

## **1 INTRODUCTION**

This paper summarises the findings of the study commissioned by the Department For International Development and the Local Government Finance Commission on the enhancement of locally raised revenues in local authorities.

While locally raised revenues represent 10% or less of total funds available to local authorities they are of vital importance in a decentralised system of local government as they:

- ?? Contribute funds for service delivery over and above those available from central government resources,
- ?? Their collection and usage is in the hands of the local authorities and they are not subject to the collections and priorities of the central government, other than in terms of national policies and regulations,
- ?? They encourage ownership of the local democratic structures through the ability of local taxpayers to directly connect their payments of tax to the usage to which they are put,
- ?? They can exploit tax sources that may be too small or localised to be efficient for the central government to collect.

It is a truism to suggest that the collection of local revenues by local authorities is generally inadequate and their performance in revenue collection is poor. This is accepted at all levels and this study attempts to explain the major reasons why this is the case, potential solutions and an action programme for LGFC and other central institutions to improve the position.

## **2 APPROACH UNDERTAKEN**

The approach undertaken during the assignment was to assist LGFC in meeting the objectives of the study through a consultative process that would collectively develop an action programme for local revenue enhancement, which would have full ownership of all the stakeholders and which meets the needs of the local councils.

The process followed included:

### **2.1 Desk Study and Preparation of First Draft Revised Action Programme**

Our approach to the assignment followed the emphasis set out in the TORs on the work previously undertaken by Crown Agents and used the final report of that study and the ensuing workshop report as the starting point for our work. The action programme set out in the report was reviewed for progress made and critiqued with LGFC in the light of our discussions with stakeholders and the information obtained from the reading of other documents.

From this a draft revised action programme was prepared with the LGFC and presented to a stakeholder workshop on 3<sup>rd</sup> August 2000.

### **2.2 Field Visits**

The draft revised action programme was then taken to the 8 pilot districts and reviewed for appropriateness in the light of the activities and performance at this level. At the end of each district visit a district action plan was prepared with the district administration and the councils. This plan was presented and confirmed at a local stakeholder meeting.

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Within each district we visited two sub counties in addition to the district council and also where applicable towns, municipalities and divisions, giving a total of 37 councils visited in the 8 districts.

Separate field trips were made to Bushenyi and Entebbe to undertake detailed participatory sociological assessments of grassroots perceptions and attitudes to local taxation. These are dealt with below.

**2.3 Final Consultation and Drafting**

During the time of the field trips we continued with the LGFC to review the legal instruments and to refine the action plan through discussions with central stakeholders and information gathering.

On completion of the field trips the draft final action programme was prepared with LGFC and presented with the draft final report to a stakeholder meeting for discussion, adoption and commitment.

**2.4 Assessment Criteria**

The basic criteria under which taxes and other sources of income were judged were:

- ?? Equity
- ?? Economy/cost of collection
- ?? Predictability of revenues
- ?? Administrative performance
- ?? Collection performance.

The socio-economic element of the study further defined these criteria to cover the concerns raised in the Terms of Reference.

- ?? Equity (horizontal and vertical equity)
- ?? Adjustment of tax payment to seasonal and yearly variation in incomes
- ?? Linkage of revenue payment to service provision
- ?? Possible distortions of economic activities by various revenue sources
- ?? Gender implications (for both men and women)
- ?? Political implications (perceptions of fairness; taxpayer view of tax authorities, etc)
- ?? Accountability implications.

**3 FINDINGS AND RECOMMENDATIONS**

**3.1 General**

Local authorities have made great efforts to improve their collections of local taxes and revenues but the potential of existing resources is clearly not being fully exploited. Most councils have shown revenue growth over the past three years though several have been severely constrained by present insecurity (Gulu, Moroto), past insecurity causing a reduction in the tax base (Soroti), or drought (Soroti). Other general constraints and recommendations arising from them are set out below.

**3.1.1 Constraints.**

- ?? Lack of staff capacity at council level especially LC III.
- ?? Lack of technical knowledge at council level.
- ?? Shortage of financial resources.
- ?? Need for a clear definition of the purposes of locally raised revenues.

