launching of RABI III was envisaged in early 2008. Indeed, DFID and IFC signed a Memorandum of Understanding to extend the RABI project for two years (RABI III) in ***February 2008***. However, some delays were experienced in actually initiating operations and the Project implementation started only on December 1, 2008. During implementation, the anticipated completion time for the RABI, Ext Phase II project was moved from June 2011 to December 2010, but the completion date of some of the separate projects jointly implemented under the coordination of RABI III are still set for June 2011, as illustrated in Table 2.1. Therefore, the total duration of the Project can be set at ***31 months***.

Table 2.1 RABI Timeline

Projects	Start Date	Completion Date
# 561268 (Sierra Leone Tax Simplification Rollout)	April 2008	June 2010
# 562368 (SL Removing of Administrative Barriers, Ext Phase II)	December 2008	December 2010
# 565247 (Promoting Investment and Export in Sierra Leone)	June 2009	June 2011
# 565967 (Sierra Leone Tourism)	January 2009	June 2011

[6] Key activities conducted during RABI I included a diagnostic study of administrative barriers to investment, and an institutional assessment of the agency responsible for investment promotion and export development (SLEDIC).
[7] Reference is made to the TASS – PDS Approval, version 2, dated April 27, 2009.

Components. Initially, the Project was to focus on seven areas, (i) business start-up procedures, (ii) public-private dialogue (PPD), (iii) doing business reforms, (iv) monitoring and evaluation (all these four areas fall under one single project, also ensuring the overall coordination of RABI III), (v) tax policy and administration (under a separate project), (vi) investment promotion (under a separate project), and (vii) tourism development (under a separate project). Monitoring and Evaluation (M&E) activities were abandoned early due to their excessively broad scope and unrealistic institutional set-up. The M&E system was actually meant to encompass all private sector development dimension indicators and its daily management was entrusted to Ministry of Trade and Industry, which lacked the required resources and know-how. Project activities can be grouped into ***six components***, whose objectives are summarized in Table 2.2 below.

Table 2.2 RABI III Components

Component	Objectives
#1 – Starting a Business	Implementing new organizational and procedural arrangements to support legislative changes in the business registration regime
#2 – PPD	Supporting and strengthening the SLBF as a tool to improve the investment climate
#3 - DB Reforms	Supporting the Country's efforts towards improving Doing Business rankings
#4 – Tax	Assisting the National Revenue Authority (NRA) and the Ministry of Finance to improve tax policy and administration
#5 – Investment Promotion	Strengthen the capacity of the SLIEPA to attract investment and implement sector-specific proactive investment promotion program
#6 – Tourism Development	Addressing institutional and regulatory constraints to the development of the tourism sector

2.3 Organization and Budget

Project Counterparts. Project documents indicate the Ministry of Trade & Industry as the Project 'client'. However, in line with its very broad scope, while being implemented the Project interacted with ***a variety of government and private sector counterparts***. Key counterparts include:

- the Ministry of Finance and the National Revenue Authority, regarding work on tax policy and administration;
- the Ministry of Tourism and National Social Security and Insurance Trust (NASSIT), with reference to tourism development activities;
- SLIEPA, in relation with investment promotion activities;
- State House, with reference to both DB reforms and investment policy.

Project Organization & Budget. The recruitment of on-the-ground workers started in 2008, but an office was finally established in Freetown in May 2009 only. The ***in-country team*** has been constantly expanded over time. When short-term consultants (with a 150 day contract maximum) and one part-time staff member are included, the in-country team consists of ***9 professionals based in Sierra Leone***. The core team was supplemented by IFC staff from various specialized units, who would visit the country on short term missions. In certain cases, reliance was also made on the work of consultants, mainly for fact finding work.

Based on the information included in the PDS Approval documents for all four sub-projects, the overall Project budget is estimated at ***US$ 8.8 million***. The large size of the budget is partly explained by the inclusion of (i) financial support to some local entities (i.e. about US$ 1 million of 'development grants' to support operational activities of SLBF and SLIEPA) and (ii) significant costs of transaction advisory services to be rendered in connection with sector-specific investment promotion initiatives (i.e. more than US$ 2 million). According to the information provided by the last SR available for all four projects, during implementation, the amount of total funds managed by the IFC decreased to ***US$ 7.2 million***, of which US$ 2.4 million were contributed by DFID. This budget decrease was determined by the fall of the British Pound and, even more importantly, by the change in the commitment of the funds schedule set by the DFID.[8] As a result, the US$ 2.3 million budget initially envisaged for the SLIEPA project was reduced by about US$ 1 million, due to the infeasibility of preparing the groundwork for transaction advisory services to the government (estimated around US$1.2-1.5 million) before March 2010. However, the Project managed to mobilize additional contributions from local counterparts.[9] When these contributions are taken into consideration, the total Project size is increased to a value similar to the original, i.e. at ***US$ 8.46 million.*** The breakdown of funds for financially separate projects is provided in Table 2.3.

Table 2.3 Project Budget

Component	IFC-managed Budget	Additional Contributions	Total Budget
Removing of Administrative Barriers, Ext Phase II (including business start-up, PPD, DB-reforms, overall management)	1,549,000	30,000	***1,579,000***
Tax Simplification Rollout	2,050,000	450,000	***2,500,000***
Promoting Investment and Export in Sierra Leone (SLIEPA)	1,632,050	450,000	***2,082,050***
Tourism	1,999,500	303,000	***2,302,500***
Total	**7,230,550**	**1,233,000**	**8,463,550**

[8] While leaving the team till June 2011 to implement the projects, DFID required all the funding to be fully committed before March 2010

[9] Additional contributions include: (i) a US$ 300,000 success fee to be paid the GoSL through NASSIT for transaction advice related to the privatization of Cape Sierra, (ii) a US$ 450,000 government contribution to SLIEPA operational budget, and (iii) some US$ 30,000 to account for the Ministry of Trade and Industry staff time dedicated to DB reforms and the management of the M&E system. No detailed information on the nature of the US$ 450,000 contributed under the tax component could be retrieved in the Project documents.

3 PROJECT ACTIVITIES

3.1 Component #1 – Starting a Business

At the approval stage, this component aimed at tackling some of the key obstacles to business formalization by providing follow up assistance towards the streamlining of the different aspects of business start-up, and namely (i) simplifying business registration, (ii) streamlining municipal licensing, and (iii) merging work and residence permits. ***Advisory and financial support*** was indeed provided to the Office of the Administrator and Registrar General (OARG) to effectively implement a new, streamlined registration process in line with the ***legislative changes*** undertaken in 2007, based on IFC recommendations provided under the previous phase of RABI II. Key recommendations incorporated in the General Law (Business Start-Up Amendment) Act 2007 and the Registration of Business Act 2007 included: (i) the elimination of the exchange control requirement, (ii) the elimination of the obligatory involvement of a solicitor in the preparation of memorandum and articles of association, (iii) the elimination of the advance tax payment system, (iv) the elimination of the annual renewal of business registration license, and (v) the combining the work and residence permits into a single permit.

Thanks to the assistance provided by RABI III, the Business Registration Center at the OARG was fully refurbished and opened to the public in February 2009. The National Revenue Authority (NRA) is now co-located in the office of the OARG, which creates a ***one-stop shop for business registration***, leading to a reduction of time and cost associated with registering a business in Sierra Leone. Additional useful support provided by RABI III under this component included the ***implementation of a two-month long advertising campaign*** to inform the business community of the improved registration process.

Some other activities included in the initial design, and namely the strategic review and decentralization of the OARG as well as the digitalization of registry procedures, were taken over by a comprehensive project implemented by the Investment Climate Facility for Africa (ICF) starting from mid-2009. Other initially identified areas of assistance, i.e. the streamlining of municipal licensing and the provision of assistance to the Ministry of Labor and the Immigration Department to combine the process of getting work and residence permits, were abandoned, reportedly due to problems of securing commitment from local stakeholders. In particular, the initiative of merging work and residence permits was dropped following the change of the Minister of Immigration.

3.2 Component #2 – PPD

The Sierra Leone Business Forum, a public-private dialogue platform, was established in 2005 by the IFC and the DFID as a light mechanism involving irregular meetings with ad-hoc participation from government and private sector representatives. The formalization of the Forum has been accomplished within the framework of a Memorandum of Understanding between DFID and IFC dated August 28, 2006, which provided support for the establishment and funding of a small secretariat and technical assistance in capacity building and activities planning and delivery until July 31, 2008. ***Until mid-2008, the Forum managed to attract large interest from local stakeholders***, with representatives from both government and private sector actively participating in the meetings of established working groups (WG) and played a key role towards the adoption of some legal changes.

These positive results were duly highlighted by an independent assessment of the Forum conducted in August 2008[10], which, however, pointed out several operational issues, such as the lack of a tracking system, a limited prioritization of the WG agenda and the small amount of policy analysis, as well as some inefficiency in terms of local governance and operational structure. Based on the recommendations provided by this assessment and following the resignation of the Project Manager, ***a restructuring of the SLBF was undertaken in agreement with all the stakeholders, starting from November 2008***. This transition towards a fully independent, local entity took longer than envisaged and negatively affected the level of activities actually implemented by the Forum. Assistance provided by RABI III largely focused on ensuring a smooth transition, and included the set-up of an appropriate financial management and accounting system and of a new governance structure, managed by a seven person board and co-chaired by the Ministry of Commerce and the head of the Chamber of Commerce. The recruitment of a suitable candidate for the top position carried out by the Board proved a very difficult exercise, and a new deputy director was only appointed in January 2010. Following the definition of a grant agreement to fund the Forum work plan, the Project provided financial support (US$ 429,000) to cover SLBF operational expenditures till March 2012[11].

3.3 Component #3 – DB-Reforms

This component was specifically aimed at supporting reforms that would improve Sierra Leone's ranking in terms of DB indicators, following a request of assistance received from the GoSL after the launch of the Doing Business Report in September 2008. The Doing Business Reform Memo[12] was presented to the Government by the Doing Business Reform Unit (DBRU), in collaboration with IFC. The Government created two inter-ministerial committees to promote the adoption of the recommended short- and long-term reforms. Support provided by RABI III included the appointment of a DB Consultant and the recruitment of a lawyer to facilitate the activities of the committees. In 2009, ***the committees' activities resulted in the enactment and/or the amendment of three main pieces of legislation***, namely: the Companies Act, the Payment Systems Act, and the Bankruptcy Act[13].

On the other hand***, no administrative reform was introduced*** during the period of analysis.[14] To address this negative situation, in early 2010, the Project further reinforced its support to GoSL, by sponsoring the participation of three government representatives in the Doing Business Peer to Peer Learning event in Port Louis, placing a newly recruited DB consultant in the Office of the President, to provide technical assistance to the private sector advisor, and developing the Doing Business Tracker, which provides a monthly update to the Sierra Leone President on areas where the GoSL is performing well and areas where they are falling behind. As a result, positive achievements are expected by the end of the year, including the creation of a credit reference bureau

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[10] Adam Smith International, *Review of Current Arrangement of Support to the Sierra Leone Business Forum*, September 2008.

[11] A first tranche of US$ 300,000 was disbursed in April 2010, and the second and final tranche of US$ 129,000 was released in mid-2010, following the agreement of the SLBF work plan.

[12] *Doing Business in Sierra Leone: Reform Memo*, November 2008. It is a very detailed document, including numerical examples of how the adoption of various reforms could improve the country's ranking in terms of DB report indicators, and distinguishing between short-terms measures, relatively easy to implement and able to yield some 'quick wins', and medium-term measures, requiring more time to be implemented.

[13] A fourth law, the Goods and Services Act, was also enacted and facilitated by the Project, but we will deal with it under the tax component.

[14] According to updated information provided by the Project Team after the submission of the Draft Report, some positive results were actually achieved in the year 2010, namely: (i) the lift of the moratorium on land transfers, and (ii) reforms in the construction permits (as reflected in the Doing Business Report 2011).

(in collaboration with the World Bank), the introduction of fast-track commercial court and the streamlining of import / export procedures.

3.4 Component #4 – Tax Simplification

This component started in April 2008, in response to a specific request for assistance from the GoSL to assist the Ministry of Finance towards the simplification of the tax policy and to provide advisory services to the National Revenue Authority in the implementation of some specific parts of its large Modernization Program Plan[15] (i.e. on tax process simplification and taxpayer education). Work on ***tax policy simplification*** focused on (i) the provision of capacity building to the Tax Policy Unit, (ii) consolidating all amendments made to the Income Tax Law since 2000 into one single document, (iii) supporting, in collaboration with IMF and DFID, the introduction of the Goods and Services Tax (GST) law, which repealed seven existing but outdated taxes[16], and (iv) supporting the reform of the Investment Incentives Regime with the development of draft regulations based on a preliminary technical review[17].

Work on ***tax administration simplification*** was aimed at devising solutions to reduce tax compliance costs. In particular, activities focused on (i) supporting the introduction of self-assessment for taxes through assistance for legal change[18] and the conduct of taxpayer outreach and taxpayer education and assistance, (ii) expanding the tax payment options, including downloadable forms from the NRA website, payment through mobile operators and regular electronic bank transfer channels for tax payments, and (iii) analytical work aimed at increasing administrative efficiency, transparency, and accountability of non-tax revenue.

Work on the ***SME taxation regime*** entailed fact finding work, including an SME tax-payers survey. Findings were consolidated in a report[19] and a series of recommendations were presented to GoSL in November 2009. Finally, this component included an important ***education and communication*** element, involving (i) the organization of several taxpayer workshops for large and small businesses aimed at assisting them to comply with their tax liabilities, (ii) the activation of the Tax Payer Education and Assistance Unit in the NRA, and (iii) the preparation of the Communication Strategy for the NRA[20].

3.5 Component #5 – Investment Promotion

Under this component, two sets of actions have been implemented with the final aim of increasing the level of investment in the country, and focusing on: (i) institutional strengthening of the SLIEPA, involving the provision of technical assistance and operational support (i.e. a US$ 500,000 grant)[21]; and (ii) sector-specific initiatives, aimed at raising the tree-crop sub-sectors attractiveness to potential investors. Work on this component started with the preparation of a corporate strategy

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[15] DFIF has committed a total £ 16.4 million to the implementation of the NRA Modernization Program over a four-year period. Under DFID funding, Crown Agents was awarded an important and wide-ranging contract to provide the NRA with technical assistance. In 2007, the NRA developed a Modernization Plan aimed at transforming the institution into a more modern and effective vehicle.

[16] An important role towards the introduction of this law was surely played by the Project through the assistance and awareness campaign, still the credit for this reform has to be shared with Crown Agents and IMF.

[17] FIAS, *Summary Analysis and Proposals for Reform of Investment Incentive Regime*, (draft) May 2009.

[18] Finance Act 2009: Amendments made regarding self-assessment provision to article 104A.

[19] FIAS, *Small Business Taxation in Sierra Leone* (undated).

[20] Sierra Leone National Revenue Authority Modernization Programme - Communications Strategy (prepared by the International Finance Corporation-Foreign Investment Advisory Service) (undated).

[21] This grant is to supplement the government's contribution to operational budget, and, more specifically, to cover for staff salary and specific investment and export promotion programs.

document for the 2008 – 2010 period and the conduct of a tree-crop sector review. Despite the need to recruit a new CEO, following the resigning of the previous one at the end of 2008, the provision of ***institutional strengthening activities*** progressed rather smoothly, including capacity building initiatives, such as training for investment promotion staff on strategies for promoting foreign direct investment, building an effective image and benchmarking investor aftercare, as well as the development of promotional tools, such as investment guides, a website, fact-sheets, sector opportunities and case histories of successful investment projects.

As for ***sector-specific initiatives***, some relevant changes compared to the initial design were introduced as a result of initial fact finding work, i.e. the substitution of cocoa with sugar as a target sub-sector and the dropping of the plan to develop a clear concession policy and framework. A detailed investment promotion package for sugar and oil palm was prepared and used at the Trade and Investment Forum (TIF), held in London in November 2009. Additional practical assistance was provided by the Project in connection with TIF, including the development of a country brief, and the management of website and communication activities. Activities continued in the first half of 2010, including regular coaching, assistance with a policy advocacy role (with a presentation on policy recommendations to improve the tree-crop sector), support for a sector outreach campaign (detailed reports on four pre-identified sites, two per product, were prepared), and the provision of operational support, with the disbursement of the US$ 500,000 grant.

