LOCAL REVENUE ENHANCEMENT

PARTICIPANT HANDBOOK

June 2016

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Local Revenue Enhancement

Participant Handbook

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ACRONYMS

CAO  Chief Administration Officer
CFO  Chief Finance Officer
GoU  Government of Uganda
HLG  Higher Local Government
HoIA Head of Internal Audit
LC  Local Council
LGs  Local Governments
LGA  Local Government Act
LGH T Local Government Hotel Tax
LGST Local Government Service Tax
LGRA Local Government (Rating) Act 2003
LGFARs  Local Government Financial and Accounting Regulations
LGFC Local Government Finance Commission
LGPAC Local Government Public Accounts Committee
LLG  Lower Local Government
LHT  Local Hotel Tax
LST  Local Service Tax
O&M  Operations and Maintenance
PFM  Public Financial Management
USAID United States Agency for International Development
FOREWORD

The Government of Uganda (GoU) has initiated a new public financial management (PFM) strategy which among others advocates is aimed at increasing efficiency and effectiveness of Local revenue Enhancement (LRE) at all levels of governance. Since 2010, the Strengthening Decentralization for Sustainability (SDS) Program has been supporting the initial 35 partner districts and currently 50 partner districts in conducting workshops and other training clinics with the objective and focus of linking the efficiency of LRE to service delivery.

This training was followed by a Training of Trainers to roll out this knowledge to lower local governments as so as to increase level of sustainability at current local budget levels.

Despite GoU and SDS funding a number of interventions, local government service delivery remains a challenge. The program is more desirous to encourage Local governments to explore new revenue areas specifically within the Local Tourism domain.

This Handbook focuses on the concept of LRE so as to harness the low hanging fruits and tourism.

In order to ensure the sustainability of results, SDS Program is privileged to support this initiative to ensure the identified resources are included in the LRE plan and effected through a concerted effort at the Lower local governments level.

Denis Okwar
Chief of Party
SDS Program
I. REVENUE ENHANCEMENT

1.1. BACKGROUND AND OBJECTIVES

This handbook is a follow up on previous training done for selected elected and appointed officials at the district level. Considering that lower local governments have other more specific and special needs, this manual intends to address such needs and enable harmonized approach to revenue enhancement initiatives for the entire District. Recent external Audit Reports point to persistent revenue shortfalls and absence of consistent application of revenue enhancement best practices.

Objectives
The Strengthening Decentralization for Sustainability (SDS) program intends to cascade skills that will enable Lower Local governments (LLGs) to increase on revenue volumes on a more sustainable basis so as to support better service delivery and better downward accountability.

The key objective for this manual and the training is to enable selected participants at the Lower Local Government level acquire required skills in revenue enhancement and to acquaint themselves with the best practices in revenue enhancement.

Training Objectives
As an outcome, at the end of the training, participants will be expected to be able to;

- Identify the major sources of LG revenues
- The justification for levying revenues
- Explain the importance of revenues in service delivery
- The legal framework governing each revenue source

1.2. WHAT IS LOCAL REVENUE?

Revenue is income collected and received by a Local Government. Revenue refers to a sum of payments received by a LG from individual residents and organizations and transfers by the national government for the purpose of financing service delivery and devolved expenditure functions. The locally raised revenues (LRRs) are expected to be received from within the jurisdiction of the LG.

1.2.1. Local Revenue Context

LRRs are a discretionary source of financing and therefore a critical success factor in providing sustainable service delivery and more especially the operations and Maintenance (O&M)

The capacity of local governments to raise and administer local revenues is essential for enhanced decentralization, participatory democracy, and better service delivery. This is the foundation of a genuine local government.

Communities are demanding more services and better services. The need for sustained local revenue enhancement can therefore not be over emphasized. Survival and continued relevance of local governments are critically dependent on betterment of local revenues and in turn service delivery in support for the SDGs and National Vision 2040. Communities are likely to be willing to “buy” the concept if there is a significant linkage to quality and quantity of service delivered.

1.2.2. What is the Key Purpose for Levying Revenue?

Local governments levy taxes or charge fees for multiple purposes besides purely revenue generation, which

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1LGs allocate revenues collected from these sources to supplement expenditure functions listed in the second schedule of the LGA (Cap 243).
include the following:

- Service provision: LRRs are a discretionary source of financing and therefore a critical success factor in providing sustainable service delivery and more especially the operations and Maintenance (O&M) costs. This includes all sources, though a more specific example is parking fees and market dues, which are purposely raised for maintaining the parking sites and market facilities, respectively.

- Consumption/production of products/services or changing behavior. These charges may include permits for sale and consumption of spirits, entertainment permits, grazing of animals in urban areas. Such charges may be higher than other usual charges.

- Regulatory purposes: such cases may include business licenses and permits. The fee is usually considerably low but when it is high, it often attributed to trying to make the business owner move to the right location/street or choose another type of business.

- Redistributing wealth/income or to cross subsidize services for lower income persons: Fees for collection of garbage would be higher in richer locations than in low income areas, other examples will include Local Government Service Tax (LGST), and Local Government Hotel Tax (LGHT), and property rates. It is known that these can only be paid by those with high incomes and thus taxing them raises revenue, which is later redistributed by providing services to the general population.

1.3. **IMPORTANCE OF REVENUE IN SERVICE DELIVERY**

Social accountability requires that revenue mobilization has a functional relationship with service delivery. LGs must, at foremost, be able to “sell” to the community, the concept of paying revenues locally.

Revenue collected is important because the operations and functions of the LLG Council largely depend on the availability of revenue. There are little direct government grants directly sent to LLGs and therefore to sustain local priority services at the LLG maximum effort must be put in maximizing collection. Generally there local revenues finance activities such as:

- Finance discretionary activities like community roads, bridges, water services
- Pay councilors’ emoluments
- Routine maintenance and administrative costs

1.4. **KEY JUSTIFICATION – LEVYING AND COLLECTION OF REVENUE**

- **Civic and constitutional duty** - It is a constitutional duty and equitable for every responsible citizen “to contribute to the well-being of the community where that citizen lives”, see [Part X] of the Constitution. It is inequitable that a community should have “free riders” in service delivery even when there is an identifiable and exclusive and personal benefit derived in consumption of such services.

- **Betterment of service delivery** - Increased revenue enables municipalities and districts to grow and improve services and thus expand the scope of service provision in terms of both quality and quantity, reaching more community members.

- **Increased resource allocation for local priority services** - Reduced level of dependence on the center provides an opportunity for increased autonomy and to spend more on local priorities, such as supporting more school inspections.
• **External funding conditions and status** - The national budget is already overburdened and can only provide about 12% towards LG service delivery! This constraint in external funding has reduced capacity for LGs to finance O&M costs. Increased revenues will provide the opportunity for change. Moreover, increased external funding increasingly requires more counter-part funding which further crowds out O&M costs. LGs must consequently develop innovative strategies to increase local revenue to match the increasing quality service demand.²

• **Transparency and downward accountability** - Increased tax compliance generates an interest in how services are delivered, creates a demand for transparency and downward accountability, and promotes ownership of local programs. Transparency increases overall confidence in governments and leadership.