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- ?? Political interference at local and central levels. This can often be overstated by bureaucrats but it is clearly the case that political and personal agendas do interfere with the revenue collection efforts of the councils.
- ?? Need for greater monitoring by LGFC and the Ministry of Local Government of revenue performance and support to non-performing councils.

*3.1.2 Recommendations*

The action programme envisages the preparation of advisory notes by the LGFC for various procedures and the rolling out of the training by MoLG through the Local Government Development Programme. Throughout the action programme the need to integrate the capacity building activities into that Programme are stressed, so that co-ordinated approach is carried forward. It is also to be hoped that that programme will provide the resources to break the circle by allowing the councils to improve performance and service delivery, thus increasing the resources available for sustainable revenue growth.

Further recommendations are that:

- ?? A central strategy for the financing of local government is prepared which will, among other things, establish the roles of local revenues and conditional, unconditional, and equalisation grants.
- ?? Taxpayer and councillor training is carried out.

**3.2 Graduated Personal Tax**

Graduated personal tax (GPT) continues to be the major source of income in all the districts that were visited, especially the town councils and rural areas. In municipalities the reliance on GPT is lower. Jinja DC for example earned 68% of its local revenues in 1999/2000 from this source whereas Jinja MC earned only 13% from it. Other more rural districts rely to an even greater extent on the tax (Kibaale 78%). At the sub county level the tax makes up more than 90% of revenues.

*3.2.1 Realisation of Potential Yields*

The achievement of budget yields varies from council to council. The municipalities and towns should show a better performance than the sub counties as they have a larger number of salary earners in their tax base whose income is simple to assess and collect, but this is not invariably the case. Collection percentages for the year 1999/00 range from 59% in Kibaale to 101% for Bushenyi District Council (including arrears).

Performance against budget however does not reveal the amount of the realisation of the potential of the source. In our field work we calculated the potential yield for each district based on the taxable population which the district plan sets out by age band and gender. The taxable population is then multiplied by the average income based on two sources:

- ?? The average rate of GPT paid per head
- ?? The average per capita income derived from district planning statistics.

Both of these multipliers showed a large under realisation of the source's potential in the districts reviewed especially the second, that is, the calculation of the total number of tax payers times the district average income. While the exercise is rudimentary it does indicate that revenues could be doubled in some districts and substantially increased in most.

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This exercise indicates that there are significant numbers of unregistered taxable persons, and that assessments made do not reflect actual earnings.

*3.2.2 Issues with GPT*

The drawbacks of GPT are well known and widely documented and we do not intend to detail them here. It is regressive, cumbersome and expensive to collect in some councils. However our interviews at central, council and taxpayer level indicated that concerns are more with the way that GPT is applied and enforced rather than unwillingness to pay the tax. This is coupled with a lack of ability to see that the taxes paid result in improved services and benefits to the taxpayer.

*3.2.3 Recommendations as to GPT*

The following recommendations are based on our consultation at both the central and district levels:

- ?? Open up the top band of GPT so that the scale ends where the PAYE threshold commences. This band will pay on a percentage basis as income occurs within the scale. This will make the tax more progressive and reduce its proportionate incidence on the lower income levels.
- ?? Introduce simpler registration and assessment mechanisms in order to reduce the costs of collection. These should include the reduction in the number of bands, simplified methods of imputation, and regular updating of bands and imputation values to take account of inflation.
- ?? Take account of poverty issues through the making the lowest band affordable to all and develop procedures to allow staged payment.
- ?? Major registration drive to be carried out from the district level. Registration is clearly the first step to the maximisation of income.
- ?? Reward collectors and managers appropriately. Performance bonuses for achievement of targets. These should be provided at both district and sub county level (municipality and division). In Soroti, for example, the sub county staff have not been paid their salary for nearly a year. This is hardly an incentive to achieve.
- ?? Internal audit programmes to include sampling of assessments made to form a view as to the appropriateness of the assessments.
- ?? Publish assessments made for each individual and whether or not they have paid. This will make the assessment process more transparent and provide peer pressure on collections.
- ?? Training of collectors and managers on collection methods.
- ?? Taxpayer and councillor education programmes to be initiated.