3.6 Component #6 – Tourism Development

At PDS-Early Review stage, this component was to encompass two sets of actions aimed at contributing to an increase in investments and jobs in the tourism-related sector in the country, and focusing on: (i) developing a regulatory and institutional framework for improved access to land for tourism investments; and (ii) developing a tourism anchor site in the Western Peninsula. The initial design had to be significantly revised as a result of some unforeseen events, such as changes of local counterparts and the shortening of the DFID grant period. Major changes introduced can be summarized as follows: (i) the possibility of successfully developing an anchor project from scratch was regarded as an unfeasible deliverable, and replaced with the development of a tourism anchor concept to be submitted to the Government; (ii) Land Information System related activities were scaled down, and the budget saved was allocated to the implementation of a strategic communication campaign for the TIF; and (iii) following the identification of a few government-owned business hotels as suitable possibilities for anchors in Freetown, transaction advisory services were added as an integral part of this component.

In the first half of 2009, a workshop, co-chaired by the Ministry of Tourism and the National Tourist Board (NTB), was facilitated to address key issues for ***tourism development in the Western Peninsula***, such as land titles, need for tourism planning and infrastructural and environmental concerns. In this context, presentations were made by a consultant retained by the IFC outlining options for potential tourism sites. A 2-day Tourism Workshop, attended by some 150 participants, was facilitated in September 2009 to discuss and validate the tourism strategy developed with UNDP funding. In addition, a conference of potential investors was carried out by the Tourism Team at TIF.

Initiatives aimed at ***improving land policy*** experienced a cumbersome path. After the conduct of a legal review of access to land in the Western Area and the facilitation of a training session on geographical information system and land information management programs for the Ministry of Lands and selected private surveyors, activities aimed at addressing land management issues were put on hold due to the change of the Minister of Lands and cash-flow problems experienced by the

Project[22]. Land policy-related initiatives re-started in late 2009 and recommendations on amendment of the land survey laws were provided by the Project Team to the Government following the participation in a round table discussion in early 2010. However, this did not translate into any progress on the Government side so far.

After initial difficulties, an agreement was reached with NASSIT[23] that the IFC will provide ***transaction advisory services for the privatization of the Cape Sierra Hotel***. The IFC's infrastructure advisory team provided the NASSIT with practical assistance in identifying an investor/operator and adopting a transparent, competitive tender process for awarding the rehabilitation, redevelopment, operation, and maintenance of the Cape Sierra Hotel under a twenty-one year concession agreement. After a first failed bid, due to unrealistic conditions set by NASSIT, the tender process was successfully closed in mid-2010, when the UK-based IDEA Group won the concession.

[22] SR#1: "Just after the legal analysis for land was completed, the Minister of Lands changed. The new minister has not responded to our call for meeting yet…" (page 2) and SR #3: "After some dormant period due to cash flow problem of the Project, the land component was re-launched..." (page 2).

[23] NASSIT is a Statutory Public Trust established to administer a social security scheme and a social safety net. In early 2009, NASSIT acquired interest in the Cape Sierra Hotel through a 25-year lease agreement with the GoSL, with an option to renew for another 25 years in consideration for NASSIT to renovate and operate the Cape Sierra Hotel.

4 PROJECT EVALUATION

4.1 Introduction

This Section is devoted to the 'qualitative' part of the Assignment, i.e. the evaluation of the Project in terms of ***four evaluation criteria***, namely: (i) strategic relevance, (ii) delivery of outputs, (iii) achievement of development outcomes, and (iv) efficiency. The aspects to be analyzed for each evaluation criterion (the so called "evaluation questions") are listed in Box 4.1 below.

Box 4.1 Evaluation Questions[24]

Strategic Relevance:
- Did the intervention fit the country's political and economic conditions? Was the right timing selected for the program's start?
- Did the program address the most acute problems in business environment or has selected "low-hanging fruits"?
- Were the right partners selected given program objectives?

Delivery of Outputs:
- Were key outputs of the appropriate quality and timely delivered?
- To what extent were clients satisfied with the assistance received?

Achievement of Outcomes:
- Did the various government agencies implement the recommendations provided? Did the government pass new laws/regulations recommended by/drafted with assistance from the project?
- How did the recommendations implemented/new laws adopted translate into effective improvements in the investment climate and/or in other relevant variables (e.g. increased capability of entities receiving support)?

Efficiency:
- How reasonable were costs vs. benefits?
- How economically were funds, expertise, time, etc. used?
- Were there less costly ways to achieve objectives?

The aspects relevant to the above evaluation criteria are analyzed in the following four sections, while a fifth section summarizes the key results. Two aspects are worth highlighting at the outset. ***First***, the Project was implemented in a country that had just emerged from a long armed conflict. Therefore, the Project had to confront an extremely difficult operating environment, characterized by largely dysfunctional government institutions, lack of knowledgeable local counterparts, and a weak, mostly informal, private sector. Weaknesses at the institutional level were particularly severe, and this inevitably affected Project activities, by making it unusually difficult to translate the advice provided into concrete actions. This has obvious implications from an evaluation perspective, as the results measured based on standard evaluation metrics and criteria have to be interpreted considering the pioneering nature of the Project. ***Second***, given the complex nature of the Project, encompassing a wide range of actions in several areas, whenever warranted and feasible, general considerations regarding the Project as a whole are complemented with a more detailed analysis for specific components. For each evaluation criterion, the analysis of findings is accompanied by an

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[24] A list of standard evaluation questions was provided in the TOR. The list presented here is an adaptation of what was found in the TOR, to reflect the nature of the project under consideration (e.g. elimination of questions related to capital investment, addition of reference to capacity building activities, etc.).

assessment, inspired by the approach used by IFC in the case of Project Completion Reports, which involves the use of a four-level rating system, ranging from 'excellent' to 'unsatisfactory'[25].

4.2 Strategic Relevance

Strategic relevance refers to the ***quality of project design at the moment of approval as well as to the ability to adjust to changing circumstances***. In this context, three aspects are of particular importance, namely: (i) the appropriateness of the intervention to country conditions, (ii) the balance between 'quick wins' and structural reform efforts, and (iii) the appropriateness of institutional arrangements. The analysis of these themes is complemented with some component-specific considerations.

Appropriateness to Country Conditions. The Second Poverty Reduction Strategy Paper (PRSP II), which represents the overarching poverty reduction strategy of the GoSL from 2008-2012, emphasizes the importance of generating a sustainable rate of economic growth through encouraging the private sector to play a greater role in the economy. Attention is also paid to the preconditions for encouraging increased private sector participation, including endeavours '*[…] to remove barriers to investment through improving the physical infrastructure, strengthening the legal and regulatory framework, promoting business support services and improving access to finance, especially for Small and Medium Enterprises*'. As private sector growth depends crucially on the existence of a conducive business environment, the overall relevance of the IFC intervention can be hardly disputed. In addition, ***relevance to country priority needs of different components is reinforced by the findings achieved from other comprehensive studies*** (e.g. support to investment promotion and the identification of both tree-crops and tourism as a key driver for private sector development were reported by the 2005 Diagnostic Trade Integration Study - DTIS) ***as well as by their compliance with development plans endorsed by local beneficiaries***, as in the case of the Modernization Plan adopted by the NRA. However, ***there are doubts about the appropriateness of a few specific actions, which do not seem really attuned with the country's real conditions***. This is especially the case of some initiatives undertaken under Component #6, which seemed to be somehow premature given the existing local institutional constraints, and, to a lesser extent, of some specific reforms targeted under Component #1. Some considerations in this respect are provided in Box 4.2 below.

Box 4.2 Appropriateness to Country Conditions – Selected Issues

Component #1 – Starting a Business. No doubts can be raised about the importance of spurring business formalization in a country where the share of informal businesses was set as high as 66% by Census of Business Establishments carried out in 2005 and between 40% and 80% by the Informality Survey carried out in 2006. However, contradictory indications provided by different surveys raise some concerns about the actual relevance of some of the measures implemented to tackle the informality phenomenon. The Census of Business Establishments 2005 identified the high cost of registration (official fee plus 'brown envelope') and lengthy registration period as key reasons for a lack of formalization, and the Informality Survey found that one quarter of completely informal businesses failed to formalize because of expensive and complicated procedures and lack of information. Thereby, they provide supporting evidence on the importance of streamlining the business registration process as a driver for business formalization[26]. Opposite indications were provided by the Baseline Survey carried out in 2006, which found that the average number of days to

[25] For a summary presentation of the rating system, see Luba Shara, "How to Improve the Quality of Project Completion Reports", presentation at a PCR training workshop, Johannesburg, July 27, 2009.

[26] Actually less clear-cut evidence is provided by the Informality Survey, according to which businesses decided to operate informally in Sierra Leone due to licensing (86%) and tax issues (75%), in addition to the lack of information (75%).

complete business registration procedures was very short (3.6 days) and that, despite the legal obligation of involving a solicitor in the preparation of memorandum and articles of association, the share of businesses making recourse to lawyers was minimal (11%), thereby, suggesting that both length and cost of the business registration process did not represent major obstacles. Therefore, even if the positive role of these reforms is unquestioned, some doubts remain about the fact that they addressed particularly pressing needs of the business community.

Component #6 – Tourism Development. As stated above, tourism was indicated as a priority sector with substantial potential to contribute to private sector development in Sierra Leone by the DTIS as well as by other studies, such as Corporate Social Responsibility in Mining and Tourism[27]. However, with the benefit of hindsight, doubts about the appropriateness of undertaking some tourism development actions arise. The existence of important institutional constraints ("*The generally weak capacity within the government to carry out reforms and investment generation activities required under this program poses another risk")* were duly acknowledged in the PDS approval document. Still, the actual implementation of activities aimed at generating tourism in the Western Peninsula proved more complex than expected, requiring constant changes of the initial design and leaving uncertainties about the appropriateness of the timing and the adequateness of the approach adopted, as clearly summarized in the SR#2: "*The lack of vision and leadership to develop tourism is severely hampering the impact we could leave behind. With the existing team of the Ministry of Tourism, any further assistance seems to yield significant results".*

Balance between 'Quick Wins' and Structural Reform Efforts. On the whole, the Project was ***largely geared towards the achievement of 'structural reforms'***, such as the set-up of a business registry, the institutional strengthening of brand new local institutions, i.e. the SLIEPA and the SLBF, and the amendment of some pieces of legislation. Rather surprisingly, ***a lack of application on achieving 'quick wins'*** can be ascribed to the Project. Support was provided to the Government in raising the understanding of DB methodology and setting up an action plan with clear milestones for each topic, but a lack of prioritization of the administrative reforms to be introduced seems to characterize the GoSL's agenda. Indeed, the focus on DB improvements has been changing overtime, encompassing several areas, from 'registering property' to 'construction permits,' from 'access to finance' to 'enforcing contracts' to 'trade logistics'.[28] This bias is also reflected by the activities implemented by the SLBF, which tended to focus on high level reforms, such as the financial sector reform and the land reform, which can hardly be addressed by a similar structure. Similar considerations are also reported by the independent assessment of the Forum, which stated: "*Generally speaking, the initial focus on legislation per se (and review of 8 separate pieces of legislation) is a concern. This is not the type of "quick win" that a PPD forum can typically deliver, and land reform is typically fraught with complexities and sensitivities. Several persons interviewed do understand the benefits of focusing first on administrative reforms before legal reforms*". With specific reference to the land reform, the effort deployed to tackle such a structural reform should be definitely regarded as commendable and relevant given the number of government initiatives dealing with it, such as the Land Reform Commission led by the Vice President and the Land Legislation Committee at the Attorney General's Office. However, taking into consideration the

[27] FIAS, *Competitiveness and Corporate Social Responsibility in Sierra Leone - Industry Solutions for Tourism and Mining*, August 2006.
[28] SR #1: "Two Government-led committees were created, which reviewed the Doing Business Reform memo and focused on four key areas for reform (business start up, registering a property, access to finance and paying taxes). SR #2: "the Doing Business Committee, with support from the DBRU, will focus on improvements in the following areas – Starting a Business, Construction Permits and Registering Property and Enforcing Contracts" (page 4). SR #3: "Trading Across Borders: streamline documents required for trading, reduce the number of agencies involved in the clearance process, complete ASYCUDA, eliminate unnecessary fee" (page 5).

extremely sensitive issue at stake, as duly acknowledged in the Project documents[29], the design could have been less ambitious.

Appropriateness of Institutional Arrangements. The Project enjoyed backing from key decision makers, including the country's political leadership. However, ***the operational cooperation with counterpart institutions proved rather cumbersome on a number of occasions***. The '*political uncertainty regarding the extent of the commitment of the new government'* and '*the lack of capacity within the government to implement reforms'* were qualified as key risks in the PDS approval for RABI III. To mitigate these risks a Project coordinator was placed in the Ministry of Trade and Industry, but this measure did not prove fully effective. This situation was made even more complex by the ***number of changes of local counterparts*** experienced during the Project implementation for a variety of reasons, ranging from the suspension of the head of the tax authority due to allegations of corruption, to the replacement of some key ministries, to the resignation of the CEO of SLIEPA and the Program Manager of SLBF. It is difficult to tell what type of countermeasures could have been adopted. And indeed, even when ad-hoc committees were set up, as in the case of the DBRC, their effectiveness remained largely questionable: DBRC's traction at high level is reportedly judged rather modest, and this committee stopped operating fairly early. Finally, one additional aspect that does not seem entirely convincing refers to the ***high concentration of Project activities on the SLBF***. Recipient of assistance under Component #2 and extensively involved in Component #1, the SLBF was also appointed as the key counterpart for DB-reform activities under Component #3, and entrusted with the management of the Monitoring & Evaluation system. Such a workload looks hardly compatible with the small, overstretched staff and the not entirely efficient operational structure of the SLBF. Obviously, this situation became even more complex following the restructuring of the Forum, which reduced its level of operations for a significant period of time.

Overall Assessment. Overall, the strategic relevance of the Project can be considered as ***satisfactory***. This should be considered an 'average' assessment, with the variations across components, with the Components #1, #2, #4 and #5 displaying an excellent/good performance and less positive performances observed in the case of Components #3 and #6.

4.3 Delivery of Outputs

This section reviews the ***quantity, quality and timeliness of the deliverables produced by the Project***. A quantitative overview of Project outputs is derived from the analysis of the indicators presented in the Supervision Reports. This is complemented by an assessment of the quality and timeliness of the main outputs, whenever feasible, for the various components and by a brief discussion of client satisfaction.

Component-Specific Considerations. Output indicators included in SR are expressed in numerical terms and refer to various typologies of deliverables, such as the number of reports produced, the number of proposals made, the number of entities assisted and so on. *Prima facie*, ***data suggest that the Project achieved a fairly positive performance***. Nevertheless, this overall assessment requires some cross-component qualifications, which are presented in Table 4.1 below.

[29] The sensitiveness of the issue at stake was duly clearly reckoned in the PDS approval document ("*The land issues are often very sensitive for the local communities around the targeted sites, and an extensive stakeholder dialogue needs to be a very integral part of the implementation plan of the project*").

Table 4.1 Delivery of Outputs – Component-Specific Considerations

Component	Description
Component #1 – Starting a Business	• ***The number of output indicators included in the last SR is very limited, three only***. This reflects the fact that some of the initially foreseen activities were either taken over by the ICF (e.g. support to OARG decentralization) or dropped in due course (such as the assistance to be provided to the Ministry of Labor and the Immigration department to combine the processes of getting work and residence permit), and related indicators were therefore removed from the monitoring reports. • ***Two out of three indicators did not yet achieve their target***, and namely (i) three procedures/policies/practices/standards were proposed for improvement or elimination in association with the redesign business registration procedures against a target of four, and (ii) the strategic review of OARG has not been accomplished. As for the former indicator, it has to be mentioned that the SR are not particularly clear in identifying the nature of the outputs actually achieved, and whether it includes the opening of the Business Registration Center at the OARG.
Component #2 – PPD	• ***As a result of the restructuring of the SLBF, a more limited number of outputs were delivered compared to initial targets and substantial delays were experienced***. Indeed, indicators measuring the 'number of participants in workshops, training events, seminars, conferences, etc.' and the 'number of procedures/policies/ practices/standards proposed for improvement or elimination' both fall below expectations. It is not entirely clear what the former indicator refers to, as a couple of WGs actually met during the reporting period, i.e. on Tax and Trade Facilitation, and included a fairly large number of members from different entities (NRA, exporters association,…). • ***Some negative outputs, not captured by standardized indicators, include the downward revision of the amount of activities discharged by the SLBF***, which no longer includes the management of both the M&E component and the Doing Business Reform program. On the other hand, ***the instrumental support provided by the Project towards ensuring a smooth restructuring of the SLBF*** (e.g. for the set-up of a financial management and accounting system) has to be mentioned.
Component #3 – Doing Business Reforms	• ***A Doing Business Reform Memorandum was developed in a timely fashion and presented to the GoSL and the DBRC was swiftly established***, however no indicator reflects the fact that the DBRC discontinued its activities fairly soon. • Three indicators were added in due course to capture the provision of ***support to the drafting of three pieces of legislation***. However, these indicators seem to overrate the Component performance, as the Project actually contributed to the enactment of one Act only (i.e. the Companies Act)[30]. • In the supervision report, the number of outputs delivered aimed at supporting the introduction of administrative reforms as measured by the 'number of procedures/policies/practices/standards proposed for improvement or elimination' indicator, is mistakenly set at zero against a target of ten. Indeed, recommendations for administrative reforms were included in the *Doing Business in Sierra Leone: Reform Memo* and in the following updated action plan[31].