• **Better remuneration** - Increased local revenues may result in better allowances for councilors and better salaries and conditions for staff, also contribution to retention of skilled staff.

### 1.5. **WHAT ARE THE REVENUE CATEGORIES AVAILABLE FOR LGs**

Revenue refers to a sum of payments received by a LG from individual residents and organizations and transfers by the national government for the purpose of financing service delivery and devolved expenditure functions³. The locally raised revenues (LRRs) are expected to be received from within the jurisdiction of the LG. Local revenues are categorized under Tax revenues, Non Tax revenues and Other Revenues.

**Tax Revenue is comprised of:**
- LST
- LHT and
- Taxes on property and land transaction charges.

**Non-Tax Revenue is comprised of:**
- Business licenses and permits
- Market dues
- User fees from vehicle parking and open spaces
- Property revenue and land transaction charges
- Rent and rates
- Royalties and agency fees
- Cess on produce and animals
- Fees on registration, and
- Other revenues(Fifth Schedule, part IV of LGA) and as may be prescribed by the local government and approved by the minister, by requirement of the Constitution Article 1524

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³ Observation shows large deficit in garbage collection, sanitation, urban roads and health services and maintaining road equipment.

³LGs allocate revenues collected from these sources to supplement expenditure functions listed in the second schedule of the LGA (Cap 243).

⁴ "No tax shall be imposed except under the authority under an Act of Parliament"
2. REVENUE SOURCES AND LEGAL FRAMEWORK

2.1. OBJECTIVES

By the end of this chapter, participants should be able to:

- Identify the legal framework enabling assessment and collection of various revenue sources
- Identify the challenges relating to key revenue sources
- Know the legal procedures for sharing revenue collections between various levels of LGs.
- Identify opportunities available within their local governments to increase revenue volumes.
- Clearly identify low hanging fruits more especially those relating to tourism industry.

2.2. CURRENT LEGAL FRAMEWORK

The mandate to levy, charge, and collect appropriate fees and taxes is derived from Article 191(1) of the Constitution which is enabled by section 80 (3) of the LGA (Cap 243) and detailed under the fifth schedule of the same Act. Assessment and collection of revenues is a function of the LLGs who are then required to remit at least 35% to the HLG.

At the sometime, collection Control of local revenues by the Central Government is exercised by virtue of Article 152 of the Constitution, which states that no taxes will be imposed unless approved by the Parliament. Article 196 (a) requires each LG to draw up and maintain a comprehensive list of all its internal revenue sources and to maintain data on its total revenue potential.

Specified revenue sources are managed under various legal frameworks as indicated below:

- Local Governments Rating Act [some amendments done in 2012]
- Trade Licensing Act, CAP 101 [some amendments done in 2012]
- The Markets Act, CAP 94
- The Hotels Act, CAP 90
- The Fish Act, CAP 93
- The Cattle Traders Act, CAP 224
- The Public Health Act 1964
- The Lands Act
- The Liquor Act

The further empowers LLGs to formulate by-laws applicable to specific sub county or Town Council. LLGs are encouraged to take advantage of this provision but must ensure that any new tax proposals are fair and equitable so as to avoid challenges of political and social acceptability.

2.3. COLLECTION OF LOCAL REVENUE

Section 86 of the LGA, 1997 states that in the city and municipal councils, revenue is to be collected by division councils while in the districts (rural), revenue is to be collected by sub-county councils. The town councils directly collect their revenues. The implication of all this is that the law permits collection of local revenue at the LLG level.

However, the city or municipality may, with the concurrence of a division in its area of jurisdiction, collect revenue on behalf of a division [S 86 (1B)] of the LGA. The same applies to districts and sub-counties, [S 86 (4)] of the LGA.

Despite this arrangement, it should be noted that there are other levels of LGs where service delivery is
undertaken as provided in the Act, such as at the district, county, village levels, etc. For this reason, there is a need to share the revenue collected at the division and sub-county levels.

2.4. **REVENUE SHARING**

**In City and Municipal Councils:**
A city or a municipal division retains fifty percent (50%) of all the revenue it collects in its area of jurisdiction and remits fifty percent (50%) to the city or municipal Council headquarters. The fifty percent retained by each division (now becomes 100%) is in turn shared between the division and its village and parish/ward Councils as follows:

- 25% is distributed among its village Councils;
- 10% is distributed among its parish/ward Councils.

This implies that a division remains with 65% of the revenue for its activities.

For purposes of addressing inequalities in revenue bases among the divisions, a city or municipal council distributes as grants at least 30% of its total revenue collected to the division within its area of jurisdiction. There is a formula provided in the Act for distribution of the grants at the lower levels or local levels. (See fifth schedule, LGA 1997).

Where a city or municipal fails to remit funds downwards (as outlined in the paragraph above) the divisions can retain the amount due to it.

**In rural District Councils:**
Each sub-county retains sixty five percent (65%) of all the revenue it collects in its area of jurisdiction. (It can retain any higher percentage as the district may approve). The remaining percentage is passed over to the district.

The 65% retained by the sub-county (now becomes 100%) is in turn shared between the Sub-county and the administrative units as follows:-
- 5% is remitted to the county council in which the sub-county is located;
- 5% is distributed among the parishes of the sub-county
- 25% is distributed among all the villages within the sub-county.

**In Division Council:**
Funds retained by the division plus what it receives from the city or municipal Council is shared between the division and its parishes/wards and villages as follows:
- 25% amongst its villages;
- 10% amongst its parishes/wards.

**In Town Councils:**
Each town council collects and keeps a hundred percent (100%) of the revenue for its activities. The funds are shared between the town councils and its parishes/wards and villages as follows:
- 25% amongst its villages;
- 10% amongst its parishes/wards.

**2.4.1. Other Issues on Revenue Sharing**

For purposes of a healthy cash flow, distribution of funds among Councils and Administrative Units should be done on a monthly basis. There are incidences when on prior agreement, district, city or municipality collects revenue on behalf of the Sub-county (ies) or division(s). Where this is done the district or municipality remits the 65% or 50% to the relevant Sub-county (ies) or division(s). The Chief Executive at the sub-county and
division council must ensure that laws and rules, in particular the formula for distribution of the funds as provided in the Act and LGFARs, are followed accordingly.

2.4.2. Non-remittance of the Revenue Collected
In case a sub-county fails to remit or any lower percentage as approved, the district may take appropriate measures to make full recovery of the revenue due to it (such a measure can be halting transfer of funds from the Collection Account of the Sub-county to its Operational Account). In the same way, if a district fails to send downward to the sub-county, the sub-county may decide to recover the revenue due to it by withholding the district council’s share.