**3.3 Property Tax**

Property tax has hitherto been regarded as an income source purely for the urban councils. The 1996 Action Programme envisaged its extension into the peri-urban areas, though little has been apparently done to implement this in the councils that we visited. Some districts have put in place a ground rent as a simple form of tax on property.

*3.3.1 Realisation of Potential Yields*

The urban councils for which this should be a major source of income are not exploiting it fully. Jinja, which has a large number of industrial enterprises within its area, for example, has seen its property tax collection levels fall to the same as those for GPT although its budget for the former is double that for the latter.

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Our analysis suggests that in 1999/2000 the potential yield for property tax in Jinja MC at existing rates was approximately Ushs 1 billion, but the budget was 762 million and the collection only 280 million.

The potential yield in towns and peri-urban areas is difficult to estimate because of the paucity of information available but our estimates from the field suggest that this could raise up to 20% of the amount currently raised from GPT in trading centres and other peri-urban areas.

*3.3.2 Issues with Property Tax*

The major issues arising in our discussions at the central and district levels identified the following issues:

- ?? Problems with valuation. Mpigi Town Council, for example, has commenced the valuation of the properties in its area with limited success, because of the cost of valuation. This is a serious drawback as properties have not generally been fully surveyed and valued in urban areas.
- ?? Failure to enforce. While the law does provide for property seizure for failure to pay property taxes, this is rarely exercised by councils. It is perceived by many of those we talked to that property tax payers are those that can influence councils, or are councillors and therefore able to avoid payment. We have not been able to establish the veracity or otherwise of this perception.
- ?? Government does not pay taxes on its properties. In addition to being a loss of revenue to the council it does not provide an example to others.
- ?? The scarcity of professional valuers. We understand that there are less than 20 valuers available in either the private or public sector to carry out valuations for councils.

*3.3.3 Recommendations as to Property Tax*

- ?? Design and implement a simplified mass valuation system for urban councils that will allow the speedy surveying and valuation of properties. This will involve the design of the system and the training of high level technicians to implement it. Values can be updated annually through the use of indices.
- ?? Extend the system to peri-urban areas.
- ?? Government to pay property taxes, albeit at a reduced institutional level.
- ?? Councillor and tax payer education programmes to be implemented.
- ?? Training programmes for managers in valuation and collection procedures.
- ?? Pilot the privatisation of property tax collection drawing on experiences in Jinja and Kampala.

**3.4 Licences**

Licences are instruments for the regulation of activities and social matters. As such they should not be strictly considered as sources of revenue. Indeed, many councils categorise under licences sources of revenue which are in fact fees. The issue of a licence implies a duty of the council to carry out a regulatory and inspection function. The maximisation of licence fees may discourage registration thus negating the regulatory function.

There is however a valid case for higher licence fees for those who are carrying out businesses at a higher level, such as 120 room hotel as opposed to 20 room one, as the higher level of activity implies greater regulation, as the risks to the community are higher.

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*3.4.1 Realisation of Potential Yields*

Where the data was available, our teams found that the number of businesses identified did not correlate with those paying for licences. One particular sub county had identified 139 businesses with total potential of UShs 6 million, but was only collecting UShs 1.4 million.

This evidence supports the findings and perceptions in other councils that collections from licences did not meet their potential.

*3.4.2 Issues with Licences*

Most councils visited were unable to provide us with an up to date list of licences, which we could compare to collections or use to calculate the potential revenue.

*3.4.3 Recommendations*

- ?? Each council should prepare up to date registers of businesses from which the budget income should be derived.
- ?? LGFC/MLG should prepare guidelines to councils on licence fee setting, administration and collection.

**3.5 Market and Other Fees**

All councils visited had privatised market fee collection. While generally income from this source has increased since that time with attendant decreased costs of collection (+/- 3%) it was generally reported that the revenue was not reaching its potential.