[30] Indeed, there seems to be some confusion about the actual support provided by the Project under this component. Project documents mention not less than 4 pieces of legislation (e.g. in the key highlights section, SR #2 states: "*Doing Business: At the end of June, the SL parliament passed three major laws - the Bankruptcy Law, the Payment Systems Law and the Companies Law.*"), but, then, while commenting upon the Draft version of the Report, the Project Team downplayed its actual role: "*The report attributes the Payments Systems Act and Bankruptcy Act to DBRA. We were not involved in the Payment Systems Act. Our involvement in the Bankruptcy Act was limited to communicating the reform. DBRA was heavily involved in the reform of the Companies Act for aspects that are relevant to the starting a business and protecting investor indicators.*"

[31] No detailed information on the number of revised action plans was received by the Consultant.

Component #4 – Tax Simplification	• ***Several deliverables were delivered in a timely fashion***, including (i) a series of policy paper and draft regulations for improving the investment incentives regime, (ii) the consolidated income tax act 2000, (iii) a study on SME taxation, and (iv) the taxpayer communication strategy for public affairs and taxpayer education unit. In addition, ***several workshops and training seminars were organized***, cumulatively attended by about 5,000 people. As a result, ***almost all output indicators overachieved targets***. • The ***timeliness of the sensitization activities*** and the production of the consolidated income tax were largely praised by local stakeholders. • In comparative terms, ***smaller results were achieved in the tax administration simplification area***, but activities are still ongoing, and the implementation of a Risk Based Audit (RBA) system was dropped due to institutional constraints at the NRA. • These ***delays can be regarded as acceptable***, especially given the operational difficulties entailed by the suspension of the Commissioner General, and the following recruitment of an Acting Commissioner General, who has been reportedly busy with many other problems and lacked decision-making power (and who always had to refer to the State House and/or consultative groups).
Component #5 – Investment Promotion	• ***Practically all envisaged outputs under this component were delivered in a timely manner***. • ***Sub-sector reports and promotional tools to be used for the oil palm and sugar outreach campaign*** (including PPT presentations, list of potential investors, list of policy recommendations, and practical information for potential inventors on the existing process to acquire land, detailed reports on 4 pre-identified sites) ***were delivered in a timely fashion***. These materials are of high quality and provide SLIEPA with comprehensive and practical tools for investment promotion. • In the same vein, ***reports*** (strategic plan and investment guide) ***and operational tools*** (i.e. financial management system, investor tracking system, and website) aimed at strengthening the investment promotion capacity of the SLIEPA ***were developed as projected***.
Component #6 – Tourism Development	• A ***mixed situation*** emerges from the review of outputs indicators. ***Key outputs were delivered with reference to tourism development of Western Peninsula and the privatization of Cape Sierra Hotel,*** including (i) the introduction of a transparent procedure for awarding a concession agreement, (ii) the facilitation of workshops aimed at raising local awareness on key tourism issues as well as attracting the interest of foreign investors (attended by a number of participants largely exceeding initial expectations), and (iii) the preparation of some key reports (i.e. two anchor investment projects, a list of potential investors and consolidated tourism strategy). • On the other hand, ***very limited progress was recorded in the land policy area***, with almost all related performance indicators recording no progress.

Client Satisfaction. The quality of the assistance provided by the Project was one of the topics discussed during interviews with counterparts. The ***overall assessment is definitely a positive one***, with all beneficiary institutions declaring themselves as highly satisfied or satisfied. Comments were particularly positive in the case of Component #1 *(“IFC provided instrumental and punctual assistance to tackle a structural reform. They have been extremely pushy to get the reforms enacted*”), Component #5 (“*IFC is the reason why we are here! All needs of SLIEPA have been adequately addressed by the Project and all IFC consultants did a great job*”), and, with reference to timeliness, in the case of Component #3 *(“IFC intervention was timely, at the revamping stage in 2008, when public officers were recruited*”).

Rather unsurprisingly, ***key concerns focused on the drying out of IFC support in the near future***. For instance, an OARG representative stated that "*the funds secured from the Government are barely enough to cover the current structure, leave aside the foreseen extension to country provinces. They are likely to lack funds to cover equipment maintenance expenditures*", while the SLIEPA Director of Investment Promotion feared that the end of the IFC funding could negatively affect the effectiveness of future activities: "*we are still in an infant stage and do not have enough successes to advocate for more funding vis-à-vis the Government. Without additional financial support, we won't be able to fully exploit all existing opportunities and to aggressively sell Sierra Leone as required*".

Overall Assessment. The Project delivered a fair number of substantial outputs, most of them of good, if not excellent, quality and were usually submitted in a timely manner. Performance was particularly positive in the case of Components #4 and #5, whereas smaller results were achieved under Component #2 and #3. Overall, considering also the views expressed by interviewees, the performance of the Project in terms of delivery of outputs can be regarded as ***satisfactory***.

4.4 Achievement of Development Outcomes

The evaluation of development outcomes refers to the achievement of the intended short- and medium-term effects. In practice, the analysis focuses on ***the level of acceptance of the recommendations provided*** (in terms of laws passed or amended, administrative procedures reformed or eliminated, improved organizational models adopted and the like) and on ***how the recommendations accepted translated into concrete improvements in the business climate*** (e.g. in a reduction of the time required and/or expenses incurred to complete a certain procedure).

Acceptance and Implementation of Recommendations – Overview. In general, ***the degree of acceptance and implementation of recommendations formulated under the Project is rather modest***, although there are important differences depending upon the nature of the actions. Somewhat counter-intuitively, ***the success rate was somewhat higher in the case of legislative reforms***, with two major pieces of legislation passed and/or amended with support from the Project. At the end of June 2009, the parliament passed the Companies Law, while the GST Law was finally introduced on January 1, 2010. The implementation of recommendations came at the end of a fairly long and laborious process, requiring constant contacts with relevant GoSL entities and other stakeholders. In particular, in the case of the GST Law, the limited willingness of the new Government to introduce a new tax and the resistance from the import and traders association, fully aware of the need to keep better accounting records in order to make GST claims (and, therefore, to declare higher annual incomes), proved big obstacles to be overcome. In this respect, the extremely useful role played by the SLBF Tax WG in 'stabilizing' the business community was largely recognized by both public and private stakeholders. Other recommendations for regulatory changes have not been accepted yet. In some cases (i.e. the investment incentive regime[32] and land policy), the process was made cumbersome by strong opposition, as the legislative reforms proposed by the Project were sensitive, encroaching on powerful vested interests. In other cases, i.e. SME tax regime, the Project was simply confronted with the limited capacities available at the local level, which translated into long time lags for the introduction of reform. ***Very limited success was achieved in the case of administrative reforms.*** Instead, ***technical assistance and capacity building actions achieved extremely positive outcomes***, with the SLIEPA taking full advantage from the operational tools developed by the Project (such as the website and the financial management system) and the NASSIT fully benefiting from the transaction advisory services received.

[32] Based on updated information provided by the Project Team, the Investment incentive regime law has been introduced in the Parliament in December 2010.

Improvement in the Business Environment. Between 2008 and 2010, Sierra Leone recorded an improvement in DB rankings, climbing from the 160th out of 178 countries ranked to 148th position out of 183 countries ranked. As shown in Table 4.2, the ***most significant improvements were recorded for the Starting a Business*** indicator, largely improved as a result of legislative changes and other structural reforms (i.e. the establishment of a one-stop-shop) facilitated by RABI. In ***three other areas, Getting Credit, Protecting Investors, and Paying Taxes, some progress was captured by the DB 2010 survey,*** mainly as a result of the above described legislative changes supported by RABI. Indeed, according to the DB 2010 Report, the new Company Act was meant, among others, to strengthen investor protections by enhancing director liability and improving disclosure requirements and making it easier for companies to get credit by providing for the use of fixed and floating charges over company assets. However, very limited evidence of the actual implementation of this new piece of legislation was collected and no single indicator aimed at measuring its actual impact on business operations was identified and monitored by the Project staff[33]. The introduction of both the consolidated income tax Act and the GST Act, supported by the Project, were mentioned in the DB 2010 Report as among the key measures that made it easier to pay taxes, and at the basis of the reduction in the number of hours per year necessary to prepare and file tax returns and to pay taxes and mandatory contributions.

Table 4.2 Progress Achieved in DB Rankings

Indicators	DB 2008 Ranking	DB 2009 Ranking[34]	DB 2010 Ranking
Starting a Business	94	58 (53)	58
Dealing with Construction Permits	171	168 (169)	171
Employing Workers	173	167 (173)	166
Registering Property	175	165 (163)	175
Getting Credit	141	147 (145)	127
Protecting Investors	49	53 (53)	27
Paying Taxes	154	162 (160)	160
Trading Across Borders	133	135 (132)	137
Enforcing Contracts	139	144 (141)	144
Closing a Business	144	147 (145)	147
Ease of Doing Business	***160***	***156***	***148***

Component-Specific Considerations. From a comparative review of development outcomes achieved by the various components, a ***substantial improvement clearly linked to Project activities was recorded in the tax simplification and investment generation areas.*** The Project is deemed to have contributed to widening the tax base and raising tax compliance through the facilitation of some legislative changes (introduction of the GST law and of amendments regarding self-assessment provision in the Finance Act 2009) and through the implementation of the awareness and education campaign. Smaller results have been achieved with regard to tax administration simplification, with activities aimed at raising payment options for taxpayers still ongoing, and some key performance indicators, such as 'reduction of the number of tax payments' and 'reduction in the time to file taxes' lagging behind expectations. Efforts aimed at strengthening the SLIEPA yielded extremely positive results, as clearly illustrated by the overachievement of a number of performance targets. The TIF was attended by over 700 participants and in its aftermath investors' interest in the country increased remarkably, as vividly demonstrated by the increase in the number

[33] Outcome indicators included in the SR only monitored the reduction of time and cost of starting a business. However, improvements for these indicators seem to be entirely prompted by the legislative changes undertaken in 2007 and the establishment of a one-stop-shop. Indeed, no progress of 'starting a business' indicators were recorded by the DB survey in 2010, following the enactment of the Companies Act.

[34] Doing Business 2009 rankings have been recalculated to reflect changes to the methodology and the addition of two new countries. Previous ranking are reported in brackets.

of investor inquiries to 232 against a target of 8, and the 129 active leads recorded in the seven months after the Forum.

Project achievements fall behind expectations in the DB-reforms, PPD and Tourism Development areas. The performance of the first two components was negatively affected by the prolonged reorganization of the SLBF, and, as illustrated above, their contribution to the enactment of legislative and, to a larger extent, administrative reforms was fairly limited. On the positive side, the achievement of some 'soft' outcomes, such as the increased private sector participation in government decision making or the social capital built by informal private sector associations achieved through the SLBF, were naturally not captured by monitoring systems, but are worth mentioning. As for tourism development, positive outcomes were concentrated on the assistance provided to NASSIT, which led to the introduction of a transparent tendering process and the awarding of a concession agreement for the rehabilitation, redevelopment, operation, and maintenance of the Cape Sierra Hotel. No outcome was achieved with reference to the generation of tourism investment and land policy, mainly due to the limited responsiveness and lack of pro-activeness of local counterparts.

Finally, ***a fairly mixed picture emerges with the reference to business registration.*** As a result of legislative changes introduced in 2007, following RABI recommendations, Sierra Leone climbed 41 positions in the DB ranking under the starting a business stage between 2008 and 2009, from 94th out of 178 economies to 53rd out of 181 economies. However, this jump was largely theoretical, and its actual materialization has been spurred under RABI III, following the set-up of a one-stop-shop and a two-month advertising campaign. Altogether, these initiatives are deemed to have significantly reduced both the time, from 26 to 12 days, and the cost, from 1,180.7% to 118.8% of income per capita, to register a business. However, the reliability of these figures is questioned by the Baseline Survey, which reported much lower baseline values. According to this survey, in 2006, the average number of days to complete business registration procedures was 4, and only a tiny minority of entrepreneurs made recourse to solicitors. In addition, a number of uncertain outcome indicators were included in the SR, with neither a baseline or target value and for which no changes were tracked overtime (e.g. number of OARG trained staff, number of recommended laws/regulations/ amendments/codes enacted as additional services provided to OARG).

Overall Assessment. Once again there are major variations across components, with Components #4 and #5 performing very well, and some others, especially Components #3 and #6, displaying a much lower level of effectiveness. Overall, the performance of the Project in terms of development outcomes can be considered as ***satisfactory***.

4.5 Efficiency

Methodological issues. Efficiency measures the extent to which the ***resources devoted to a certain initiative are reasonable vis-à-vis the results achieved***. In principle, the analysis of efficiency would require the calculation of cost effectiveness ratios comparing the outputs delivered/outcomes achieved with the associated expenditures. However, in the case under consideration this type of analysis is precluded by several methodological and practical limitations. First, project expenditures are neither budgeted nor tracked by component or activity stream. Second, information was only received about the amount of actual expenditures by the end of 2009, which represents a third of the total IFC-managed budget. Under these conditions, any comparison between results achieved and resources disbursed would be incorrect. The time discrepancy between funds and results is further compounded by the case of SLIEPA and SLBF, which recently received financial support by the Project to finance their operational plan, but whose achievements have not yet been realized. Third, some of the achieved outcomes, especially by Components #1 and #5, are also the result of activities implemented under previous phases of RABI, whose budget should therefore be taken into account. Finally, these problems are further amplified by the heterogeneity of output/outcome indicators, reducing the comparability of cross-component considerations. Under these conditions, the analysis can only be carried out at a more general level, focusing on selected budgetary and organizational aspects.

Budgetary Aspects. As of the end of 2009, Project actual expenditures totaled about US$ 2.4 million, i.e. about half of the planned budget (set at US$ 4.6 million). This ***huge gap between planned and actual expenditures*** reflects a possible initial over-budgeting, especially as far as pre-implementation activities are concerned (indeed, none of the US$ 300,000 allocated to pre-implementation activities were actually disbursed). However, this deviation is primarily explained by a series of ***operational difficulties faced during Project implementation***, which lead to: (i) the cancellation of some initially envisaged activities (such as the set-up of an M&E system), (ii) delays in the recruitment of the local team, (iii) delays in the disbursement of financial support to local entities, i.e. SLIEPA and SLBF, and (iv) delays in the implementation of some activities. In particular, amounts allocated under two specific cost items were only recently disbursed, namely: (i) over US$ 1 million of ‘other expenses’, which primarily account for the IFC Corporate Infrastructure Advisory staff time, travel and consultants mobilized in connection to the provision of transaction advisory services,[35] and (ii) about US$ 1 million of ‘development grants’, aimed at supporting operational activities to be implemented by the SLBF and SLIEPA.

Additional indications regarding the efficiency in the use of resources can be derived from the analysis of the Project cost structure. The budget breakdown by main cost items is shown in Table 4.3, which presents data for both planned expenditure and actual expenditures as of the end of 2009[36]. The ***cost structure is somehow atypical,*** given the sizable incidence of the above mentioned ‘other expenses’ and ‘development grants’, cumulatively accounting for about 30% of the total budget. Once these costs items (and pre-implementation expenditures) are removed, the ***structure of costs looks fairly balanced***, with consultants, travel, staff costs accounting respectively for 42%, 28% and 17% of planned expenditures.