2.4.3. Local Service Tax
The Local Governments Amendment Act No.2 of 2008 introduced the LST which applies to people in gainful employment, self-employed practicing professionals, self-employed artisans, and businessmen and women, whose income is above a threshold determined by regulations. The tax potential is based on the following categories of business and individuals:

- All employees on government payroll
- All employees on non-government payrolls like the private sector and NGOs,
- Commercial farmers, although the guidelines on assessment and collection are not yet available
- Practicing medical professionals, lawyers, accountants, architects, etc.
- Self-employed artisans, such as welders, plumbers, electricians, radio and television repairers, and watch repairers, etc., and
- Self-employed businessmen and women, tax is paid based on turnover but not profits earned on businesses.


2.4.4. LST Challenges and Opportunities
The key challenge has been cited as poor data especially due to the informal nature of business which rarely have records or just reluctant to disclose information. It is also true that LLGs have been slow in responding to some of these challenges which may have been worsened by political interventions.

The tax base is narrow and the threshold is still high for persons with gainful employment (i.e., those receiving a monthly salary between UGX 100,000 and UGX 200,000), who only pay only UGX 5,000 a year. Therefore, the current threshold excludes those employees that receive a salary or earnings below UGX 100,000 a month. However, lowering the threshold and broadening the tax base with new sectors should be considered and preceded by thorough socio-economic analysis to avoid heavier tax burdens on citizens already experiencing challenges to their economic wellbeing and livelihood.

2.4.5. Local Hotel Tax [LHT]
LHT is a tax charged by LGs per night for each hotel/lodging room occupied. It is levied on the occupant on top of the cost of the room. Unlike LST, the hotel management collects the tax, but the tax burden is passed on to the service user and not the facility owner, the occupant pays at least 1% of the charge.

The biggest challenge is that most hotel accommodation is located in Town Councils.

2.5. BUSINESS LICENCES
This is revenue generated from licensing of organizations operating within a LLG. The key challenges are:

- High number of informal businesses with insufficient data on types and categories of businesses operating in LLGs which undermines fair assessment and collection
- Inadequate coordination between political leaders and technical staff in business registration and assessment.
• Limited engagement with the business community and involvement of political leaders in addressing issues in the business environment.

2.6. **MARKET DUES, PARKING FEES AND RELATED REVENUE**

Market dues are presumed to be the predominant local source of revenue. The major challenges of this source include: poor infrastructure and facilities, ungazetted, and market management issues. Collection has been undermined by cases such as:

• LLGs may not be fully engaged during the contracting out process and this may be making LLG less enthusiastic at collection
• Poor accessibility to most markets due to poor road networks in the LGs and poor infrastructures in the markets. Most markets do not have running water, permanent stalls, and are not fenced. This discourages market vendors from paying market dues
• There is inadequate capacity of both lower local governments (LLGs) to supervise and monitor revenue facilities to augment contract management
• Due to lack of data, private revenue collectors sometimes offer unrealistic and high bid prices, thus exaggerating the revenue budget. Most times, the offer price cannot be fulfilled by the tenderers.
• Forgery of receipts and other stationery used in markets is a setback in LGs.
• Parking fees are largely prominent in urban areas except for a few boda boda stages which may be difficult to collect from due to recent political pronouncements

2.7. **PROPERTY RATES AND PROPERTY RELATED CHARGES**

This is revenue collected from property rates and land transactions in LLGs. However, this revenue source will appear to have the greatest potential in LGs where there is a fast emerging urban growth center. The Rating Act exempts all owner occupied residential property which are predominant in rural LGs. For assessment even if there are no technical valuation rolls.

More urbanized LLGs should start updates on commercial property. The law requires that a separate Rates revenue account be opened and 75% of the collection be retained by the zone from which this revenue is collected for service delivery.

Other property related charges are for activities that are related to land development and control. These are charged by LGs in consultation with the Ministry of Lands and Urban Development and include and premiums, application processing fees, consent to transfer fees/charge, valuation fees, conveyance fees, building plan approval fees, building inspection fees, survey fees, and land inspection fees.

2.8. **ROYALTY FEES**

The collection performance of royalty fees for LGs is payable by the Government based on the extraction of natural resources, such as forests, power generation, minerals, and from the companies that exploit natural resources within the confines of the LGs. Particular references to be made: the Electricity Act, 1999, Section 75 (7), (8) and (9), Uganda Wild Life Act, 1996, Cap.200 Section 69 (4), Section 98(1) and (2) of the Mining Act, 2003 provides that “subject to section 100.

The organizations with direct links to such activities include, *inter alia*, Hydropower Generation, Uganda Wildlife Authority, National Parks, Development for Minerals and Mining, and the National Forestry Authority. Key challenges include: insufficient data on the operations that could attract royalties, unclear government policies and guidelines on modalities for collecting royalties and setting rates and uncertainty on formulae used to share royalties.
Other revenues, such as departmental revenue (including fees from forest products; veterinary fees, registration of births; registration of marriages and deaths; land transaction charges); cess on produce; loading fees (i.e., on sand, gravel, stones; fines; and other charges that can be prescribed by the LGs) are always lumped as “Other Sources” of revenue. The performance of other sources has been rising more steadily than is the case for key tax revenues.

2.9. OTHER LOCAL REVENUE
3. **LOCAL REVENUE ADMINISTRATION PROCESS**

3.1. **OBJECTIVES**

By the end of this chapter, participants should be able to:

- Explain the revenue administration cycle
- Identify specific activities relating to each process in the cycle
- Identify best practices relating to revenue administration
- Analyze the revenue policy framework
- Be able to sell tax policy initiatives to communities and other related stakeholders

3.2. **REVENUE ADMINISTRATION CYCLE AND PROCESS**

In order to ensure effective and efficient revenue mobilization, there are some generic processes and activities that are expected to be undertaken by all stakeholders in revenue mobilization.

Table 1 below provides examples of activities undertaken during each process in revenue mobilization. These activities may vary depending on the type of revenue and stage in its development. A new or alternate source of revenue will start with formulation of the legal framework while an existing source may not have any issues with the framework.