*3.5.1 Issues with Markets and Other Fees*

- ?? Failure of collectors to pay over collections (Soroti specifically)
- ?? Political interference in awarding of collection contracts.

*3.5.2 Recommendations as to Markets and Other Fees*

- ?? Extend privatisation into other areas such as housing rents. This will largely benefit urban rather than rural councils.
- ?? LGFC/MLG to provide guidelines on privatisation agreements emphasising awarding through transparent contracting, forms of contract, and legal recourse.

**3.6 Rural Development Charge**

The 1996 action programme adopted the principle of some form of tax on land called a rural development charge which would extend the concept of taxing property to the rural areas. It was seen as a potential replacement for GPT. At the time it was estimated that a charge of UShs 1200 per acre per year would provide the same income as GPT.

We have discussed this at all levels and found the reception generally favourable for this form of taxation, which is generally progressive (the more land you have the more you pay), though all consulted emphasised that the hurdles to be crossed are very significant, as noted below.

The taxation of land is in principle very attractive as, after the initial surveying and assessment costs, is inexpensive to administer as land infrequently changes hands.

*3.6.1 Issues with Rural Development Charge*

- ?? The implementation of the Land Act has been delayed and the mechanisms and interpretations have yet to be agreed.

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- ?? The multiplicity of different types of land holding have to be addressed for the purpose of taxation – clan, customary, mailo. The Land Act provides for a certificate of registration whether through the clan, or personally. In the case of the clan it would set up a trust which would register the land.
- ?? The need to survey the land holdings. Most rural land is unsurveyed.
- ?? Cultural resistance to the principle.
- ?? Probably only acceptable as part of a replacement for GPT.

**3.6.2 Recommendations as to Rural Development Charge**

Until the Land Act implementation problems have been resolved, this form of revenue cannot be introduced. However the following actions should be adopted.

- ?? LGFC to obtain high level approval in principle to the introduction of this tax.
- ?? System should be designed and consensus obtained, which addresses the various land holding types.
- ?? Implementation should be phased so as to cover large commercial land holdings initially.
- ?? Surveying and valuation exercises to be carried out.

**3.7 Other Potential Sources**

The above comments confirm our previous perception that improved tax administration and collection could substantially increase the local revenue available to the councils from existing sources. Attention should not be distracted from their maximisation by searching for other sources which are unlikely to yield the revenues that improvement of existing sources can.

Other sources that could be considered are however. ????

**3.7.1 Collection of Central Government Sources as an Agent**

As a locally based institution the councils have the local knowledge and infrastructure to collect central government taxes on a commission basis. Such taxes could include:

- ?? Motor vehicle licences. Collection costs are relatively low given that the council has the institutional infrastructure.
- ?? Small business tax. This tax is on the statute books but has not been implemented as we understand it, largely because the cost of collection would not be economical for the URA. It could however be economical for the councils to collect. As it is a simple turnover tax it would not require additional council resources and could be included in the GPT/licence assessments. The council would make an overall assessment, deduct the GPT due and a commission, passing the balance over to the URA. The deduction of the GPT would avoid double taxation.
- ?? Stamp duty.
- ?? VAT. This is seen in councils as a potential area where they could collect money either on behalf of or instead of the URA. VAT is however a relatively complex tax and the councils do not have the administrative infrastructure or technical expertise to administer it. Outside of the major urban areas the amount of VAT collected would be unlikely to justify the cost of collection.

It should be noted that while the first two would yield revenue in all councils, the bulk of the benefit would be gained in the large urban areas where the bulk of businesses and vehicles are situated.

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*3.7.2 Sharing of Central Government Sources*

The central government collects revenue at the district level from the exploitation of district based resources. This revenue is generally paid into the Treasury as general government income, the district getting no direct return from the use of its resources.