Table 4.3 Project Cost Structure, End 2009

Cost Items	Budget		Actual Expenditure		Difference (B-A)
	US$	% (A)	US$	% (B)	%
Pre implementation	300,000	7%	0	0%	-7%
Staff Costs	500,830	11%	401,713	17%	6%
• *IFC Staff*	*445,337*	10%	*383,587*	16%	7%
• *Extended Term Consultants and Temps*	*55,493*	1%	*18,126*	1%	0%
Consultants	1,224,248	27%	1,038,209	44%	17%
Communication and IT Chargeback	67,739	1%	60,394	3%	1%
Contractual Services	267,860	6%	106,879	5%	-1%
Office Equipment	22,100	0%	20,916	1%	0%
Staff Representation and Hospitality	476	0%	520	0%	0%
Travel Costs	820,357	18%	633,258	27%	9%
Other Expenses	647,476	14%	90,609	4%	-10%
Development Grant (Grants, Donations & Ext Participant Cost)	705,312	15%	0	0%	-15%
Contingency	28,682	1%	0	0%	-1%
Total	**4,585,080**	**100%**	**2,352,498**	**100%**	

[35] The allocated amount definitely looks significant, and more aligned to market advisory prices than concessional support. Still, given the positive achievement of the supported transaction and its estimated value (see Section 5.3), the cost-effectiveness of this initiative looks positive.

[36] The table is the result of the consolidation of data included in the SR for projects #561268 (Tax Rollout Simplification), # 562368 (RABI III), # 565247 (SLIEPA), and # 565967 (Tourism) made available to the Consultant.

Management and Organizational Aspects. Given the existing strong operational and institutional constraints, ensuring permanent contacts with local stakeholders can be regarded as a vital precondition for an effective implementation of the Project. Therefore, ***the decision to have a strong on-the-ground presence from the start was absolutely correct***. Another positive element concerns the high level of donor coordination achieved by the Project. Indeed, ***complementarities with the vast array of donors and international organizations were taken into consideration and synergies maximized***, including (i) the synergic collaboration established with IMF and Crown Agents in the tax area, (ii) the cooperation in the investment promotion area with the World Bank, which funded SLIEPA, (iii) the cooperation with the UNDP in the tourism sector, and (iv) the transfer of some business registration activities to the Investment Climate Facility for Africa (ICF). On the negative side, ***the early abandonment of the M&E component has to be mentioned***. According to the initial design, an M&E Unit was to be set-up at the Ministry of Trade and Industry, and a budget of US$ 50,000 was allocated to the SLBF to supervise it. However, the devised structure of this management information system, encompassing all components of PSD support, was too ambitious, especially when confronted with the limited budget allocated, the narrow capacity available at the local level and the small SLBF staff. In the end, one single quarterly report was published, and the component was abandoned. This is likely to have negatively affected the implementation of the Project, depriving the management staff of an extremely useful tool to both put pressure on local counterparts and promptly spot (and correct) any deviation from the operational objectives.

Overall Assessment. The lack of detailed and updated information on expenses and cost items prevents a clear-cut assessment of the cost-effectiveness of the Project. Therefore, the efficiency of the Project can ***not be assessed***.

4.6 Summing Up

A summary assessment of the Project is provided in Table 4.6 below. ***Overall, the Project can be regarded as satisfactory***, with the same rating attributed to the four criteria. The rating is accompanied by some comments regarding the variance across the various components.

Table 4.6 Summary Evaluation

Evaluation Criteria	Summary Assessment	Comments
Strategic Relevance	Satisfactory	Performance was positive in the case of some Components (#1, #4 and #5), which could be rated as good/excellent with reference to all evaluation criteria. Comparatively less positive performances were observed in the case of Components #2, #3 and #6.
Delivery of Outputs	Satisfactory	
Achievement of Development Outcomes	Satisfactory	
Efficiency	Not assessed	
Overall Assessment	Satisfactory	

5 PROJECT IMPACT

5.1 Introduction

This Section is devoted to the 'quantitative' part of the Assignment, i.e. the assessment of the impacts achieved by the Project. In accordance with the TOR, the exercise focuses on 7 types of impacts, namely:

- ***two overall impacts***, relevant for all components or product areas, including: (i) the aggregate private sector cost savings, and (ii) the private sector investment generated;
- ***five product-specific impacts***, including: (i) the number of new businesses registered, (ii) the number of new jobs created, (iii) the number of new businesses complying with tax regulations, (iv) the tax revenue generated, and (v) the increase in trade flows.

The two overall impacts are analyzed, respectively, in Sections 5.2 and 5.3, while other impacts are discussed in Section 5.4. The approach adopted in estimating impacts builds upon the methodological work done in the earlier stages of the Assignment and presented in a separate report. This Section also takes into account the numerous studies and methodological documents developed recently by the IFC.

A few methodological and practical aspects are worth highlighting at the outset. ***First***, in principle, the analysis would require the comparison of situations 'without and with' the intervention. However, as recognized by the TOR, in the case of "*universally based interventions such as IFC's [investment climate] programs*", the recourse to control groups is generally unfeasible. Therefore, it was accepted that the exercise would rely on an assessment of "*changes in business environment before and after each project*" (TOR, page 6). ***Second***, as already mentioned in previous Sections, in some cases the reforms promoted by the Project were also supported by other donor initiatives or were influenced by other factors. Under these conditions, as again acknowledged by the TOR, "*it is difficult to determine the impact of reforms on private sector that can be attributed solely to IFC*". Again, efforts were made to isolate the effects of IFC-supported reforms from concomitant factors, but, in general, this was possible only in the case of private sector cost savings, for which the linkage between cause and effect is easier to determine. In the case of other impacts, the various donor initiatives were so intertwined that their effects could not be estimated separately. ***Third***, the analysis of impacts focuses primarily on the 2008 – 2010 period, using the year 2007 as a baseline. However, it is acknowledged that in many cases investment climate reforms take time to produce effects. An attempt was made to assess to likely medium term evolution of impacts, but in general this could be done only in qualitative terms. Therefore, it is important to stress that the quantitative estimates provided in the Report refer primarily to what could be regarded as the initial impacts of the Program, which represent only part of the total impacts. ***Fourth***, the exercise required the use of a variety of data, both of a macro and micro economic nature, collected from a variety of sources. Unfortunately, in a number of cases, the quality of data is less than ideal and, therefore, only rough estimates could be produced.

5.2 Private Sector Cost Savings

Definitions and Methodology. Private sector cost savings (PSCS) are defined as savings accruing to private economic agents as a result of reforms in the investment climate. These reforms may concern a wide range of themes, ranging from the simplification of procedures to obtain a certain permit or authorization to the elimination of certain fees or taxes. For the purposes of this exercise, three types of PSCS can be identified, namely:

- ***cost savings***, associated with the reduction in out of pocket expenses incurred by private enterprises thanks to the elimination/reduction of certain fees (stamp duties, service fees, etc.) and/or of the need to rely on service providers for certain formalities (e.g. legal advice);
- ***time savings***, referred to the gains in terms of opportunity cost of labor resulting from regulatory simplification and/or the adoption of improved organizational models for certain services;
- ***financial savings***, related to the reduction in the financial burden shouldered by private operators as a result of changes in the payment modalities for a certain fee or tax, with ensuing cash flow advantages.

PSCS were estimated based on a ***methodology*** inspired by the guidelines recently developed by the IFC to quantify the savings associated with investment climate operations[37]. The ***information*** required was retrieved from a variety of primary and secondary sources. In the case of the latter, reference was made to official statistics and research reports of various origins. In some cases, reference was made to data published in the DB Reports and/or produced by the Project. Data retrieved from secondary sources were extensively complemented and augmented with information collected through interviews with a wide range of subjects (private firms, lawyers, accountants, public officials, etc.). The methodology and the sources used are illustrated in detail in Annex C, while a summary presentation of key aspects is provided in Box 5.1 below.

Box 5.1 - Estimating PSCS: Key Methodological Aspects

In essence, estimating PSCS involves the multiplication of a ‘price element’, i.e. the savings achieved in one particular case, multiplied by ‘quantity element’, i.e. the number of relevant observations.

The nature of the ***price element*** depends upon the type of reform under consideration. In the case of cost savings, benefits can generally be measured directly (e.g. the registration fee is reduced from X to Y). In the case of time savings, the value to be considered is itself the result of the multiplication of the amount of time saved (typically, expressed in hours) multiplied by the relevant unit labor costs. Finally, in the case of financial savings, reference is made to the value of payments postponed, to the duration of the postponement, and to the relevant interest rate that measures the opportunity cost of capital.

The ***quantity element*** also varies depending upon the nature of the reform considered. In most of the cases, reference is made to the number of enterprises affected by the reform (e.g. number of enterprises befitting from the simplification of registration procedures). In other cases, reference is made to the number of transactions facilitated by the reform.

PSCS are calculated for the entire life span of the Project. As benefits may occur at different points in time, in order to properly aggregate annual values it is necessary to ***compound***, taking the terminal year of the Project as reference point. This is done using the relevant real interest rate.

Sources of PSCS. PSCS have been achieved thanks to reforms undertaken within the framework of ***two Project components***, concerning business registration and tax administration. The reforms generating PSCS considered in the analysis are summarized in Table 5.1.

[37] IFC, *Guidelines for Aggregate Cost Savings template (basic)*, s.d. (but August 2010), hereinafter referred to as the ‘IFC Guidelines’.

Table 5.1 Summary of Reforms Generating PSCS

Reform	Specific Measures Generating PSCS	Timing
Component #1 – Business Registration		
Business Registration – Corporations	• elimination of the obligation that the Memorandum and Articles of Association be prepared and signed by a solicitor • elimination of the renewal of the business registration license • elimination of the need to obtain an Exchange Control Permission • elimination of the tax advance payment • improvement of services through the establishment of a one-stop-shop structure	All reforms introduced in late 2007, with the exclusion of the one-stop center, created in mid-2009
Business Registration – Sole Proprietorships / Partnerships	• elimination of the renewal of the business registration license • elimination of the tax advance payment • improvement of services through the establishment of a one-stop-shop structure	All reforms introduced in late 2007, with the exclusion of the one-stop center, created in mid-2009
Component #4 – Tax Administration		
Introduction of the Goods and Services Tax	• replacement of seven different taxes by the GST	January 1st, 2010

Not all the reforms introduced during the period of Project implementation were taken into consideration. This is particularly the case of the Company Act enacted by the Parliament in 2009, whose drafting was supported by ***Component #3*** of the Project. According to the DB report, this piece of legislation was supposed to generate positive effects on the business environment, especially with reference to 'protecting investors' and 'getting credit' indicators. However, the actual implementation of this law has remained limited, and no impacts in terms of reduced time and/or costs for businesses were identified in connection with this reform (and indeed, no similar outcome indicators are included in the SR), thereby preventing the quantification of related private sector cost savings[38].

Quantification of PSCS. Over the 2008 – 2010 period, the PSCS generated by the reforms supported by the Project can be estimated ***at about US$ 900,000***, expressed in 2010 value. The results of the exercise, with the breakdown by component/reform and type of savings, are summarized in Table 5.2 below.

Table 5.2 Summary of PSCS Generated (US$, 2010 value)

Reform	Cost Savings	Time Savings	Financial Savings	Total PSCS	Comments
Component #1 – Business Registration					
Business Registration – Corporations	189,253	56,137	7,694	253,120	• The assessment of cost savings is rather hypothetical, due to the lack of precise information on the actual reduction in the recourse to lawyer services • Possible overestimation of PSCS attributable to the elimination of the renewal of the business registration license
Business Registration – Sole Proprietorships / Partnerships	342,727	165,706	8,363	516,795	• Possible overestimation of PSCS attributable to the elimination of the renewal of the business registration license

[38] According to comments received on the draft version of the Report, the Company Act is associated to the reduction of the procedures, time and cost of starting a business. However, no evidence of similar impacts was retrieved by the Consultant and reported in the DB surveys.

Component #4 –Tax Administration					
GST Introduction	0	121, 920	0	121,920	• The amount of time saved is taken from the DB 2010, but it does not refer exclusively to the introduction of GST
Total	**531,980**	**343,799**	**16,057**	**891,836**	

Overall, ***over 60% of total PSCS are connected with just one reform***, the elimination of the renewal of the business registration license. An additional 14% of all PSCS are generated by the introduction of the GST. It is important to note that for both reforms, ***results are influenced by uncertainties regarding some key parameters***. In particular, for the elimination of the renewal of the business registration license, the number of relevant transactions is likely to be overestimated, as the yearly amount of registered businesses was calculated by adding the number of new registrations with OARG to the initial, 2007 stock, without introducing any adjustments to account for both firms' death rate and a compliance rate with the legal provision likely to be below 100%. In the case of the time savings related to the introduction of the GST Law, the value for the reduction of time necessary to prepare and file tax returns retained for the analysis is based on information provided by DB 2010. However, this value does not measure exclusively the impact induced by the replacement of seven taxes as a result of the introduction of the GST Law, but also other factors, such as the improved efficiency of the tax authority.

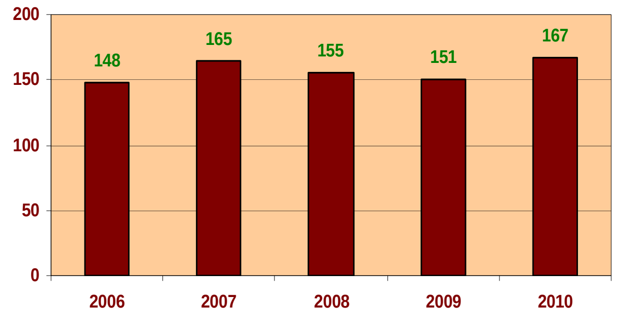
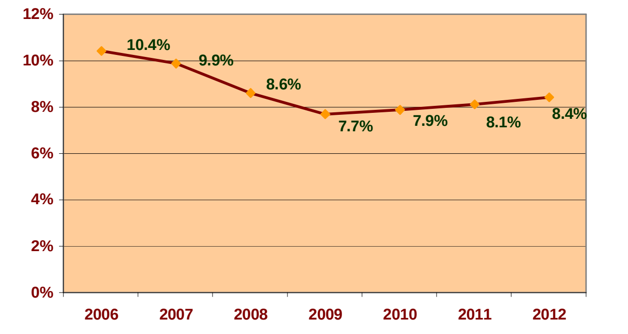
Quantification of Future PSCS. The possible value of future PSCS due to the reforms supported by the Project can only be guess estimated, due to the existence of too many variables. On the one hand, the value of PSCS is expected to increase with the progressive implementation of IFC supported legal reforms. Additional savings may emerge as a result of the future achievement of the currently addressed reforms, including the passage of the Credit Reference Act and the Customs Act, the establishment of the credit reference registry, the digitization of the land records, and establishment of commercial courts. On the other hand, following the approach adopted by the IFC Guidelines, the impacts associated with the earlier reforms should be gradually eliminated from calculations, the rationale being that, after a certain number of years, the reforms would have been implemented even without IFC support. Based on these considerations, it seems reasonable to conclude that over the 2011 – 2013 period, the total value of PSCS attributable to the Project could be assessed at a value ***broadly similar to the one estimated for the 2008 – 2010 period***.

5.3 Private Investment Generated

Background. In Sierra Leone, ***private sector investment is fairly low***, at around 8% of the GDP, compared with an average of about 15% for Sub-Saharan Africa (2008 data). The value of private investments displays a fairly stable trend over the last five years, oscillating between US$ 150 and 170 million. Private investments slightly declined between 2007 and 2009, from US$ 165 million to US$ 151 million. In relative terms, this meant a decline from 9.9% to 7.7% of the GDP. Private investment is expected to rise in 2010, reaching 7.9% of the GDP. According to IMF projections, the trend is expected to remain positive in future years, but with a rate of growth only marginally higher than that of the GDP[39]. Trends in private investment are summarized in Table 5.3.

[39] All data are taken from IMF publications. See in particular IMF, *Sierra Leone - Staff Report for the Third Review Under the Three–Year Arrangement Under the Poverty Reduction and Growth Facility, Financing Assurances Review, and Requests for Waivers of Non-observance of Performance Criteria, Augmentation of Access, and Modification of Performance Criterion*, January 2009; and IMF, *Sierra Leone - Staff Report for the Sixth Review Under the Arrangement Under the Extended Credit Facility, Request for Waiver for No observance of a Performance Criterion, Request for a Three-Year Arrangement Under the Extended Credit Facility, and Financing Assurances Review*, June 2010.