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<th>Possible Activities</th>
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<td>Policy and regulatory framework</td>
<td>- Formulate by laws, ordinances, repeal of the law</td>
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<td>- Set and approve tariff structures and rates</td>
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<td>- Develop collection systems and earmark revenues</td>
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<td>2</td>
<td>Enumeration and registration of payers</td>
<td>- Revenue mapping, identification and listing of tax payers</td>
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<td></td>
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<td>- Record income source on a form provided</td>
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<td>3</td>
<td>Sensitization, publicity and Tax Assessment</td>
<td>- Determine the tax/revenue payable</td>
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<td>- Hold public meetings and barazas, awareness seminars</td>
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<td>- Publicize in media and talk shows</td>
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<td>4</td>
<td>Collection and Customer engagement</td>
<td>- Billing and distribution of bills</td>
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<td>- Publicize payment procedures, payment systems</td>
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<td>- Provide information on revenue contractors</td>
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<td>5</td>
<td>Monitoring and enforcement</td>
<td>- Ensure that what is billed is correct and is collected</td>
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<td>- Follow up defaulters, prosecution and penalizing processes</td>
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<td>- Court action and enforcement- closures…...</td>
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<td>- Conduct internal revenue audits</td>
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<td>Recording and accountability</td>
<td>- Links Services to revenues</td>
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<td></td>
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<td>- Publicize collections and usage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Perform regular revenue reporting by type and location</td>
</tr>
</tbody>
</table>

3.3. **LRRs – INSTRUMENT POLICY CONSIDERATIONS**

A well-designed system of local taxation can reconcile the needs of various stakeholders, including local authorities, residents, and businesses. A local authority’s pursuit of strong local revenues is often perceived to be in conflict with the needs of residents and businesses and in the recent past there has been a lot of political action against local revenues. Revenue mobilization activities and outcomes have varying social and economic impacts on communities.
Table 2: Revenue Policy Considerations; shows important criteria to consider when deciding on especially new revenue sources for LLGs

Table 2: Best Practices Assessment-Basic Tax Policy Considerations

<table>
<thead>
<tr>
<th>#</th>
<th>Revenue Policy Considerations</th>
<th>Impact and Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adequacy and Productivity</td>
<td>A revenue source should have a potential of yielding substantial revenues, especially if for a specified purpose. Small revenue sources are expensive in terms of expenditure on collection and effort. [Relate this to taxes on bicycles, garbage collection…]</td>
</tr>
<tr>
<td>2</td>
<td>User Friendliness</td>
<td>Assessment methods used must be understandable to both the taxpayer and the revenue administrators, e.g. is the property tax assessment based on area occupied or type of materials used? Complicated revenue instruments lead to disputes, delays, and high collection costs in terms of time and resources.</td>
</tr>
<tr>
<td>3</td>
<td>Yield Growth Elasticity</td>
<td>Revenue should increase automatically with the base so that frequent and large increases in tariffs is discouraged</td>
</tr>
<tr>
<td>4</td>
<td>Social Equity</td>
<td>Equity means fairness. Taxes should be based on ability to pay by each taxpayer. Those who pay directly for services should be served appropriately</td>
</tr>
<tr>
<td>5</td>
<td>Administrative Capacity and Costs</td>
<td>The costs, effort and time involved in administering a particular revenue source should not be more than the actual revenues collected. Direct Cost of collection and administration, between 0% -5 if the tax collection system has to categorized as efficient.</td>
</tr>
<tr>
<td>6</td>
<td>Taxpayer Convenience</td>
<td>Places, seasons and periods in which tax is collected should be convenient to the taxpayer. A taxpayer should not move long distances to pay at a sub-county if it is possible to open out- posts, e-payments</td>
</tr>
<tr>
<td>7</td>
<td>Certainty, Predictability</td>
<td>The nature, base and amount must be known to the taxpayer without doubt. Uncertainty defeats the prospect of self-assessment; discourages further investment and reduces work effort.</td>
</tr>
<tr>
<td>8</td>
<td>Political Acceptability</td>
<td>Some revenue sources are very unpopular especially if direct affecting the poor, taxation of land and animals</td>
</tr>
<tr>
<td>9</td>
<td>Economic Impact and Ability to Pay</td>
<td>Taxes, charges or fees should not negatively affect the propensity of taxpayers to work, save, consume or invest and meet good living conditions</td>
</tr>
</tbody>
</table>

3.4. BEST PRACTICES – REVENUE ADMINISTRATION POLICY

Best practices should generally involve directly linking taxes collected to service delivered. Similarly, the engagement of customer friendly tax collectors, who must explain the importance of taxes to service delivery in a user friendly manner results into increased revenue collections in a local council. Good practice helps the community to appreciate the benefits of paying taxes and also makes the tax collection exercise a lot easier. Other best practices in the framework may be:

- Provide incentives for LLG to facilitate the formation and growth of local economic and enterprise development
- Include accessible tax tribunals and institutions to ensure fair and transparent assessment and better taxpayer engagement and using documents in a language generally understood by communities
- Be compliant with due legal process, not duress and intimidation
- Involve sufficient and adequate levels of community sensitization and awareness which includes education and information to taxpayers using all available economically viable means
- Exhibit transparency and accountability by publication of the services funded by taxes and demonstrate prudence and efficiency in use of resources
- Motivate taxpayers through incentives for collectors and best payers
- Involve staff training and development
- Increase tax payer convenience in terms of payment systems and location of cash offices
- Sensitize and educate political leaders and employees of the council, who are key in revenue mobilization
- Motivate collectors of revenue and cashiers to reach certain targets and
- Involve regular and effective communication between the tax mobilizers and the taxpayers.
4. **THE ROLES OF STAKEHOLDERS**

4.1. **OBJECTIVES**

By the end of the training, the participants should be able to:

- identify the roles and responsibilities of the various stakeholders in revenue enhancement process
- identify any challenges encountered by key stakeholders in revenue enhancement
- identify possible solutions and strategies to overcome identified challenges

4.1.1. The Chief Administrative Officer (CAO)

The roles of the CAO relate to their role as Accounting Officers of the district key among which is:

- Responsibility for the implementation of all revenue enhancement decisions taken by the council
- Ensuring the appointment of qualified and competent Head of Finance (HoF) and Head of Internal Audit (HoIA) and other staff relevant to revenue administration process.
- Presenting revenue policy advice to the District Council
- Ensuring that collection targets are being achieved
- Guiding District Council on revenue legislation

4.1.2. District Head of Finance

The HoF is the chief receiver of district revenues. Functions specific to revenue are:

- Ensuring the revenue budget is in place in the expected time
- Providing policy support and ensuring that all billed revenues are collected
- Supervising all revenue staff and instituting measures against fraud and embezzlement,
- Timely provision of receipts and relevant record books and ensuring that revenues are collected in approved manner.
- Collecting the percentage of revenue due to the council from the lower local governments
- Remitting to the LLGs the relevant percentage of revenue collected by the HLG on behalf of the LLGs

4.1.3. Senior Assistant Secretaries (SAS)/ Sub County Chief/Town Clerk

The SAS is appointed by the District Service Commission (DSC) and may work as an Accounting Officer on delegation by the Chief Administrative Officer, (CAO).

This level is the Accounting Officer. The roles of the Sub-county Chief/Town Clerk in their capacity as the accounting officers include but are not limited to:

- Responsibility for the implementation of all revenue enhancement decisions taken by the council
- Responsibility for enforcement
- Support and participation in local publicity initiatives in order to mobilize revenue
- Ensuring that collection targets are being achieved
- Giving guidance to the Council in the application of revenue legislation.