The sharing of sources is being formalised in Tanzania at present with greater shares going to the local authorities. Areas that could be considered in Uganda are:

- ?? Hunting fees
- ?? National Park Fees. An allocation of park revenues is made to the parishes bordering national parks to fund development projects. They are not however paid through the district and therefore not subject to district development priorities.
- ?? Forestry fees. During our visit to a sub county in Soroti we were informed that government forests in the area were thinned by a private contractor. The district apparently received 50% of the royalties (though they were not passed on to the sub-county). It is unclear as to whether this is a formal practice.
- ?? Other possibilities may include mineral royalties, water extraction fees, court fines on by law offences etc.

*3.7.3 Own Sources*

Other sources that may be explored by councils include:

- ?? Water supply fees. Charging for this service could provide funding for improving and extending it from local resources, over and above the funds received through conditional grants.
- ?? Extraction fees. This type of small scale royalty for gravel or sand for example should be encouraged at the local level and is within the capacity of the councils to formulate and implement through bye laws.
- ?? Cesses. Cesses on agricultural produce are employed with varying levels of success in other countries in the region. They are also difficult to collect other than for major crops with limited numbers of buyers - cashew in Southern Tanzania, coffee, tea (Bushenyi), or sugar (Jinja).

**4 ALTERNATIVES TO GRADUATED PERSONAL TAX**

The Terms of Reference for this study do not include the identification of a replacement tax for GPT. Given the present debate on the subject any study on local government revenues would be incomplete without making some comments.

The subject has been raised with council politicians and administrators at the district, sub county, town, municipality and division level and the view is that GPT needs reforming rather than abolishing, at least until a locally raised replacement can be found. We have not heard of an immediate replacement being mooted and our consultations at the council level did not identify one. GPT is the mainstay of most councils' revenues because the sources available to them are limited. Where the bulk of the population are mainly employed in subsistence farming, and on the outer fringes of the cash economy, any form of local tax on income must target the produce, whether self consumed or sold.

**5 SUMMARY OF THE ACTION PROGRAMME**

The action programme embodies the above recommendations, which have been combined into 13 Action Areas, the responsibility for the co-ordination of each has been assigned to an agency. Other actors play roles within the Action Area but its implementation is driven by the co-ordinator. The programme is summarised below by priority level.

<b>Priority</b>	<b>Time scale</b>	<b>Action Area</b>	<b>Outcomes</b>	<b>Responsibility</b>
1	Jan to Aug 2001	1. GPT - Bands	A more comprehensive GPT assessment schedule in place which is administratively easier to handle and equitable and progressive	LGFC
1	April to August 2001	2. GPT - Procedural	Improved enumeration and assessment and acceptable collection procedures	LGFC
1	January to May 2001	3. Property Tax – Procedural	Easier assessment methods, reduced cost of collection;	LGFC
1	Feb 2001 to June 2003	4. Property Tax - Valuation	Property tax potential is realised	Chief Govt Valuer
1	December 2000 on going	9. Capacity Building Co-ordination	Comprehensive capacity building programmes that cover new procedures and strategies.	LGFC
1	Jan 2001 to July 2001	11. Revenue Monitoring	Up to date and regular information on revenue collection to LGFC	LGFC
2	February to August 2001	7. Privatisation - Procedures	Improved collections through commercial private operators	LGFC
2	April to Dec 2001	12. Assessment of Dist. Rev. Capacities	New revenue sources identified and improved collections made	MoLG
2	March to Oct 2001	13. Central Strategy	LG taxes reformed in line with requirements of service delivery	LGFC
3	May to Sept 2001	5. Licences and Fees	Improved licencing system	LGFC
3	July to Dec 2001	6. User Charges	Streamlined system of user fees and charges and increased revenue	LGFC
3	Mar 2001 to June 2002	8. Piloting privatisation	Assessment of use of contractors before commitment	MoLG
3	March to October 2001	10. Taxpayer and Councillor Education	Sensitisation on usefulness of various revenues	MoLG

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**6 FUNDING REQUIRED**

The action plan has been costed for those activities directly involved in the preparation of policy and procedures and sources tentatively allocated as follows.