Table 5.3 Trends in Private Investment

Recent Evolution (US$ million, current prices)	Recent Evolution and Projections (as % of GDP)
	

Source: IMF, various country reports

Project Impact. The private sector investment generated falls into the category of the so-called 'overall impacts', in the sense that initiatives undertaken under various components may concur to increase investment levels. In the case of the Project under consideration, three main types of action appear to have a more direct potential influence on private investment, namely: (i) the simplification of business registration procedures undertaken as part of Component #1, and (ii) general investment promotion activities carried out under Component #5 (i.e. assistance provided to SLIEPA), and (iii) sector-specific investment promotion activities performed under Component #6 (i.e. advisory services for the privatization of the Cape Sierra Hotel). In particular:

- ***Simplification of Business Registration Procedures***. As illustrated in detail below (Section 5.4), the simplification of business registration procedures contributed to quicken the pace in enterprise formation, and this, in turn, appears to have contributed to an increase in investment levels. A simple measure of the impact achieved can be obtained by multiplying the number of newly formed enterprises by the average initial investment. The number of new businesses whose formation can be attributed to the reforms supported by the Project can be estimated at about 2,200 – 2,800. The average investment can be estimated based on data on the net book value of assets owned by businesses provided by the World Bank Enterprise Survey (WBES), which suggest an average initial investment on the order of US$ 4,600. Based on these parameters, the value of incremental private sector investment associated in some way with business registration reforms promoted by the Project can be estimated in the region of US$ 10 to 12.5 million for the whole period 2008 – 2010, of which US$ 2.5-3 million in 2008, US$ 3.9 – 4.9 million in 2009, and US$ 3.7 – 4.6 million in 2010;
- ***Assistance to SLIEPA***. Under Component #5, the Project has provided comprehensive technical and financial assistance to strengthen SLIEPA capacities, especially in the investment promotion and facilitation area. After the Sierra Leone Trade and Investment Forum, which took place in mid-November, 2009, and thanks to the aggressive sugar & oil palm investment outreach campaign carried out, investors' interest in the country has remarkably risen. This is vividly demonstrated by the 129 active leads recorded in the seven months after the Forum (i.e. until June 30, 2010), half of which converted into site visits (65). Unfortunately, due to the recent launching of SLIEPA investment promotion activities, no deal has been closed yet. However, based on the information collected during fieldwork, about 6-7 deals are expected to be finalized soon. More precisely, according to SLIEPA staff, two initiatives in the sugar (ethanol), with a volume of investments associated in the US$ 100-200 million range, three investments of the same size in oil palm ventures and a smaller investment (US$ 5 million) in cocoa will be closed by the end of 2012, with a total estimated value of investments facilitated of some US$ 500 million. This figure appears somehow 'optimistic' when confronted with total annual private investment recorded in recent years in Sierra Leone, ranging between US$ 150 and 170 million per year. On the other hand, these figures look consistent with those displayed

by the Addax Bioenergy sugarcane ethanol project, which is about to be launched in Makeni[40]. Based on the conservative assumption that a single, similar project will actually materialize in the next three year-period, the value of incremental private sector investment associated with SLIEPA activities can be estimated at US$ 150 million for the whole period 2011 – 2013, an extremely important increase compared to the current level, largely attributable to the Project;

- ***Assistance for the privatization of Cape Sierra Hotel.*** Under Component #6, the Project provided transaction advisory services for the privatization of the Cape Sierra Hotel. In particular, support was provided to the NASSIT in identifying potential investors/operators and in preparing a transparent, competitive tender process. The second tender was successful and in mid 2010 a group of investors was awarded a twenty-one year concession agreement for the rehabilitation, redevelopment, operation, and maintenance of the hotel. No official information is available regarding the amount to be invested. However, based on typical investment cost parameters in the hotel industry, the value of resources mobilized thanks to the IFC assistance can be tentatively estimated in the order of US$ 15 – 20 million, of which about US$ 5 – 7 million might have materialized in 2010.[41]

Assessment. Based on the above, ***the short-term impact of the Project can be assessed in the US$ 15 – 20 million range.*** These figures appear significant when compared with trends in private investment. In particular, private investments generated by the Project are assessed to account for about 3-4% of total private investment, and up to 5-6% in 2010, in connection with the privatization of Cape Sierra Hotel. In principle, the medium-term impact could be estimated using the same approach, but this would require strong assumptions regarding the growth in newly formed businesses and the rate of mortality among existing enterprises. In general, it seems reasonable to envisage a progressive stabilization in the pattern of business formation, although this could be compensated by a higher investment rate. On the whole, and in purely subjective terms, a figure in the order of US$ 4 - 5 million/year for the next couple of years appears reasonable. When the value associated to foreign investments expected to be facilitated by the SLIEPA in the next years is taken into account, the ***medium-term impact can be grossly estimated at the much higher figure of USS 160-170 million over the 2011-2013 period***.

5.4 Product-Specific Impacts

Number of New Business Registered. This product-specific impact is linked to the reform of the business registration system undertaken as part of ***Component #1***. As illustrated by Figure 5.1 below, which depicts the evolution over time of business registrations with the Administrator and Registrar General Office, a clear change of trend emerges starting from 2008. In the 2005 – 2007 period, the number of newly registered enterprises was largely stable, at about 1,800. This value significantly increased starting from 2008, when a total number of more than 3,000 businesses registered. This rising trend continued in 2009, with the total number of registrations overcoming 3,800, and in 2010, when more than 2,100 businesses registered in the first six months. Extrapolating this figure to the whole year, in 2010 the number of new business registrations is expected to be in the order of 4,300.

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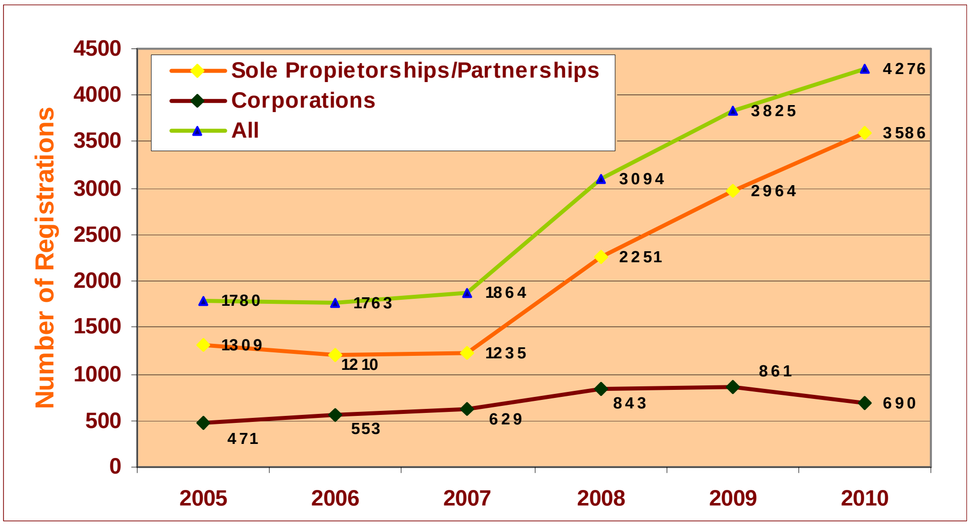
[40] Addax Bioenergy, a division of the Swiss-based energy corporation Addax & Oryx Group (AOG), is developing a Greenfield integrated agricultural and renewable energy project in Sierra Leone, consisting of a sugarcane plantation, ethanol distillery and biomass power plant and related infrastructure. The total investment value is estimated at about US$ 270 million and workforce to exceed 2,000 direct employees.

[41] The Cape Sierra Hilton will be redeveloped into a 4-star hotel, part of the Hilton network, with approximately 200 rooms. Hotel development costs for upscale/luxury hotels are in usually in the US$ 150 – 200,000 per room, inclusive of the cost of land. Considering the relatively good structural conditions of the building, refurbishment costs can be estimated at about US$ 75 – 100,000 per room. Investments are expected to be spread over the second half of 2010 (one third of the total value) and the first three quarters of 2011 (two thirds).

Figure 5.1 Trends in Business Registrations



Source: OARG

The impact actually exerted by the Project on this acceleration of the registration pace cannot be quantified precisely. However, the number of business registrations attributable to the reforms can be estimated by comparing the 2007 value (before IFC reforms) with values actually recorded in the following years based on the following considerations: (i) the growth in business registrations started after the introduction of reforms facilitated by the Project (in 2008), (ii) some of the key obstacles to business registration, i.e. the expensive and complicated procedures and the lack of information on the registration process, have been adequately addressed by the Project, and (iii) no additional measures directly aimed at positively affecting the registration pace, such as a reduction of the tax burden or of the cost of licenses, were introduced by the Government. This yielded a total of ***more than 5,600 additional registrations for the 2008 – 2010 period***. However, it is important to note that the increase in business registrations does not necessarily translate into an increase in the number of new businesses in operation, as a significant share of newly registered businesses are entities that previously had been operating informally. The Informality Survey assessed this proportion at about 50%. Once a similar proportion is taken aside, the number of new businesses whose establishment can be in some way linked to the reforms promoted by the Project can be grossly estimated at ***some 2,200 – 2,800 for the 2008 – 2010 period***.

Number of Jobs Created. The number of jobs created is regarded by the TOR as a 'product-specific impact', logically linked to the reform of labor legislation, which, by making the labor market more flexible, is expected to contribute to the growth in the number of jobs. However, this appears to be rather diminutive, as the number of jobs can also be affected by other investment climate reforms. In this respect, the number of jobs created is conceptually not too different from other 'overall impacts', namely the value of private investment generated. Therefore, despite the fact that no single reform addressing labor legislation has been facilitated by the Project, the impact of job creation associated with the creation of new businesses has been estimated, following a logic similar to the one used above for estimating the private investment generated, i.e. by multiplying the number of newly formed enterprises by the average employment at start-up. Based on the comparative review of data on the average number of employees per business collected in different years by several sources[42], the average workforce size of a formal business at start-up was set at 6 people[43]. Using these parameters, the number of jobs somehow associated with business registration

[42] Sources reviewed include the Baseline Survey, the SLIBA surveys, the Census of Business Establishments and the World Bank Enterprise Survey. For more information, please refer to Annex D.4.
[43] For more information, see Annex D.

reforms promoted by the Project can be estimated in the order of ***13,400 to 16,800 for the whole period 2008 – 2010***. In the ***medium term***, ***the employment impact of the Project is expected to further increase as a result of the number of direct jobs created in connection with investments facilitated by the SLIEPA***.

Number of Businesses Complying with Tax Regulations and Tax Revenue Generated. These two product-specific impacts are in principle linked with reforms supported by the Project in two areas, namely: (i) the reform of tax administration supported by Component #4, and (ii) the reform of business registration procedures under Component #1. Regarding the ***number of businesses complying with tax regulations***, data provided by the NRA show a positive trend during the period of analysis, with an overall increase in the number of active taxpayers from about 3,400 in 2007 to 5,000 in the first quarter of 2010. In addition, over 1,700 businesses registered for GST (with a submission of return rate just over 70%) in the first four months of 2010. The overall trend is illustrated in Table 5.4 below.

Table 5.4 Trend in Tax Compliance

Years	Active Taxpayers (unincorporated businesses)	Active Taxpayers (corporations)	GST registered
2007	2,864	513	..
2008	3,081	545	..
2009	3,410	654	..
2010*	4,212	808	1,700

* Data refer to the first quarter only.
Source: NRA

In general, developments in tax compliance appear to be unrelated to the reforms aimed at supporting business registration procedures under Component #1. Indeed, the number of incremental taxpayers is much lower than new registrations, especially in years 2008 and 2009, which seems to imply a marginal impact of business registration reforms. Vice versa, activities undertaken under Component #4, and in particular, the large income tax awareness campaign and other tax education & training initiatives carried out in 2009 and 2010 played an instrumental role towards increasing tax compliance among the business community. Based on the conservative assumption that these initiatives generated between 25% and 40% of the increased number of active taxpayers recorded in 2009 and 2010, the Project contribution to the increase in tax compliance was estimated at between ***350 and 550 additional businesses paying taxes***, of which 70-100 corporations and 280-450 unincorporated businesses.

As for ***tax revenue generated***, a positive impact can be noticed in Sierra Leone, regarding both direct and indirect taxes. As for direct taxes, the positive influence of tax awareness campaigns on tax compliance is estimated to have resulted in an ***increase in tax revenue generated by the Project between Le 5.3 million and Le 8 million (i.e. between US$ 1.4 and 2.1 million) for the period 2009-2010***[44]. In the case of indirect taxes, the GST significantly contributed to increase revenue from 4.4% of GDP in 2009 to a projected 5.1% in 2010. In particular, in 2010, GST is projected to yield revenue in the order of US$ 62 million, compared with the US$ 56 million raised in 2009 through the seven taxes that were abolished by the tax reform, with an ***incremental revenue of about US$ 6 million***. However, the merit of this incremental revenue must be shared with the IMF and the DFID.

[44] Estimate achieved by multiplying the incremental taxpayers registrations credited to the Project (i.e. 350-550) by the average value of income tax paid by different types of taxpayer (i.e. about US$ 2,300 for unincorporated businesses and US$ 10,300 for corporations), calculated based on NRA data for 2009.

5.5 Summing Up

A summary presentation of the Project impacts is provided in Table 5.6 below.

Table 5.6 Summary of Impacts

<table>
<tr><th>Type of Impact</th><th>Short Term Impact</th><th>Prospects for Medium Term Impact (3-4 years horizon)</th></tr>
<tr><td colspan="3">Overall Impacts</td></tr>
<tr><td>Private Sector Cost Savings</td><td>About US$ 900,000</td><td>Medium term impact (3-4 years) expected to remain stable</td></tr>
<tr><td>Private Investment Generated</td><td>US$ 15-20 million</td><td>Medium term impact (3-4 years) expected to largely increase, due to foreign investments facilitated by SLIEPA</td></tr>
<tr><td colspan="3">Product Specific Impacts</td></tr>
<tr><td>Number of New Businesses Registered</td><td>2,200-2,800</td><td>No estimate for medium term impact is possible</td></tr>
<tr><td>Number of New Jobs Created</td><td>13,400-16,800</td><td>Medium term impact (3-4 years) expected to increase as a result of jobs created in connection with the materialization of foreign investment facilitated by SLIEPA</td></tr>
<tr><td>Number of Businesses Complying with Tax Regulations</td><td>350-550</td><td rowspan="2">No estimate for medium term impact is possible</td></tr>
<tr><td>Tax Revenue Generated</td><td>US$ 1.4-2.1 million</td></tr>
</table>

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary Assessment

The Project is widely regarded as a fairly successful initiative and positive comments are formulated by stakeholders and observers. The evidence reviewed in this Report broadly confirms this positive assessment, although with some qualifications.

The simplification of the business registration system, the elimination of the tax advance payment system and the awareness campaign on the required procedures promoted by the Project largely contributed to accelerate the enterprise formation process and through this exerted a positive influence on private investment and job creation. The numbers resulting from the impact assessment exercise definitely look positive.

Progress in DB-ranking recorded by Sierra Leone between 2008 and 2010, moving from the 160th to 148th position, were largely spurred by the above reforms as well as by the enactment of two pieces of legislation. However, the small impact exerted by these regulatory changes in reducing time and costs to perform business operations, together with a lack of achieved quick-wins, limited the size of savings accruing to private economic agents.

Successful assistance was provided in the fields of investment promotion and tax policy and administration. Investment promotion activities performed by SLIEPA managed to attract significant foreign investor interest in the country. These activities have not produced a quantifiable impact yet, but prospects for the near future look definitely promising. In tax areas, a positive contribution of the Project to raise tax compliance and widen the tax base was detected.

Less successful was the assistance provided in the field of tourism development. While the attempt of the Project to address the extremely complex and sensitive land policy issues is definitely commendable, an initial overestimation of the local capacity and willingness to provide the required contribution seems present. On the positive side, an important impact was exerted by the Project through the instrumental support provided for the finalization of the concession agreement for the Cape Sierra Hotel.

The achievement of positive outcomes required lots of effort and flexibility from the IFC staff, which had to cope with a number of changes in the institutional settings and, more generally, to deal with an extremely difficult environment. It suffices to think how hard it might be to raise tax compliance in a country where the national revenue authority has been repeatedly discredited over the last couple of years by a number of corruption scandals and the Commissioner General was suspended.