4.1.4. Sub Accountant at the Sub County

The roles of the Sub Accountant are similar to the HoF at the district level, except that the HoF is at policy level management. Key roles of the sub accountant are:

- Coordinating the preparation of revenue estimates for consideration and approval by the LLG Council
- Supervising all officers entrusted with the receipt of Council revenue
- Ensuring that proper records are kept for revenue collections
- Safe-keeping of all revenue collected and receipting media.
4.1.5. Parish Chiefs/ Revenue collectors and Cashiers
- Receive revenues and issue receipts where relevant
- Ensure that all billed revenues are collected and banked
- Maintain relevant records and reconciliations with private collectors
- Prepare periodic returns of revenue collected and reconciliation of receipts received and issued
- Prepare periodic returns of revenue collected.

4.1.6. Executive Committee of Council
Key functions and roles are;
- To initiate and formulate relevant policies on revenue for approval by full council
- To oversee the implementation of revenue collection policies
- To receive and solve problems or disputes (if any) on revenue forwarded by parishes, wards and Villages
- To receive regular revenue enhancement reports from the Sub-county Chief/Town Clerk and Council organs
- To participate in the publicity and sensitization of taxpayers in order to mobilize revenue.

4.1.7. The LGPAC
This committee examines the quarterly reports of the External and internal Audit and any reports of commissions of inquiry and makes recommendations to council for consideration. It may recommend disciplinary action such as dismissal, investigation interdiction, and arrest of officers suspected of embezzlement, corruption and/or abuse of public office.

4.1.8. The Tax Payer
LGs are expected to carry out sensitization campaigns within communities as a strategy to increase collection effectiveness. The following are expectation from the taxpaying community;
- Compliance with the relevant policies on revenue enhancement as initiated by the executive committee of council
- Participatory initiatives in local publicity for revenue mobilization
- Cooperation with tax assessment committees by providing accurate relevant data
- Encouragement of fellow tax payers (advocacy) to meet their respective tax obligations
- Ensuring prompt payment of taxes due and payable to the local council
- Reporting tax defaulters and those who evade taxes in their areas of residence, to relevant local councils.

4.2. BEST PRACTICES
Good practices on roles and responsibilities of stakeholders in revenue mobilization are:
- Participatory assessment and tax education
- Regular sensitization and education of political leaders and employees of council, involving community leaders in such sensitization meetings
- Motivation of collectors of revenue and cashiers to reach certain targets
- Increasing service visibility and proximity
- Participatory initiatives in local publicity for revenue mobilization
- Taxpayer and client charter
- Taxpayer convenience such as using mobile phone payments
- Encouragement of fellow tax payers (advocacy) to meet their respective tax obligations
- Reporting tax defaulters and those who evade taxes in their areas of residence, to relevant local councils.
5. RECEIVING REVENUE, RECORDING AND MONITORING

5.1. OBJECTIVES

By the end of the session, the participants should be able to:

- To enable the participants perform efficient and effective collection of revenue
- Recognize the importance of collecting all expected revenues
- Recognize the need to make revenue collection documents available in time
- Identify procedures for receipt and recording of revenue
- Explain the procedures for custody and banking of revenue
- Identify constraints and some good practices for collection of revenue

5.2. RECEIVING OF REVENUE

All revenues are collectable by the LLGs and transmitted to a general funds account. In all cases, official receipts should be issued immediately the revenue is received in cash or received directly on council account. Some of the expected records for revenues are:

- Revenue Registers to show persons and amounts assessed, payments made and receipts issued, and balance outstanding in each case.
- Daily banking records
- Receipts registers showing issued and received for each revenue category
- Periodic summary of collections
- Trial balance for revenues
- Periodic reports

5.3. ACTIVITY I

I. What has been the challenge in revenue collection and how have these been addressed?
II. What are the expected reports and format?

5.3.1. Challenges in Revenue Collection

- Poor assessment and data
- Political interference
- Unskilled personnel
- Defaults by contractors
- Irregularity in recording and corruption
- Low willingness to pay
- Generally low incomes
- Distrust by tax payers.
5.4. GOOD PRACTICES – ACTIVITY 2

Activity 2
How can the sub-county overcome some of the challenges in revenue collection such as:

I. Under collection of revenue
II. Fraud and corruption
III. Low morale of revenue collectors
IV. Political interference
V. Contractor defaults
VI. Staff skills

5.4.1. Monitoring Local Revenue
To monitor means to watch and check something over a period of time. It ideally involves closely observing the performance or progress made by those who are responsible for carrying out certain activities. Monitoring also involves taking relevant decisions to ensure that collection targets are achieved. To a great extent, monitoring process are linked to the Local Revenue Enhancement Action Plan [LREAP], which provides for a series of sequenced activities that lead to an increase in revenue volume.

The LREAP details the activity to be done, why it is to be done, what the expected results are, the time for performance, and the responsible person. Monitoring ensures that the plan is actually followed, remains on course, and continuous corrective action are made.

Monitoring of revenue collection therefore encompasses those procedures and processes performed by political and administrative officials within a LLG to check:

- Whether the planned activities are being complied with
- What the implementation challenges are
- Whether revenue is being collected economically
- Whether revenue is being collected efficiently
- Whether the safety and financial controls are complied with
- Whether the risk for defaults and undermining of service delivery is well managed
- Whether revenue is being mobilized and collected in accordance with the set rules and expectations of the LREP and the legal framework

Monitoring is to put in place procedures and to perform activities on a continuous basis that will ensure maximum effort is being put into the collection of revenue in order to maximize yields or total collections at the lowest collection cost possible. Of special importance in revenue collection monitoring is the prevention of irregularities of any form, especially fraud.

5.4.2. Setting Revenue Collection Targets
Revenue collection targets are set as a means to enable both collection effectives and as an incentive for improvement. These targets may be set for individual collectors and different revenue collection zones or sub counties per revenue type.

In setting targets past performance should be assessed to determine whether the challenges have been addressed. Staff should be evaluated on circumstances that are within their control; therefore any factors deemed uncontrollable should be isolated. The expenditure cash outflow pattern has an impact on periodic cash revenue targets. The following generic steps may be undertaken while setting targets:

- Determine the monthly and quarterly cash outflow patterns, for instance what is the trend for LST.
- Identify all revenues payable daily and determine the monthly expectations, at least 95% of daily revenues.
• Identify the monthly revenue such as rent and set at 95% performance.
• Examine the trend in annual taxes such as licenses and property tax, assuming at least 70% is receivable in the first six months and the balance in the next six months and then determine a quarterly expectations.
• Determine revenues per location and zones.
• Identify and allocate staff according to their competencies and assign them a target.
• Publish on the notice boards targets for (1) each revenue staff (2) revenue type (3) location (4) time period (5) incentive plan.

Measurement is then the *comparison* between the target and actual collection. The key purpose for performance measurement is to identify the nature of corrective action to be taken so that there is sustainable increase and effective mobilization of revenues.

