



SIERRA LEONE – July 2020

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IMF supports Freetown City Council’s property tax reforms

Implementation of Property Tax Reforms by the Freetown City Council, under the leadership of Mayor Yvonne Aki-Sawyer has become a highly topical issue with some in favour of and others against – saying the timing is not right, as the nation grapples with the spread of the coronavirus.

However, what is indeed certain is that Mayor Aki-Sawyer has made it categorically clear that a reform is necessary in order to ensure the Council can generate more revenue which it needs to execute some of its traditional functions, chief among which is to effectively continue to keep the city clean.

She says that allocations from the Ministry of Finance are not disbursed timely, and that, this is negatively impinging on the activities of the Council.

This issue took another dimension last week, when the Minister of Local Government and Rural Development, Tamba Lamina, stated that the Mayor failed to follow due process in her move to institute the reform.

It could be recalled that recently the Freetown City Council utilized resources in order to undertake a geo-mapping of all properties in Freetown to determine their value which should provide the basis of how much a particular property owner should pay annually as property tax.

In a recent interview, Mayor Aki-Sawyer explained that the data they generated after the mapping exercise clearly shows that tax on certain properties will go down and others will go up.

She further mentioned that although it is an annual tax, yet property owners could pay on monthly instalments. Also, she mentioned that payment of the new property rates will take effect after the end of September this year.

While this debate is taking place, the International Monetary Fund (IMF), on the 28th June 2020, added its voice in a published statement, title – “IMF views of Freetown City Council’s Property Tax Reform.”

This is what the IMF said: “We fully support this reform that appears to be in line with the best regional practice. While there is always room for improvement, we believe this reform could bring Freetown in line with other towns in the country and region in improving the property tax system. While these taxes represent almost half of the city’s revenue (more than in other towns), a reform of the property taxation system is needed. We believe that successful implementation of this reform could allow for a doubling or even tripling of Freetown’s own-source revenue in a clear and transparent way.

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“This increase in resources would reduce the FCC’s reliance on at times unpredictable transfers from the central Government and ensure sufficient and timely revenue for the provision of sanitation and hygiene services – critical during the pandemic and beyond.”

The IMF also commended the Freetown City Council for excellently communicating the reform process and the anticipated advantages that would ensue when it comes into effect.

The Bretton Woods financial institution welcomed the FCC’s actions to inform taxpayers on the introduction of the points-based property tax, while recognizing it may not have reached all-mainly low-income-property taxpayers.

The IMF added, “We would strongly support plans to continue this information campaign and suggest reinforcing it (including showing how this revenue can improve Freetown’s public services). This means ensuring improvements in public works are visible and linked to increased property tax revenue (e.g., signage that this school/hospital/street is maintained/cleaned using that money)”.

With regards postponement of the reform, the IMF said they do not see any strong reason to postpone the reform in the current COVID-19 context.

It says, on the contrary, they support implementing the new system that allows increased property taxes on high-end property, while supporting the most vulnerable and those most affected by the crisis.

The IMF furthered that as the FCC has already announced the reform and new property rates, postponing or suspending the reform could be counter-productive, eroding tax compliance and the overall trust in the reform agenda.

The institution maintained that in line with their broader fiscal policy advice, administrative measures should be the first line of defense to protect individuals and firms affected by the crisis. It said that these measures should be targeted, temporary and timely.

“As mean-testing is limited, affected individuals and firms should reach out to the FCC administration to indicate their payment difficulties. Local tax administration should do the same. The use of digital solutions in the new system facilitates making these contacts and entering in payment agreements if they are needed,” the IMF concluded.

In an interview granted to this medium by Mayor Yvonne Aki-Sawyer, during which she was asked whether she failed to follow due process in the introduction of the new property tax system in Freetown and because of that was lambasted followed by her subsequent apology, she responded by saying that making certain clarifications was necessary.

She said that in a meeting held with the Minister of Local Government, Tamba Lamina, the Minister’s position was that FCC did not follow the provision of LGA 2003 Sections 69-72.

The Mayor stated, however, that she made reference to the guidelines being provided by the Ministry of Local Government further stating that she addressed certain points raised by the Minister as she had earlier done in a letter sent to the Minister.

“I went on to explain that FCC adopted a points-based system that is already in use in other cities in Sierra Leone, assuming that the guidelines apply,” she explained.

The Mayor highlighted how she suggested that the Ministry and FCC must address whatever legal gaps the Minister felt there were, whilst proceeding with the new system. According to her, the Minister said that

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Government's position is that FCC should stop using the new system and revert to the old manual property rate roll.

"In my response I said that I believe this is a matter of legal interpretation and would take advice from FCC's legal advisors. I noted that the old manual roll of properties would need to be printed and distributed, and that would cost millions and leave out the additional 67,279 properties," she said.

Aki-Sawyer pointed out that she explained about the Appeals Desk, the timing for payment not being till 31st December 2020, relief for pensioner policy, etc. including how Council is very respectful of Government's position as they also do not want to cause hardship for Freetonians.

"No one is being asked to pay till 31st December but FCC will not stop the property rate reform implementation on the basis of the meeting as legal advice is required. This DFID funded project has cost £1m, has been implemented with the support of two internationally recognized consultancies with vast tax experience and expertise (IGC and ICTD) and is critical to enable FCC to meet its running costs and deliver services to Freetonians," she assured.

She revealed how no explanation was given about the non-payment of fiscal transfers, during the meeting, even as she explained that they have not paid their 566 members of staff for the past two months.

As one resident of Freetown commented: "Let me take this time to appreciate a true icon, a strong woman and a fervent driver of change. Yvonne Aki-Sawyer has done what a lot of people thought was not possible, she has reformed a rotten, corrupt and archaic property tax system and transitioned to a modern and progressive method which establishes equity, accountability and sanity as its pillars. A system where 83% of all assessable properties will only have to pay Le. 100,000 to Le. 500,000 annually. A system that will ensure that all residents of this city have better sanitation, side roads, municipal schools, drainage systems etc, etc. A system which cuts off the possibility of having public money ending up in "one man's pocket."

"It's a shame that a government that has claimed to support sustainable and transparent development can present itself as a stumbling block to the same thing it claims to champion. Or are they afraid of a self-sustaining city? A city where basic public services will be duly provided regardless of politics?"

"Fellow Freetonians, let's be on the right side of history. Let's support Yvonne Aki-Sawyer – Mayor of Freetown, and pay our property taxes/business licenses to the Freetown City Council.

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