The Project is definitely expensive, and when the amount of expenses incurred is compared with the estimated impacts a fairly mixed picture arises. The lack of administrative reforms introduced as well as a purely structural aspect, i.e. the small size of the Country, inevitably reduce the amount of PSCS achievable. On the other hand, when Project impacts on employment and investment generation are taken into consideration, the value for money appears definitely higher, especially in the medium-term.

6.2 Recommendations

Recommendation #1 – Adopt a realistic initial design. Overambitious assumptions in the initial design of some of the components seem to be at the basis of both smaller performances compared to initial targets and the abandonment of some activities. In some cases (e.g. the drop of the activities aimed at merging work and residence permits or the large reshuffling of the tourism activity plan), problems were largely determined by the lack of commitment from/capacity of local counterparts that could not be fully assessed beforehand as well as by several changes of institutional counterparts, which took place during implementation. In other cases, delays in achieving expected results were recorded even when the local counterparts looked collaborative, simply because the introduction of some sensitive regulatory changes inherently requires time, as clearly stated by Mr. Carew, the Minister of Trade and Industry: "*even in the case of the least successful cases (e.g. land reform), the IFC approach was correct. Simply, the achievement of similar reforms should have been projected over a longer period of time, as it was known since the very beginning that these reforms were not easily achievable*". Setting a more realistic time frame, which better incorporates the likelihood of an unstable political environment typical of post-conflict countries, and that carefully assesses the actual capacity and commitment of local counterparts would prevent excessively high expectations and reduce the likelihood of underperformance.

Recommendation #2 – Avoid over-reliance on a single actor. The capacities of IFC-supported tools should also be carefully assessed during Project design. The PPD platform demonstrated itself to be an extremely useful tool for building trust and understanding among dialogue participants, to increase private sector confidence in government activities and facilitate the introduction of regulatory reforms. However, over reliance upon such an instrument to address such a wide range of activities and to tackle sensitive and complex structural reforms should be avoided. This recommendation should particularly be adhered to, when a transition of the PPD forum from a donor-led to a fully independent, local entity is intended, which is likely to be a slow process.

Recommendation #3 – Maintain the organizational model centered on a strong in-country presence. The huge weaknesses on the Government side clearly constituted the major obstacle slowing down the reform process. However, the initial project implementation arrangements, with IFC consultants not locally available when needed, made things even more complicated. The subsequent change of the organizational model, involving the setting up of a large permanently based team is definitely regarded as a positive development. In the same vein, placing of consultants directly in the beneficiary office, as recently done with the DB Consultant sitting in the State House, could regarded as a wise move, which will allow an improvement in the understanding of operational issues and keep continuous pressure to deliver, as confirmed positive by some positive initial moves, such as the starting of a dialogue to streamline import/export procedures. It is important that new proposed operations build upon the recent positive experience and do not disperse the wealth of experience that has been accumulated over the years.

Recommendation #4 - Set-up an adequate M&E system. An M&E system is a crucial tool providing Project management and local stakeholders with indications of progress and achievement against expected results as well as progress in the use of allocated funds. The set-up of an M&E system was initially foreseen under RABI III, but it was abandoned. Given the local conditions, characterized by limited information and serious institutional constraints, this decision seems premature and more effort should have been deployed in this direction. Indeed, the importance of an appropriate M&E system can hardly be overestimated, as it will allow for the preparation of clear, results-based monitoring reports that could help in putting pressure to deliver on local counterparts and in keeping people constantly informed. Corrective actions in this direction have already been taken by the Project, as witnessed by the recent creation of a DB tracker providing weekly update to the President on ongoing activities (credit reference act, customs act, credit reference registry, digitization of land records, and establishment of commercial courts).

Recommendation #5 – Enhance the clarity and information content of supervision reports. Supervision reports do not always provide a clear picture of 'who did what, when and why'. Efforts should be deployed to enhance the clarity of these documents. A logically separate, but practically linked problem is related to the M&E indicators used in supervision reports. Formulating recommendations on possible improvements in these indicators clearly goes beyond the mandate of this Assignment. However, even within the limits of the existing system, a key suggested improvement consists of clearly stating sources and assumptions underlying the definition of baseline and target indicators. In a number of cases, IFC staff admitted that initial targets, especially for impacts, were set on the basis of fairly generic assumptions. This appears fairly evident looking at impact indicators for the investment generation component, with a value of financing facilitated by advisory services set at US$ 5 million, or the tourism component, expecting to generate PSCS in the order of US$ 10,000. These extremely low values clearly reflect a prudent attitude determined by limited preliminary knowledge, but also a limited articulation of theories linking interventions to impacts. As for baseline values, a better use of the analytical work carried out in the initial phase (e.g. the baseline survey) and a clear identification of the sources of information used will enhance the integrity of the exercise.

ANNEXES

ANNEX A – DOCUMENTARY SOURCES

Project Files – Approval, Supervision and Progress Reporting

RABI Ext Phase II

- Sierra Leone RABI Ext Phase 2 – TAAS PDS Early Review (version dated November 2, 2008)
- Sierra Leone RABI Ext Phase 2 – TAAS PDS Approval (version dated March 27, 2008)
- Sierra Leone RABI Ex Phase 2 – TAAS PDS Approval (version dated April 20, 2010)
- Sierra Leone RABI Ext Phase 2 – Advisory Service – PDS Approval (version dated April 27, 2009)
- Sierra Leone RABI Ext Phase 2 – Advisory Service – Supervision #1
- Sierra Leone RABI Ext Phase 2 – Advisory Service – Supervision #2
- Sierra Leone RABI Ext Phase 2 – Advisory Service – Supervision #3
- Sierra Leone RABI– Phase 2 Extension – Program Inception Report – February 2008
- RABI - Programme Report – September 2008
- RABI - Programme Report – November 2008
- RABI - Programme Report – January 2009
- RABI - Programme Report – March 2009
- RABI - Programme Report – May 2009
- RABI - Programme Report – September 2009
- RABI - Programme Report – October 2009
- Sierra Leone: RABI (Phase 2) – Progess Report for July-December 2009 (undated)
- Sierra Leone: RABI (Phase 2) – Progess Report for December-July 2009 (undated)
- Sierra Leone RABI – Phase 3 Extension – Memorandum of Understanding between the Government of the United Kingdom of Great Britain and Northern Ireland and IFC – February 2009

SLBF

- Sierra Leone Business Forum – TAAS PDS Approval – May 2008
- Sierra Leone Business Forum – Memorandum of Understanding between the Government of the United Kingdom of Great Britain and Northern Ireland, acting through DFID, and the IFC – August 28, 2006
- Sierra Leone Business Forum – Progress Report – July-December 2009 (undated)
- Sierra Leone Business Forum – Progress Report –December-July 2009 (undated)

Tax Administration

- Sierra Leone Tax Simplification Rollout – TAAS PDS Approval – (version dated March 7, 2008)
- Sierra Leone Tax Simplification Rollout – TAAS PDS Approval – (version dated April 21, 2008)
- Sierra Leone Tax Simplification Rollout – Advisory Services Supervision # 4 (undated)
- Government of Sierra Leone, National Revenue Authority - Preliminary Mission Findings: Non-Tax Revenues (NTR), December 2008
- NRA-IFC – Memorandum of Understanding, June 2008
- Achievements of the Sierra Leone Tax Simplification Program (undated)

- Sierra Leone Tax Simplification Program: Achievements of FY09 (undated)
- Sierra Leone Tax Simplification Briefing Note - December 2008
- Sierra Leone Tax Simplification briefing note: Meeting with DFID – November 2008

SLIEPA

- Promoting Investment and Export for Sierra Leone - Advisory Service - PDS Early Review (version dated November 2, 2008)
- Promoting Investment and Export for Sierra Leone - Advisory Service – PDS Approval (version dated June 25, 2010)
- Promoting Investment and Export for Sierra Leone - Advisory Service – Supervision #1
- Promoting Investment and Export for Sierra Leone - Advisory Service – Supervision #2

Tourism

- Sierra Leone Tourism - Advisory Service – PDS Approval (version dated December 18, 2009)
- Sierra Leone Tourism - Advisory Service – Supervision #1
- Sierra Leone Tourism - Advisory Service – Supervision #2

Project Files – Substantive Matters

- Sierra Leone – Diagnostic Study of the Investment Climate and the Investment Code, May 2004
- Sierra Leone – Administrative Barriers Study - Phase 1, March 2005
- Sierra Leone – Administrative Barriers to Investment – Phase 2 – Analysis of the Institutional Framework Underpinning Investment and Private Sector Development, April 2005
- FIAS - Sources of Informal Economic Activity in Sierra Leone – Part I: Survey Report (Informality Survey), June 2006
- FIAS - Survey Analysis Report of Sources of Informal Economic Activity in Sierra Leone – Part II: Annexes (Informality Survey), June 2006
- FIAS – Business Problems for Operations and Growth in Sierra Leone (Baseline Survey Report), 2006
- FIAS – Sierra Leone Monitoring and Evaluation of Private Sector Development, June 2006
- Administrative Barriers to Investment Project - Monitoring and Evaluation – Quarterly Report, June 2007
- Doing Business in Sierra Leone: Reform Memo, November 2008
- Logical Framework for Private Sector Development in Sierra Leone through FIAS/DFID Interventions (undated)
- Memorandum of Understanding between Republic of Sierra Leone and IFC, June 2008
- Report on Baseline data for the RABI Program (undated)
- Sierra Leone M&E: Phase II (undated)
- Adam Smith International, Review of Current Arrangement of Support to the Sierra Leone Business Forum, September 2008
- Sierra Leone Investment and Export Promotion Agency (SLIEPA) - Business Plan 2008 – 2010 (undated)
- IFC Executive Brief - Event: Sierra Leone Trade and Investment Forum, November 2009
- FIAS – Small Business Taxation in Sierra Leone (undated)

- Sierra Leone Indigenous Business Association (with financial support from the IFC) - Survey of Business Establishments in Sierra Leone – Draft Report (SLIBA Survey) (undated)
- Sierra Leone National Revenue Authority Modernisation Programme - Communications Strategy (prepared by the International Finance Corporation-Foreign Investment Advisory Service) (undated)
- National Revenue Authority of Sierra Leone - Taxpayers Education Strategies for Small and Medium Taxpayers – Presentation (undated)
- Investment Incentives Policy, October 2009
- Suggested Administrative Mechanism for Investment Incentives: A Flow Chart
- FIAS, Summary Analysis and Proposals for Reform of Investment Incentive Regime, (draft) May 2009
- The Investment Incentives Regulations, 2010
- Discussion Paper for the introduction of GST, Goods and Services Tax – Draft GST Regulations, May 2008
- Deputy Financial Secretary – Tax Policy - Goods and Services Tax (GST) – Letter, May 2008
- Selection Memo: STC for David Hollinrake for Sierra Leone Tax Simplification Program, July 2007
- Sierra Leone Tax Rollout - Preparing Sierra Leone for Self-Assessment. March-April 2009
- Sierra Leone Tax Simplification Project - Electronic and Mobile Tax Payment Options - Tax Filing Simplification
- National Revenue Authority of Sierra Leone - Operational and Service Standards Manual Guidelines and Procedures for the Enforcement of Operational and Service Standards in Income Tax Administration, November 2009
- Cost and Benefit Analysis of Non Tax Revenue Collection – Table
- Business Landscape Study Sierra Leone – Trade and Investment Forum, November 18, 2009

Methodological Documents

- IFC, *Guidelines for Aggregate Cost Savings template (basic)*, s.d. (but August 2010)
- SCM Network, *International Standard Cost Manual*, (s.d.)
- Shara, Luba “How to Improve the Quality of Project Completion Reports”, presentation at a PCR training workshop, Johannesburg, July 27, 2009.

Other Documents

- Institutionalising Public-Private Dialogue as New Governance Mechanism for Post-Conflict Private Sector Development – A Political Economy Analysis of the Sierra Leone Business Forum, October 29, 2009
- Sierra Leone Poverty Reduction Strategy I – 2008-2010
- Public-Private Dialogue - PPD Initiative: The Sierra Leone Business Forum (SLBF) – (undated)
- Sierra Leone-European Commission, *Country Strategy Paper and National Indicative Programme for the Period 2008-2013* (undated)

- DIFD, *Sierra Leone - Annual Review of Private Sector Development Strategy Programme (PSDSP) and Project Completion Report for Reducing Administrative Barrier to Investment Project (RABI*), July 2010
- IFAD, *Sierra Leone Country Strategy Opportunities Programme*, April 2010
- Evaluation Report EV690, *Evaluation of DFID Country Programmes: Sierra Leone*, September 2008
- GST Policy Paper to the Honourable Minister of Finance, Development and Economic Planning 1 (undated)
- GST Policy Paper to the Honourable Minister of Finance, Development and Economic Planning 2 (undated)
- GST Policy Paper to the Honourable Minister of Finance, Development and Economic Planning 3 (undated)
- United Nations, *Investment Policy Review* – Sierra Leone, 2010
- IMF Country Report No. 09/2, *Sierra Leone - Staff Report for the Third Review Under the Three–Year Arrangement Under the Poverty Reduction and Growth Facility, Financing Assurances Review, and Requests for Waivers of Non-observance of Performance Criteria, Augmentation of Access, and Modification of Performance Criterion*, January 2009
- IMF Country Report No. 10/176, *Sierra Leone - Staff Report for the Sixth Review Under the Arrangement Under the Extended Credit Facility, Request for Waiver for No observance of a Performance Criterion, Request for a Three-Year Arrangement Under the Extended Credit Facility, and Financing Assurances Review*, June 2010
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Statistics

- 2009 Real Gross Domestic Product (RGDP) Estimates of Sierra Leone – (undated)
- Bank of Sierra Leone, *Balance of Payments and International Investment Position*, 2007-2009
- OARG, statistics on enterprise registrations
- NRA, statistics on taxpayers registration, compliance, payments

ANNEX B – PERSONS AND INSTITUTIONS INTERVIEWED

Institution	Name	Position
Ministry of Trade & Industry	David O. Carew	Minister of Trade and Industry
SLIEPA	Raymond Kai Gbekie	Director of Investment Promotion
SLBF	Franklyn Williams	Deputy Director
Ministry of Finance & Economic Development	Alimamy Bangura	Director, Economic Policy and Research Unit
NRA	Samuel S. Jibao	Deputy Director MRP
NRA	Ibrahim Sorie Kamara	Acting Commissioner, Income Tax Dept.
NRA	Alfred I. Akibo-Betts	Assistant Commissioner, GST Unit
NRA	John Ansumana	Collector, File Registry & Data Collection Unit
OARG	Joseph Fofanah	Deputy Administrator & Registrar General
State House	Oluniyi Robbin-Coker	Presidential Advisor, Private Sector
Bank of Sierra Leone	I.K Lamin	Director of Financial Markets
Freetown Nominees	Edith Chaytor	Acting Managing Director
Fitz Graham & Associates	Len Gordon-Harris Jnr	Barrister & Solicitor
KPMG	Claudius Williams-Tucker	Partner, Tax, People & Regulatory Services
Crown Agents	Dr Charlie Jenkins	Team Leader, NRA Modernization Support Project
DFID	Kate Orrick	Programme Manager, State Building
World Bank	Yusuf Bob Foday	Country Economist
IMF	Mathew Sandy	Economist
IFC	Mary Agboli*	Advisory Services Coordinator
IFC	Peter Nuamah	RABI Program Manager
IFC	Marianne Kargbo	Trade and Investment Coordinator
IFC	Marisa Zawacki	Reform Communication Officer
IFC	Buffy Bailor	Consultant (Tax)
IFC	Dr. Dheerjay Bhatnagar	Consultant (Tax)
IFC	Alice Cowan	Consultant (Doing Business)
IFC	Julien Haarman	Consultant (SLIEPA)
IFC	Seabastian James*, and Umar Tulanbaevich Shavurov	Consultant (Tax)
Cotton Tree Foundation Sierra Leone	Michael Momodu Kamara	Founder and CEO
Sierra Leone Chamber of Commerce, Industry & Agriculture	Mohamed Tunde-Cole	Chairman/Managing Director National Petroleum Company Ltd
Sierra Leone Indigenous, Commercial & Petty Traders Association	Ibrahim Sesay	Financial Secretary
National Tourist Board	Cecil I. Williams	General Manager
Mabanja Enterprise	Ibrahim Sow	Manager
Tanue International	Adema Shall	IT officer
Moreska	Shelm Bernjnce	Accountant
CEG LS Ltd	Vijay	Manager
W.F. Construction Company Ltd	Alusine Shaben	Manager
Yatman Cyber Computech	Ivan Pratt	Manager

Prem Enterprirses	Rrem	Sales Manager
W.M. Bah Enterprises	Cherinor Bah	Sales Manager
Aboud Tofi & Sens Ltd	Francis Charley	Sales Manager
Chimok Investment	Okoli Stanley	Director

* Telephone Interview

In addition to the above, during fieldwork, interviews were held with other counterparts in the private sector who asked that their name be kept confidential.