**Example Collection Targets: Format**

**Table 3: REVENUE SOURCE [Property Tax 2016]**

<table>
<thead>
<tr>
<th>No. of registered tax payers</th>
<th>Grade/Location</th>
<th>Expected Annual Inflows</th>
<th>Actual Received Per Quarter</th>
<th>Name of staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>600</td>
<td>A</td>
<td>30,000</td>
<td>8,000</td>
<td>9,000</td>
</tr>
<tr>
<td>1200</td>
<td>B</td>
<td>20,000</td>
<td>3,000</td>
<td>10,000</td>
</tr>
<tr>
<td>900</td>
<td>C</td>
<td>86,000</td>
<td>18,000</td>
<td>25,000</td>
</tr>
<tr>
<td>300</td>
<td></td>
<td>136,000</td>
<td>29,000</td>
<td>44,000</td>
</tr>
<tr>
<td>Supervisor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.4.3 Activity 3: Setting Targets and Controls

I. Set targets for market dues and property tax in your LG for 2016/17 with some explanations.
II. Set control systems for (a) assessment and billing, (b) collections and recording, (c) accountability.
III. Using live current data to perform a revenue analysis to show collection effectiveness and efficiency.
IV. Prepare a short report action by the finance committee.

---

5 Discuss the setting of targets with the staff so that the best part is agreed in a participatory manner.
5.4.4. Monitoring Activity Report
Comparing planned to actual and explaining the cause and implications in the trend.

Table 4: REVENUE SOURCE [User Fees 2015/16, Date: 31Dec 2016]

<table>
<thead>
<tr>
<th>No. of registered tax payers</th>
<th>Grade/Location</th>
<th>No. fully paid</th>
<th>Expected Annual Inflows</th>
<th>Expected Quarterly Inflow</th>
<th>Actual received per Quarter</th>
<th>Cumulative received as at 30th June</th>
<th>Variance</th>
<th>Causes for under/over performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>A</td>
<td>60</td>
<td>300,000</td>
<td>75,000</td>
<td>80,000</td>
<td>90,000</td>
<td>160,000</td>
<td>+10,000</td>
</tr>
<tr>
<td>200</td>
<td>B</td>
<td>50</td>
<td>200,000</td>
<td>50,000</td>
<td>30,000</td>
<td>10,000</td>
<td>40,000</td>
<td>-60,000</td>
</tr>
<tr>
<td>300</td>
<td></td>
<td>110</td>
<td>500,000</td>
<td>125,000</td>
<td>110,000</td>
<td>100,000</td>
<td>200,000</td>
<td>-50,000</td>
</tr>
</tbody>
</table>

Revenue Collector names
Head of Revenues

5.4.5. Activity 4: Monitoring Reports

Participants may use recent revenue reports for the immediate last quarter and be able to narrate the reasons for the variance from targets and provide a way forward for each of the selected revenue type. Not more than two types may be discussed.

Collection Ratio Effectiveness Analysis: Sample:
Total Collection for a given source [divide by] Total amount budgeted or potential

<table>
<thead>
<tr>
<th>Assume Data for Bugiri District Property Related Taxes 2014/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Related Taxes 2015</td>
</tr>
<tr>
<td>Actual 2015 Collection</td>
</tr>
<tr>
<td>Amount Billed</td>
</tr>
<tr>
<td>Collection Effectiveness Ratio for Bugiri</td>
</tr>
<tr>
<td>Compare with others: Efficiency ratios</td>
</tr>
<tr>
<td>Nakasongola</td>
</tr>
<tr>
<td>Bududa</td>
</tr>
<tr>
<td>Kyenjojo</td>
</tr>
</tbody>
</table>
Collection Efficiency Example:
Collection efficiency refers to the cost of collection per shilling. It may use the number of staff involved and cost of wages for each revenue source as well as other easily determinable direct costs and allocated costs. An allowance may be made for overheads in order derive a more accurate rate.

Table 5: Collection efficiency example

<table>
<thead>
<tr>
<th>Assume Data for Kasese</th>
<th>Property</th>
<th>Business</th>
<th>Charges</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total collection</td>
<td>38,000</td>
<td>45,000</td>
<td>284,000</td>
<td>367,000</td>
</tr>
<tr>
<td>Number of staff</td>
<td>30</td>
<td>20</td>
<td>60</td>
<td>110</td>
</tr>
<tr>
<td>Revenue UGX per revenue staff</td>
<td>1267</td>
<td>2,250</td>
<td>4,733</td>
<td>3,336</td>
</tr>
<tr>
<td>Total wages</td>
<td>60,000</td>
<td>40,000</td>
<td>120,000</td>
<td>220,000</td>
</tr>
<tr>
<td>Wage Cost per revenue source</td>
<td>158%</td>
<td>89%</td>
<td>42%</td>
<td>60%</td>
</tr>
</tbody>
</table>

The results of this analysis can be used to identify the causes in comparison with other L.LGs and therefore develop a case for corrective action.

Actual performance in all cases should be compared with targets and standards as agreed. It is important to realize that performance measures are not only in quantitative or numerical terms but can also be qualitative, such as the number of complaints from taxpayers against council staff.

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6 Sourced from LGFC
6. **REVENUE ENHANCEMENT FROM “NEW SOURCES”**

6.1. **OBJECTIVES**

- To encourage LLGs to explore new areas of revenues in terms of identifying low hanging fruits among existing mandates
- To identify and expand revenue sources that are related to the tourism industry

6.2. **REVENUE ENHANCEMENT CONTEXT**

Based on estimated revenue potential LLG may be collecting less than 60% due to various reported challenges which means that there is a need to explore ways and means of increasing collection. As indicated earlier, increased local revenue promotes local democracy, public accountability, arouses citizen interest service delivery, and increases the capacity of local councilors to serve their communities in accordance with their preferences. Successful LRE initiatives must be applied concurrently with processes that can substantially improve efficiency, participation, transparency, accountability, and a direct link between revenues and service provision.

The revenue enhancement framework is best considered through the following three approaches:

- **Revenue administration reforms** - revenue policy, assessment, data management, collection, monitoring, reporting, and accountability, enforcement
- **Expenditure rationalization** - efficient expenditure management including separation of service provision from service delivery, waste reduction initiatives, participatory budgeting, accountability, efficient procurement processes, oversight functions, and expenditure tracking systems.
- **Identification of alternate revenue sources** – especially for those sources within the existing legal framework, (“low hanging fruits”) and exploring collaborative arrangements based on new legal framework.

6.3. **NEW REVENUE SOURCES**

New revenue sources should be a final strategy after resolving revenue collection effectiveness challenges. LGs should examine existing sources that are not being collected, where the legal framework already exists. New sources will require by-laws and ordinances, which often take a long time before to get approved. Alternate sources may be identified from revenue instruments already included under the law and extend them to emerging industry of Tourism.