ANNEX C – IMPACT ASSESSMENT – PRIVATE SECTOR COST SAVINGS

C.1 Introduction

In this Annex, we provide detailed presentation of the data used and the approach adopted for the estimate of Private Sector Cost Savings (PSCS). The Annex is structured as follows:

- Section C.2 briefly recaps the methodological approach;
- Section C.3 presents some general parameters used in the analysis;
- Sections C.4 through C.7 present the calculations of PSCS for, respectively, Components #1 and #4.

The detailed calculations for the various types of PSCS are presented in a separate spreadsheet.

C.2 Methodology

Overview. The methodology adopted for estimating PSCS builds upon the preparatory work done in the earlier stages of the Assignment and presented in a separate report[45]. The approach presented here also takes into account the work done by IFC on the refinement of M&E indicators for investment climate projects and, more specifically, the methodology developed for estimating aggregate cost savings accruing to private operators[46]. In this connection, it is worth noting that the IFC methodology is developed in an ex-ante framework, whereas this exercise adopts an ex-post perspective. As shown below, this involves some modifications in the definition of variables and in calculation procedures.

Taxonomy of PSCS. Three types of PSCS can be identified, namely:

- reduction in ***out of pocket expenses*** associated with the abolishment/simplification of certain procedures ("cost savings");
- reduction in the ***time spent by private operators*** in dealing with certain procedures that have been abolished/simplified ("time savings" or "savings in the opportunity cost of time");
- reduction in the ***financial burden*** related to changes in the payment profile for certain procedures ("financial savings" or "savings in the opportunity cost of money").

Cost savings refer to two items, namely: (i) the elimination/reduction of certain fees (stamp duties, service fees, etc.) and (ii) the elimination/reduction of the need to rely on service providers for certain formalities (e.g. elimination of the obligation to hire a solicitor to prepare and sign the Memorandum and Articles of Association).

Time savings refer to the gains in terms of opportunity cost of labor resulting from regulatory simplification and/or from the adoption of improved organizational models for certain services. This is, again, relevant for a wide range of areas of intervention, from business registration (e.g. as a result of the establishment of one stop facilities) to taxation (e.g. reduced number of tax forms to file).

Financial savings result from the reduction in the financial burden shouldered by private operators as a result of changes in the payment modalities for certain fees or taxes. For instance, in Sierra Leone, following IFC recommendations, the government decided to eliminate the tax advance

[45] *Report #2 – Methodological Report*, August 12, 2010.
[46] IFC, *Guidelines for Aggregate Cost Savings template (basic)*, s.d. (but August 2010), hereinafter referred to as the 'IFC Guidelines'.

payment system for newly registered companies, and this provides some cash flow advantages to tax payers.

Estimating PSCS. In analytical terms, estimating PSCS is quite a straightforward exercise, as it essentially involves the multiplication of a 'price element', i.e. the savings achieved in one particular case, times a 'quantity element', i.e. the number of relevant observations, referred to as 'transactions'.

The nature of the ***price element*** depends upon the nature of the reform under consideration. In the case of <u>cost savings</u>, e.g. the elimination of a certain fee or tax, the impact can generally be ascertained quickly. However, when the fee or tax is expressed in *ad valorem* terms it is necessary to make reference to the value of the goods on which the fee or tax is levied. The value of <u>time savings</u> is the result of the multiplication of the time saved thanks to a certain reform (expressed in terms of hours) times the unit value of labor (expressed in hourly total labor costs, i.e. inclusive of benefits, social security, and taxes). Finally, the value of <u>financial savings</u> is determined by multiplying the amount of the payment deferred thanks to a certain reform by the relevant interest rate.

The nature of the ***quantity element***, i.e. the number of transactions, also differs depending upon the nature of the reform considered. In certain cases, e.g. the registration of newly established businesses, the number of transactions coincides with the number of economic agents affected by a certain reform. In other cases, e.g. the payment of GST, the number of transactions is the result of the multiplication of the number of economic agents times the number of times these agents have to undergo a certain procedure.

Two further aspects are worth highlighting:

- PSCS are calculated for the whole life of the Project. As benefits may occur at different points in time, in order to properly aggregate annual values it is necessary to ***proceed to compounding***, taking the terminal year of the Project as reference point. This is done using the relevant real interest rate[47];
- Some costs incurred by private operators (e.g. fees and taxes on specific transactions) are deductible for profit tax purposes, and this reduces the burden of complying with regulations. Therefore, in order to calculate the net impact of reforms, it is necessary to ***adjust the savings considering the relevant profit tax rate***. However, this does not apply to economic agents paying a personal tax for unincorporated businesses, involving the payment of turnover taxes.

Practical Issues. While the method of calculating PSCS is relatively simple, significant practical problems arise due to various reasons. This is especially evident in the case of cost savings and time savings. In particular:

- ***Cost Savings***. There are two main issues related to this typology of PSCS. First, sometimes data for the baseline situation refer only to partially relevant situations. For instance, in the case of the registration of businesses, the benchmark fees provided by the DB Reports refer to the case of a limited liability company. However, in Sierra Leone the large majority of newly-formed enterprises are sole proprietorships. This means that baseline data for enterprises not adopting a corporate form had to be reconstructed. Second, in certain cases fees are merely theoretical and do not actually accrue to businesses. An example is provided by the hypothetical cost savings accruing to private entrepreneurs following the elimination of the obligatory involvement of a solicitor in the preparation of memorandum and articles of association during the business

[47] This represents a departure from the IFC Guidelines, which recommend the <u>discounting</u> of savings to the baseline year. The difference is obviously due to different perspectives adopted, which is ex ante in the IFC Guidelines and ex post in this exercise.

registration process. The actual size of savings can hardly be assessed as recourse to lawyers was reportedly limited even before the reform took place, on the one hand, and some entrepreneurs still prefer to use legal services, on the other hand. In these cases, an attempt must be made to ascertain the effective degree of application of the relevant savings, and calculations are inevitably approximate;

- ***Time Savings***. In this case, baseline data are usually missing (DB Reports typically record the delays, not the time spent in performing the various tasks) and reconstructing the baseline situation after 3 to 5 years is made difficult by fading memories. Data obtained from companies and professionals are often at odds, and widely variable. This means that calculations are inevitably based on fairly rough estimates. In addition to this, coherent data on labor costs are also difficult to gauge, given the huge differences in wage levels across the various types of businesses. In principle, there is also a conceptual problem is determining the hourly wage of an entrepreneur, who 'by definition' is not getting a wage. But this is largely a theoretical problem, because in the countries covered most of the entrepreneurs are merely 'survivalist entrepreneurs', whose income is often lower than that of employees in the formal sector.

C.3 Basic Assumptions and Key Parameters

Baseline Year and Reference Period. The baseline year is ***2007***. The reference period for the calculation of PSCS is ***2008 – 2010***.

Profit Tax Rate. The standard corporate tax rate in Sierra Leone is 30%. However, the majority of firms pay a personal tax for unincorporated businesses, which involves a flat tax on turnover.

Exchange Rate and Compounding. Annual ***exchange rates*** to transform Le values in US$ terms are taken from the Bank of Sierra Leone dataset. The ***real interest rates*** used for compounding purposes were calculated as the difference between the average nominal annual lending overdraft rate and the annual inflation rate. In this case, data are taken from the Bank of Sierra Leone (lending rate) and IMF (inflation rate). Data are presented in Table C.1 below. Values for 2010 refer to the first six months.

Table C.1 Exchange Rates and Real Interest Rates

Year	Exchange Rate	Lending Rate (A)	Inflation Rate (B)	Real Interest Rate (A-B)
2007	2984.96	28.0%*	11.7%	16.3%
2008	2984.59	27.7%*	14.8%	12.9%
2009	3026.21	25.7%*	9.2%	16.5%
2010	3896.82**	25.3%**	15.5%***	9.8%

*Lending rate given in range (average mid-point taken), **First six months, ***Projected

Time Savings. For the calculation of time savings, reference was made to the key parameters indicated in the IFC Guidelines, namely: (i) 250 working days per year, and (ii) 8 working hours per day.

Unit Value of Labor. Four professional profiles were considered, namely:

- high level staff (management);
- medium level staff (office manager/secretary);
- low level staff (newly recruited clerk);
- independent small trader.

The unit value of labor is expressed in terms of hourly gross wage/earnings, inclusive of income taxes and social security contributions (when applicable). Estimates of the value of labor for ***high, medium and low level staff*** are based on the comparative analysis of different sources, namely:

- ***World Bank Enterprises Survey (WBES)*** carried out in 2008. The WBES collected information on employment levels, and of particular interest are the data on: (i) the 'number of permanent, full-time employees (all employees and managers included)' (question L.1); (ii) 'the number of full-time seasonal/temporary workers employed' (question L.6); (iii) 'the average length of employment of all full-time temporary employees (in months)' (question L.8); and (iv) 'the value of total annual cost of labor (including wages, salaries, bonuses, social payments)' (question N.2). All data refers to fiscal year 2007. The total level of employment per business was first calculated by summing up the number of permanent employees and the temporary workers expressed in terms of their full-time equivalent[48]. Then, the total annual labor cost per employee was calculated for each business by dividing the total level of employment by the value of the total annual labor costs. Since the range of variation of data is extremely high, reference was made to the adjusted average, with the elimination of outliers;
- ***Survey of Business Establishments in Sierra Leone***, commissioned by the Sierra Leone Indigenous Business Association (SLIBA), and conducted in January 2009, with financial support from the IFC. Information collected included the value of the average salary/wage bill as well as the number of paid employees. Based on the average values per sector (only data available), the labour cost was calculated as the ratio between the total wage bill and the average number of workers (divided by 12). Data refer to the fiscal year 2008.

Data retrieved from these two sources are summarized and commented in Table C.2 below.

Table C.2 Labor Cost, 2007 - 2008 (US$)

Source	Monthly Labor Cost	Comments
WBES	• Mean value (all sectors): Le 197,000 (US$ 66) • Median value (all sectors): Le 142,157 (US$ 48) • Mean/median value (retail trade): Le 166,064 (US$ 55)	• Small sample (150 businesses), which covers formal enterprises with at least 5 employees only. The exclusion of micro-businesses could lead to an increase in the estimated value of labor costs; • Likely overestimation due to the fact that more than half of surveyed businesses (51%) were not able to provide information on the number of seasonal/temporary workers employed. Indeed, when only data for enterprises providing information on temporary staff are considered, the mean and the median values decrease to US$ 60 and US$ 37 respectively.
SLIBA Survey	• Mean value: Le 56,280 (US$ 20) • Median value: N/A • Mean value (retail trade): Le 33,853 (US$ 11)	• Larger sample (605 establishments), covering SME (1–49 employees) only. The exclusion of large-scale corporations is likely to reduce the estimated value of labor costs.

The comparison of the above values with the value of the minimum monthly wage in the formal sector, set under collective agreements at about US$ 24 in 2007 (the statutory minimum salary was about US$ 16) as well as with the values of GNI per capita (US$ 280 in 2007 and US$ 320 in 2008) suggests that a tendency to understate true figures is largely present among the business

[48] This was simply done by dividing the product of the number of temporary workers and the average length of their employment by 12 (months).

community[49]. Based on these considerations as well as on information retrieved during interviews with local entrepreneurs, the ***monthly salary for medium level staff was assessed at the WBES mean value, i.e. Le 200,000*** (i.e. about 2.9 times GNI p.c. and minimum monthly salary). The reference value for high and low level staff was calculated as the double and half of the value retained for medium level staff. Data are summarized in Table C.3 below

Table C.3 Monthly Total Labor Cost, 2007 (Le)

Professional Profile	Monthly Labor Cost	Times of GNI p.c.
High Level	400,000	5.7
Medium Level	200,000	2.9
Low Level	100,000	1.4

In the case of ***independent small traders***, profits were estimated based on information collected by the ***SLIBA Survey***. The profit for SME operating in the trade sector has been estimated as the difference between the average value of monthly revenues (about Le 3.2 million) and the average value of total monthly costs (some Le 2.5 million). The estimated average monthly profit was therefore estimated at Le 670,000 (US$ 220). However, the size of SME covered by the survey was fairly large, having a workforce of about 8 people, on average. Therefore, based on information collected in the field, the unit labor cost for independent trader was set at a substantially smaller value, i.e. Le 200,000.

The above values refer to the year 2007 and 2008. In order to estimate values for all the covered years, these values were inflated using coefficients based on the annual average of consumer price (IMF data) for the relevant years (2008: 14.8; 2009: 9.2; 2010: 15.5). The hourly rates retained for the analysis are presented in Table C.3 below.

Table C.4 Unit Cost of Labor – Data Retained for the Analysis (Le/hour)

Professional Profile	2008	2009	2010
High Level Staff	7,175	7,835	9,050
Medium Level Staff	3,588	3,918	4,525
Low Level Staff	1,794	1,959	2,262
Independent Trader	3,588	3,918	4,525

C.4 Estimate of PSCS for Component #1 – Business Registration

In the case of Component #1, PSCS have been calculated with reference to the reform of business registration procedures, with separate calculations for corporations and for sole proprietorships / partnerships.

Reform of Business Registration – Corporations. This is a composite reform, involving the adoption of a series of successive legal, administrative and organizational measures and entailing: (i) the simplification of registration requirements, with the elimination of certain steps and the concentration of responsibilities in a newly established one-stop-shop type of structure, and (ii) the reduction of other out-of-pocket costs, and (iii) the generation of financial savings.

PSCS relate to both cost and time savings. In particular:

[49] This phenomenon has been clearly highlighted by the Informality Survey conducted in 2006, according to which more than half the businesses surveyed were believed to report less than half of their workers, and about 60% of formal/partially formal businesses indicate that other businesses in their area of operation report less than 50% of the salaries of their employees for taxes and contributions.

- ***Cost savings*** refer to:
  - the elimination of the obligation that the Memorandum and articles of Association is prepared and signed by a solicitor, which, in principle, should enable businesses to save out-of-pocket (legal) fees. This results in a cost savings of Le 3.5 million per business registration (i.e. the average lawyer's fee), starting from 2008;
  - the elimination of costs related to the annual renewal of the business registration license, with a cost savings of Le 60,000 starting from 2008;
- ***Time savings*** include:
  - the elimination of the need to go to the Central Bank and to prepare the required documentation to obtain an Exchange Control Permission, with a savings of 3 hours starting in 2008;
  - the reduction in the time required to interact with business registration services, thanks to the creation of the one-stop center, with a savings of 12 hours from mid-2009;
  - the elimination of the need to go to the OARG to renew the business registration license, with a savings of 2 hour starting in 2008.

The number of ***transactions*** generally refers to the total number of businesses that actually registered as corporations between 2008 and 2010. However, two exceptions have to be highlighted:

- In the case of ***eliminating the renewal of the business registration license*** time and cost savings occur for all registered corporations, not only to the newly registered. The total number of registered businesses was set at 875 in 2007, based on the information taken from the Annual Economic Survey[50]. In the following years, this figure increased with the number of newly registered corporations, based on data provided by the OARG. However, this procedure is likely to generate an overestimation of the PSCS attributable to this reform, as it does not take into account firms' mortality and likely limited compliance with the legal provision during the analyzed period;
- As for the ***elimination of the obligation to hire a solicitor to prepare the Memorandum and Articles of Association***, the situation is a bit ambiguous. First, despite the mandatory involvement of a solicitor for company registration, the baseline surveyed conducted in 2006 revealed that only a minority of incorporated companies hire outside help, such as lawyers, to complete their registration process, i.e. about 15% of all surveyed companies. Secondly, qualitative evidence collected during interviews with local barristers and lawyers suggests that the impact of this reform has been fairly modest so far, with most of the interviewees acknowledging only a marginal decrease in the hiring of legal services. Our conservative estimate sets the share of relevant transactions at some 5% of the total number of newly-registered companies.

A summary presentation of key parameters is provided in Table C.2 below.

Table C.5 Reform of Business Registration for Corporations – Parameters

Years	Business Registration (Legal fees)		Business Registration		License renewal		
	Transactions	Cost Savings (Le)	Transactions	Time Savings (hours)	Transactions	Cost Savings (Le)	Time Savings (hours)
2008	42	3,500,000	843	5	1,718	60,000	2
2009	43	3,500,000	861	11	2,579	60,000	2
2010	35	3,500,000	690	17	3,269	60,000	2

[50] Statistics Sierra Leone, 2008 Annual Economic Survey, March 2009.

Financial savings. With the enactment of the new Registration of Business Act, 2007, the legal basis for the advance payment system for newly registered businesses was eliminated. As a result, the first quarterly instalment has been postponed by, at least, three months, thereby generating ***financial savings*** for newly registered businesses**.** The number of ***transactions*** is set equal to the number of new corporations complying with tax regulations, i.e. 32 in 2008, 109 in 2009 and 154 in 2010, based on the information provided by the NRA. The estimate of financial savings is based on three parameters, namely: (i) the average value of each transaction, (ii) the duration of the payment postponement, and (iii) the relevant interest rate. The ***average value per transaction*** is estimated at Le 2,900,000 based on the information provide by the NRA[51]. The ***duration of the payment postponement*** is 120 days. The ***reference interest rate*** is the deposit rate, which measures the interest income earned as a result of the postponement in payments. As indicated by Central Statistics, the three six-month deposit rate averaged at 9.7%, 9.1% and 9%, in 2008, 2009 and the first six months of 2010.

Reform of Business Registration – Sole Proprietorships / Partnerships. This concerns the registration of enterprises not having a corporate form, in practice sole proprietorships and partnerships. Registration procedures for these firms were reformed in parallel with those used for incorporated companies, although the scope of reform was more limited. Indeed, the discernible impacts derive from: (i) the reduction in the time required to go through some steps of the registration process (i.e. name search and making payment) following the creation of the one stop center, with an overall time saving of 12 hours from mid-2009; (ii) the reduction in time (2 hours) and costs (Le 30,000) associated with the elimination of the annual renewal of the business registration license, starting in 2008; and (iii) the financial savings arsing from the elimination of tax advance payment.

As for ***cost and time savings*** estimations, the relevant number of ***transactions*** varies depending upon the type of reform. The number of enterprises that registered with OARG as proprietorships or partnerships between mid-2009 and 2010 is considered to measure the impact associated with the creation of a one-stop-shop. To assess the impact of the elimination of the annual renewal of the business registration license, the total number of registered business in 2007 was again taken from the Annual Economic Survey. However, in this case, the total number of sole proprietorships and partnerships (8,100) was revised downward to include businesses registered with the OARG only (i.e. 87.4% of all establishments). As a result, a total of 7,080 unincorporated, formal businesses was retained as the initial value.

A summary presentation of key parameters is provided in Table C.3 below.

Table C.6 Reform of Business Registration for Sole Proprietorships – Parameters

Years	Business Registration		License renewal		
	Transactions	Time Savings (hours)	Transactions	Cost Savings (Le)	Time Savings (hours)
2008	2,251	..	9,331	30,000	2
2009	2,964	6	12,295	30,000	2
2010	3,586	12	15,881	30,000	2

Financial Savings. The same procedure adopted for incorporated companies was followed. The number of ***transactions*** was set equal to the number of new unincorporated entities complying with

[51] According to the NRA, the upfront payments to be made by corporations were decreased from Le 3 million to Le 100,000.

tax regulations, i.e. 217 in 2008, 329 in 2009 and 802 in 2010. The ***average value per transaction*** is estimated at Le 700,000 based on information provided by the NRA[52]. Other parameters are the same as in the case of corporations, i.e. the ***duration of the payment postponement*** is 120 days and the ***reference interest rates*** are 9.7%, 9.1% and 9%, in 2008, 2009 and the first six months of 2010.

C.5 Estimate of PSCS for Component #3 - Improving Business Tax Administration

Introduction of GST. This refers to the recent introduction of the GST for taxpayers with a turnover higher than Le 200 million, and repealing seven taxes (i.e. Import Sales Tax, Domestic Sales Tax, Entertainment Tax, Restaurant and Food Tax, Messages Tax, Hotel Accommodation Tax and Professional Services Tax). In many documents, this reform is deemed to involve significant ***time savings***. The DB 2010 estimated a reduction of time necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contribution from 399 to 357 hours. This 42-hour reduction is reportedly induced by the fact that "*it has become easier to pay taxes because of better training and equipment at the tax authority, a consolidated income tax act, and a new value added tax that replaces four sales taxes*". The reliability of such an estimation looks debatable as: (i) the introduction of GST actually replaced 7, not 4, taxes, and (ii) a major share of this reduction is actually generated by a decrease of time required to comply with social security contributions (from 192 to 168 hours). However, given the countervailing nature of these effects, this 42-hour reduction was retained as a measure of the time saved per company generated by the introduction of the GST.

As for the ***number of transactions***, it corresponds to the number of businesses paying GST, i.e. about 2,000 in accordance with estimation made in the GST Policy Paper[53]. The reliability of this estimate is further corroborated by information received from the NRA, which reported that over 1,700 businesses registered for GST in the first four months after the introduction of the law[54].

The key parameters are summarized in Table C.5 below.

Table C.7 Introduction of GST– Parameters (Time Savings)

Years	Transactions	Time Savings (Hours)
2008	..	..
2009	..	..
2010	2,000	42

[52] According to the NRA, the upfront payments to be made by sole proprietorships were decreased from Le 800,000 to Le 100,000.

[53] In the GST Policy Paper to The Honorable Minister of Finance, Development and Economic Planning (Vol. 1) the number of taxpayers expected to register for GST at the relatively high set registration threshold is estimated to fall into the 1,500 to 2,000 range.

[54] This represents a major deviation for the approach taken by the IFC team, which estimated the value of PSCS for the tax component at some US$ 250,000, by multiplying the value of the time saved by the total number of registered businesses (12,000 businesses, based on FIAS survey of business establishments).

ANNEX D – ESTIMATES OF OTHER CATEGORIES OF IMPACTS

D.1 Introduction

In this Annex, we provide detailed presentation of the data used and the approach adopted for the estimate of impacts other than the PSCS. In particular:

- Section D.2 deals with the estimate of newly established businesses;
- Section D.3 analyzes the impact of the formation of new businesses on investment;
- Section D.4 does the same with respect to job creation;
- Section D.5 reviews the evidence regarding registration with tax authorities.

D.2 Estimate of Newly Established Businesses

Data on business registration were provided by the ***Office of the Administrator and Registrar General*** and concern the number of registrations of corporations and sole proprietorships / partnerships for the years 2005 through 2009 and for the period January 1 – June 30, 2010. Data for the whole year 2010 were estimated by extrapolating the trend recorded in the first six months. Data are shown in Table D.1 below.

Table D.1 Data on Business Registrations

Years	Sole Proprietorships/ Partnerships	Corporations	Total
2005	1,309	471	**1,780**
2006	1,210	553	**1,763**
2007	1,235	629	**1,864**
2008	2,251	843	**3,094**
2009	1,309	861	**3,825**
January – June, 2010	1,793	*345*	***2,138***
2010 (estimate)	3,586	690	**4,276**
Total	**12,555**	**4,047**	**16,602**

According to the ***Informality Survey***, the high cost and burden of licenses (86%), the tax burden (75%) and the lack of information (75%) represent the main obstacles faced by businesses willing to formally register themselves. In addition, over a quarter of completely informal businesses previously attempted to become formal, but failed because of expensive and complicated procedures and lack of information. Some of these obstacles (i.e. registration procedures and information) were adequately removed by reforms facilitated by the Project, whereas no initiatives aimed at addressing other major obstacles (i.e. cost of license and tax burden) were introduced during the period of analysis. Therefore, we estimated the number of new registrations attributable to the Project by comparing the baseline values with those actually recorded in the following years. The results of the exercise are presented in Table D.2 below.

Table D.2 New Business Registrations – Project Impact

Years	Sole Proprietorships/ Partnerships			Corporations			Total		
	Baseline	Actual	Variation	Baseline	Actual	Variation	Baseline	Actual	Variation
2008	*1,235*	2,251	1,016	*629*	843	214	*1,864*	3,094	1,230
2009	*1,235*	2,964	1,729	*629*	861	232	*1,864*	3,825	1,961
2010	*1,235*	3,586	2,351	*629*	690	61	*1,864*	4,276	2,412
Total	**3,705**	**8,801**	**5,096**	**1,887**	**2,394**	**507**	**5,592**	**11,195**	**5,603**

Not all the newly registered enterprises attributable to Project reforms involved the creation of a new business. In fact, many newly registered businesses are entities that previously had been operating informally. According to the Informality Survey, half the businesses surveyed operated in the informal economy before moving to the formal sector. Assuming that the share of businesses formalizing is included between ***50% and 60% of total registrations,*** the total number of ***newly-established businesses can be estimated at some 2,200 – 2,800*** for the 2008–2010 period. Calculations are shown in Tables D.3 below.

Table D.3 Estimate of Newly Created Businesses

Years	Newly Registered Entities (A)	Low Case		High Case	
		60% Previously Operating Informally (B)	Newly Established Businesses (A-B)	50% Previously Operating Informally (C)	Newly Established Businesses (A-C)
2008	1,230	738	492	615	615
2009	1,961	1,177	784	981	981
2010	2,412	1,447	965	1,206	1,206
Total	**5,603**	**3,362**	**2,241**	**2,802**	**2,802**

D.3 Estimate of Investment Associated with Establishment of New Businesses

The impact on private sector investment associated with the growth in enterprise formation was estimated on the basis of the net book value of the machinery, vehicles, equipment, land and buildings at the end 2007, provided by ***World Bank Enterprises Survey (WBES)***[55]. The mean and the median values are set at Le 125 million (about US$ 42,000) and Le 18 million (i.e. about US$ 6,000), respectively. Given that (i) the range of variation of data is extremely high, (ii) the WBES only covers firms with more than 5 employees, and (iii) data do not refer to the initial investment, but to the current value of depreciated assets, reference was made to a downward revision of the median value. ***The initial investment value has been estimated at Le 15 million (about US$ 4,600)***. Based on these parameters, the value of incremental private sector investment somehow associated with business registration reforms promoted by the Project can be estimated in the ***Le 34 to 42 billion range (i.e. about US$ 10 – 12.6 million) for the period 2008 – 2010***. Calculations are shown in Tables D.4 and D.5 below.

Table D.4 Estimate of Investment in Newly Created Businesses – High Case Scenario

Years	New Businesses	Average Investment (Le)	Total Investment (Le)	Exchange Rate Le /US$	Total Investment (US$)
2008	615	15,000,000	9,225,000,000	2984.59	3,090,877
2009	981	15,000,000	14,715,000,000	3026.21	4,862,518
2010	1,206	15,000,000	18,090,000,000	3896.82	4,642,247
Total	**2,802**		**42,030,000,000**		**12,595,641**

Table D.5 Estimate of Investment in Newly Created Businesses – Low Case Scenario

Years	New Businesses	Average Investment (Le)	Total Investment (Le)	Exchange Rate Le /US$	Total Investment (US$)
2008	492	15,000,000	7,380,000,000	2984.59	2,472,701
2009	784	15,000,000	11,760,000,000	3026.21	3,886,049
2010	965	15,000,000	14,475,000,000	3896.82	3,714,567
Total	**2,241**		**33,615,000,000**		**10,073,318**

[55] In principle, data on assets owned by enterprises were also collected by the Informality Survey, but the main text (volume 1) does not provide any information in this respect, and volume 3, including frequency tables for all questions, was never made available to the Consultant.

D.4 Estimate of Employment Associated with Establishment of New Businesses

The impact on employment creation associated with the growth in enterprise formation was estimated on the basis of the average number of employees per business, exploiting data collected from several sources. The ***Baseline survey*** collected data on the total number of employees (full-time and part-time employees) in ranges. Therefore, the average number of employees in a range was set to the mid-point. This procedure is based on the strong assumption that mid-points adequately represent average values, which may not be the case, especially for ranges further away from the middle. This issue is more severe for the highest range, which is simply defined as "over 20 employees". In this case, two scenarios were taken into consideration, with an average workforce equal to 35 and 60 people. The average value of initial workforce was then estimated at 9.4 and 12.3 people, respectively. Calculations are shown in Tables D.6 below.

Table D.6 Estimate of Average Number of Employees, Formal Businesses

Initial Investment	# of jobs	High Case	Low Case
		Workforce assumption (mid-point of the range)	Workforce assumption (mid-point of the range)
<3	111	1.5	1.5
3-4	113	3.5	3.5
5-8	107	6.5	6.5
9-20	82	14.5	14.5
Over 20	55	35	60
Total	**468**		
Average Number of Employees		***9.4***	***12.3***

Source: Baseline Survey

The estimated values look consistent with information collected by the ***SLIBA survey***, which set the average number of workers at 10.8 people. However, these figures look excessively high and may well represent an overestimation, given that both surveys refer to the current, not the initial number of employees. In fact, much smaller figures were collected in 2005 by the ***Census of Business Establishments***, estimating the average workforce per business at 3.6 people (and at 2.6 people for trading businesses). However, these figures are likely to underestimate the true value, as, first, about two thirds of covered establishments were operating informally, and, secondly, data refer to year 2004. As a result of these contrasting indications, the average value finally retained for estimating the employment impact associated with the growth in enterprise formation was ***6 people per formal business***. The value retained appears to be in line with ***WBES*** results, where the adjusted average (one outlier excluded) value of the level of employment at the moment of start up for businesses in the trade sector was 5.86. This value was then applied to the number of newly registered businesses whose creation can be attributed to the reforms supported by the Project. Based on this procedure, the incremental employment somehow associated with the increased pace on enterprise formation can be estimated in the region of ***13,400 to 16,800 for the whole period 2008 – 2010***. Calculations are shown in Table D.7.

Table D.7 Estimate of Employment in Newly Created Businesses

Years	Average Employment at Start-up	Low Case		High Case	
		Number of Businesses	Estimated Employment	Number of Businesses	Estimated Employment
2008	6	492	2,952	615	3,690
2009	6	784	4,706	981	5,883
2010	6	965	5,789	1,206	7,236
Total		**2,241**	**13,447**	**2,802**	**16,809**

D.5 Estimate of Businesses Complying with Tax Regulations and Tax Revenue Generated

Based on the information provided by the NRA, a positive trend in the number of businesses complying with tax regulations was recorded between 2007 and 2010, as illustrated in Table D.8 below. In particular, an exceptional increase is being registered in 2010, when the number of businesses complying with tax regulations increased by about twenty-five percent in the first four months only. No major differences in the growth rate between corporate and unincorporated businesses are discernible.

Table D.8 Active Taxpayers for Income Tax Purposes

Registration Regime	2007	2008	2009	2010
Income tax - self employed	2,864	3,081	3,410	4,212*
Income tax - corporate entities	513	545	654	808*
Total	**3,377**	**3,626**	**4,064**	**5,020***

* Data refer to the first quarter only.

The Project could have contributed to this positive trend through two types of activities, namely: (i) the simplification of business registration procedures, and therefore, the increased pace in enterprise formation, and (ii) the implementation of activities specifically aimed at raising the tax compliance rate, such as the organization of the education and information campaign about taxes and the facilitation and introduction of amendments regarding self-assessment provision to article 104A Finance Act 2009. As for the first driver, the lack of a clear link seems to emerge and the poor comparability of data provided by the NRA and the OARG prevents meaningful quantifications. Vice versa, the latter set of activities undertaken by the Project in 2009 and 2010 definitely played an instrumental role in raising the number of businesses complying with tax regulations. However, given the novelty of this impact, and the limited information basis available, a very rough quantification of this impact can be achieved.

Based on the conservative assumption that between 25% and 40% of the increased number of active taxpayers recorded in 2009 and 2010 is prompted by the Project, its contribution towards increasing business tax compliance can be grossly quantified between ***350 and 550 additional businesses paying taxes for the period 2009 - 2010***, of which 70-100 are corporations and 280-450 are unincorporated businesses. Finally, based on the average value of income tax paid by different types of taxpayers in 2009 (i.e. Le 9 million for unincorporated businesses and Le 40 million for corporations), the ***additional tax revenue generated by the Project can be estimated between Le 5.3 and Le 8 million*** (i.e. between US$ 1.4 and 2.1 million) for the period 2009-2010.

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