6.3.1. **Special Revenue Sources**

LLGs are encouraged to assess revenues on agro-forestry, mining, and fisheries where there is already an opportunity in the law to access this industry which is predominant in most LLGs. Although key revenue goes to central government, such as with boat licensing, mining licensing, timber licensing, oil extraction, there is an avenue for LGs to take advantage of this arrangement. However, care must be exercised not to compromise the purpose for these levies. LGs can generate other revenues. The table below provides some examples:
Table 3: Revenues classified as Low hanging Fruits

<table>
<thead>
<tr>
<th>S/N</th>
<th>Taxable Service</th>
<th>Revenue Collected by the Center</th>
<th>Opportunities for LGs but not Adequately Collected</th>
<th>Examples of Endowed LGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fishing</td>
<td>Boat licensing</td>
<td>• Boat registration fees&lt;br&gt; • Fish loading fees&lt;br&gt; • Registration of fish mongers&lt;br&gt; • Health clearance of fish mongers&lt;br&gt; • Management of fish landing sites</td>
<td>• Rukungiri&lt;br&gt; • Kasese&lt;br&gt; • Kalangala&lt;br&gt; • Mayuge&lt;br&gt; • Nakasongola</td>
</tr>
<tr>
<td>2</td>
<td>Timber/forestry</td>
<td>Timber license</td>
<td>• Timber harvesting&lt;br&gt; • Timber movement permit&lt;br&gt; • Registration/clearance from the District Forestry Officer&lt;br&gt; • Clearance fees from LC structures</td>
<td>• Bushenyi&lt;br&gt; • Kalangala&lt;br&gt; • Mayuge&lt;br&gt; • Kamwenge</td>
</tr>
<tr>
<td>4</td>
<td>Mining</td>
<td>Mining licensing</td>
<td>• Registration and permit to operate in the district&lt;br&gt; • Fee levied as LG development fee</td>
<td>• Over 30 districts have mineral deposits</td>
</tr>
<tr>
<td>5</td>
<td>Oil exploration</td>
<td>Oil extraction license</td>
<td>• Registration and permit to operate in the district&lt;br&gt; • Fee levied as LG development fee</td>
<td>• Kanungu&lt;br&gt; • Kasese&lt;br&gt; • Bulisa</td>
</tr>
<tr>
<td>6</td>
<td>Power Generation</td>
<td>Licensing</td>
<td>• Registration and permit to operate in the district&lt;br&gt; • Share of revenue generated from sale of power</td>
<td>• Rukungiri&lt;br&gt; • Kanungu&lt;br&gt; • Kamwenge</td>
</tr>
</tbody>
</table>

6.4. **ACTIVITY 5**

I. Identify revenue sources that may fall under the category of low hanging fruits from within your LLG
II. Identify those sources not yet exploited
III. What have been the challenges?
IV. How will this challenge be managed?
V. What activities must be done to lead to collection, by whom and when?

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7 Revenue sources already included under the law but not being exploited yet.
7. **REVENUES FROM TOURISM RELATED ACTIVITY**

7.1. **OBJECTIVES**
There is expected potential with activities relating to Tourism. By the end of this training, participants should be able to;

- Identify potential tourism activities and sites within their areas of jurisdiction
- Map revenue potential to the activities identifies
- Develop an action plan for setting up a Tourism Planning unit and center
- Develop action plan leading to realization of revenues from tourism

7.2. **BACKGROUND**

Uganda is endowed with numerous tourism potential with beautiful scenery and heritage in almost all LLGs. Examples of endowed local governments are; Bukwo, Sironko, Kapchorwa, Kiruhura, Isingiro, Sembabule, Kanungu, Kisoro. Tourism and cultural sites creates an opportunity to raise revenues for LLGs. Therefore, local governments should attract both local and foreign visitors to towns and LLGs.

Direct revenue from tourism may be from visitors in form of entry fees, tour, animal tracking, and sharing revenues with Uganda Wildlife Authority. The biggest base may be indirect from increased trading activity within the LLGs which in turn may result into a better taxpaying public, Increased Local Hotel Tax (LHT). The real outcome is vibrant economic activity and support for Local Economic Development (LED), a happier community with better living standards.

7.3. **STRATEGIES FOR ENHANCING REVENUES FROM**

Some of the following strategies could be explored as initial steps towards developing a more sustainable tourism related revenues and support for LED initiatives;

- Establish a position of Tourism officer or recruit a tourism professional who is self-motivation and result oriented, or assign this specific role to the commercial officer who should then be responsible for provision of technical advice on Tourism related matters such as budgets, tourism site maps, sensitization of the public, linking hotels to travelers, assuring hygiene and development of local crafts and art collect and compile statistics among others.
- Identity and prioritize sectors that contribute to tourism revenue, such as inspection of hotels, clean markets, clean streets, beatification of town centers, promote entertainment
- Sensitize traders about importance of customer care and hygienic operating areas.
- Engage in work plans and budgets at all levels related to tourism development
- Engage interest of all the political leadership to enhance political will
- Evolve partnership with state actors such as Uganda Wild Life Authority, Uganda Investment Authority, Ministry in charge of Tourism and Uganda Tourism Board.
- Engage non state partnership under the tourism sector through involvement of political leadership in Tourism expos, workshops and seminars
- Exposure trips for learning experience for both political and technical support
- Engage women groups and youths in all stages of tourism planning and investment
- Draft budgets and work plans to facilitate tourism activities
- Develop events that attract all levels of participants, carnivals, trade shows, music galas…
- Draft Tourism development proposals and concept papers Le realistic and SMART projects
- Visit foreign consulates to seek partnerships with their cities

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8 Kampala has developed a concept of annual carnival which attracts millions into the city.
- Engage with ministries within Uganda
- Attend important social meetings for networking

### 7.3.1. Activity 6

| I. | Work out strength, opportunities available for the development of tourism within the district and LLG |
| II. | What specific revenues can be attached to tourism opportunities identified? |
| III. | What do you assess as a possible revenue potential in terms of shillings per year? |
| IV. | What process may be required to start collecting this revenue? |
| V. | Draw a brief work plan with who to do it and when |

### 7.4. DEVELOPING A TOURISM PROMOTION UNIT

To increase focus on harnessing revenues from tourism related activities, a Tourism Promotion Unit (TPU) could be created under the District Commercial Officer and Community Development Officer at the sub county level. Specific duties for the Tourism Officer or the Tourism Unit will be for example:

#### 7.4.1. Key duties of a Tourism Development Officer

- Compile statistics about tourism potential and plans for their development into viable business
- Regular evaluation of strengths, weaknesses, opportunities and threats (SWOT analysis) for tourism development initiatives
- Support private sector in development of business plans and identify possible Public-Private Partnerships (PPP)
- Provide technical advice on Tourism related matters and statistics in liaison with the planning unit.
- Promote local tourism
- Support preparation of reports on tourism and revenues for council
- Assists in the provision for co-ordination support for the council Tourism development activities
- Liaise with the Ministry of Tourism Resource centers and other stakeholders such as Uganda Wildlife Authority, Uganda Tourism Board on matters related to tourism
- Assist in tourism product development in the district and sub county
- Sensitize and educate the public on tourism issues
- Tourism Product Inventory and Data collection
- Collection of visitor statistics at existing tourism sites
- Support the health inspectors in ensuring good hygiene in eating places, hotels and other social places to ensure compliance and sustainable quality standards
- Set up and manage a Tourism Information Center (TIC)

#### 7.4.2. Setting up a Tourism Information Center (TIC)

In order to increase access to information, a one stop center of Tourism facilities should be created at the district and sub county. The TIC should then be equipped to provide some of the following services:

- Advice on accommodation options for example best hotels with all services needed by the clients.
- Information on attractions and tours.
- Information about local services for example street parking fees, “boda boda”, trading license, car hire services, garbage collection.
- Provide town, local and regional maps.
• Help in the interpretation of displays for example the billboards on the streets.
• Provide local warnings and safety information for example do not wear very short skirts (minis), move with identity cards.
• Booking for referral services for example contacts for hospitals, ambulances
• Provide a facility for display and sale of souvenirs, arts and crafts and culture
• Provides samples of local produce such as honey and coffee, fish, local foods
• Provide information that will encourage longer stay and more spending by visitors
• Provide information to local traders about tourism opportunities and linkage to local economic development.
• Design Tourism Maps and Brochures for promotion and marketing
• Train local guides for hands on expertise skills
• Capacity building skill training for small scale and medium businesses to support branding, packaging, marketing and promotional skills, customer care and service skills

7.5. ENGAGEMENT PROCESS: STATE AND NON STATE ACTORS

To maximize the impact of tourism on local revenues, there should be a structured engagement with all relevant stakeholders, both State and Non State Actors (NSAs). The initial focus must be engagement with Uganda Tourism Board (UTB), Uganda Wildlife Authority (UWA) Uganda Investment Authority (UIA) Uganda National Bureau of Standards (UNBS) and Uganda Bureau of Statistics (UBOS). From the private sector side, engage with Uganda Hotels Board and Uganda Tourist Agency. Get involved in national and local events.

7.6. PROMOTION OF TOURISM REVENUES ACTION PLANNING ACTIVITY 7

| I. | What strategies should be evolved to increase promotion of tourism activity at the local level? |
| II. | What methods and approach may be adopted to engage the state, local and national level non state actors? |
| III. | Develop an action plan for promotion of tourism related revenues, from identification of opportunities, policy and implementation. |
8. **LOCAL REVENUE ENHANCEMENT ACTION PLAN [LREAP]**

8.1. **OBJECTIVES**
- To enable participants analyze the challenges in the revenue administration cycle
- To develop a solution matrix for each challenge for each revenue source
- To develop a monitorable plan for revenue enhancement

8.2. **LREAD CONTEXT**

A LREAP has a significant impact on revenue mobilization because it tells us *what should be done, when, defines the expected output in terms of revenues, defines expected outcome in terms of impact on economic activity and social wellbeing and finally indicates who will do the activity and when*. However, the underlying assumption is that a LLG will be committed to ensuring program success.

In order to effectively develop and implement the LREAP the key challenges to revenue mobilization must be well identified and analyzed. Earlier sections in this manual have indicated strategies for analysis and specific areas of challenge within LRR administration.

It may be advisable to analyze each activity within the revenue administration cycle, determine best practices, and assess possible application for each revenue category.

8.2.1. **Development of a LREAP**
- **Step One**: Appoint or select a Revenue Mobilization Steering Committee [RMSC] and task forces for specific revenues which will spearhead monitoring the process and ensuring implementation.

- **Step Two**: Review the legal framework and administrative policies to identify what are acceptable and legal revenues and what possible sections of the law should be reviewed.

- **Step Three**: Analyze past revenue performance to identify the reasons behind the trend and to draw conclusion on which future strategy and actions will be based.

- **Step Four**: Identify revenue improvement and risk management strategies.

- **Step Five**: Cost out services and identify expenditure rationalization strategies.

- **Step Six**: Analyze past expenditure trends. Identify expenditure areas that are priority and those that have been underfunded. Construct a projection schedule for the new priority expenditure to which the improved revenues will be applied. The growth trend in expenditure is then linked to strategies that will raise sufficient revenue to meet the service delivery requirements.

- **Step Seven**: Develop a revenue and expenditure projection for 2015–2019.
8.2.2. Formulation of LREAP

The format below indicates an example of what maybe worked with to develop a LREAP.

Table 6: LREAP Example

<table>
<thead>
<tr>
<th>Short term initiatives: Property Tax Goal: to increase property tax collection effectiveness in next FY By 25%</th>
<th>Action Plan/Steps</th>
<th>Expected Outputs/Indicators/Milestones</th>
<th>Time</th>
<th>Cost</th>
<th>Person Responsible</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration and valuation rolls</td>
<td>1. Registration teams appointed</td>
<td>• Lists and valuation rolls complete</td>
<td>Q4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Valuers deployed and rolls completed</td>
<td>• Updated registers for all taxable property</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Mass property valuation</td>
<td>• Complete road naming and location maps</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Approval of rolls by council</td>
<td>• Computer based registers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue information and communication strategy</td>
<td>1. Formation of Revenue education teams</td>
<td>• Trained cadre of revenue educators and mobilizers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Sensitization materials</td>
<td>• Calendar for revenue education</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Short term initiatives: Property Tax Goal: to increase property tax collection effectiveness in next FY By 25%</th>
<th>Action Plan/Steps</th>
<th>Expected Outputs/Indicators/Milestones</th>
<th>Time</th>
<th>Cost</th>
<th>Person Responsible</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection and monitoring systems; reporting and accountability</td>
<td>1. Issue demand notes and bills</td>
<td>• System based reporting and monitoring</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>2. Computerizes receipts</td>
<td>• Direct payments into Banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Daily cash reconciliation</td>
<td>• Increase revenues by 75%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>4. Daily banking of revenues</td>
<td>• Internal audit reports discussed and actioned</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>5. Prompt penalties</td>
<td>• Linking services to revenues</td>
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<td></td>
<td>6. Regular reporting</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

9The Revenue Enhancement Action Plan should have short, medium and long term strategies for each revenue source. The Plan should be approved by council. Then the LREAP is drawn to reflect the sequence of actions and outputs.
### 9. ANNEX

**Revenue Register**

<table>
<thead>
<tr>
<th>Arrears B/f Shs</th>
<th>REVENUE DUE</th>
<th>REVENUE RECEIVED</th>
<th>Arrears C/F</th>
<th>Remarks: File Numbers, Cross Reference etc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date due</td>
<td>Details</td>
<td>Payers</td>
<td>Amount For F/Y</td>
<td>Total due to date</td>
</tr>
<tr>
<td>200</td>
<td>2/3/16</td>
<td>Oct-feb</td>
<td>Tana</td>
<td>300</td>
</tr>
</tbody>
</table>

**Total**

Names:……………………………………………………………………………………
Signature………………………………………………………………………………
Date……………………………………………………………………………………