Outputs	US\$	Source
Stakeholder Workshops	10,500	LGDP funding for LGFC
Training seminars for district trainers	120,000	LGDP Capacity building funds
Consultancy	210,000	Technical Advisory Group
Short term adviser	80,000	Technical Advisory Group
LGFC additional costs	62,000	LGDP funding for LGFC \$50,000 from TAG
Total	482,500	

Further funds will be required for activities that have not been costed here:

Output	Source
Implementation in districts	Local authorities own resources LGDP district level funds
Employment of monitors	LGDP funding for LGFC
Training of valuation staff	Technical Advisory Group

These elements are clearly likely to require significant investment though the first two will be included in activities already budgeted within the LGDP capacity building budget.

**7 NEXT STEPS**

In order to start the implementation of the attached action programme the following need to be accomplished by the Local Government Finance Commission:

- ?? Briefing of the President
- ?? Briefing of the Ministers of Local Government and Finance
- ?? Setting up of high level steering group from LGFC, MoLG, Lands and MoF to co-ordinate progress
- ?? Obtain commitment to funding through calling of a TAG meeting
- ?? Staffing of the local revenue section in the LGFC.

**8 FURTHER VOLUMES**

- Vol. II Main report
- Vol. III and Vol. IV Field visit reports

**LOCAL GOVERNMENT FINANCE COMMISSION**

**REVENUE ENHANCEMENT ACTION PLAN**

**Action Area 1.: Graduated Personal Tax - 1. Bands**

**Responsibility of: LGFC**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
<b>1.</b>	<b><i>To make GPT more equitable and progressive</i></b>	<i>Jan to Aug 2001</i>	<b><i>A more comprehensive GPT assessment schedule in place which is easier to handle and equitable and progressive</i></b>	<b><i>Revised assessment procedures in operation in local authorities.</i></b>		
1.1	Prepare policy paper including: 8.1.1 <i>Reduce GPT bands</i> 8.1.2 <i>Put in place unlimited band for higher earners</i> 8.1.3 <i>Flat rate for lower earners and higher rate in upper band</i> 8.1.4 <i>Increase lowest threshold</i>	Jan 2001	Policy paper on new GPT bands	Policy paper endorsed by LGFC	Office stationary LGFC staff	
1.2	Consult on policy paper with stakeholders	Jan to March 2001	Stakeholder workshop Interviews Brief parl. committee	Minuted workshop resolution Attendance list	Workshop Costs and participant allowances	Resistance from Politicians/councilors
1.3	Submit policy paper to Minister of Local Government	April 2001	Acknowledgement of receipt	Letter sent and acknowledged		
1.4	Assist MoLG in preparation of cabinet paper	May 2001	Cabinet Paper on new GPT bands	Guidelines to ministry, draft with acknowledgement	Stationery	Minister has not approved policy
1.5	Preparation of advisory notes by LGFC	June 2001	Advisory Notes Prepared and Drafted	Endorsed advisory notes circulated to stakeholders		
1.6	Approval of advisory notes by MLG	July 2001		Letter of approval		

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	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
1.7	District training on advisory notes with MoLG	August 2001	5 Regional seminars for training of executives and trainers	Training materials, time table, training report, participants' evaluation report	Funds for venue, training materials, allowances`	

**Action Area 2.: Graduated Personal Tax – 2. Procedural**

**Responsibility of: LGFC**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
<b>2.</b>	<b><i>Improved Enumeration, Assessment and Collection Procedures</i></b>	<b><i>April to Sept 2001</i></b>	<b><i>Simplified enumeration and assessment and acceptable collection procedures</i></b>	<b><i>Advisory notes implemented in councils</i></b>		
2.1	Draft simplified procedures for assessment and enumeration including: ?? Revision of imputation values and bands annually ?? Simplified enumeration and assessment procedures ?? Make explicit exemption mechanisms based on disease, drought, etc ?? Make GPT data on assessments and receipts available in public places	April/May 2001	Guidelines on the new GPT assessment, enumeration and collection procedures.	Draft paper, endorsed by LGFC, comments, etc.		Difficulty in easy and quick assessment of exemptees  Opposition from politicians, councilors, to displaying information on GPT defaulters
2.2	Consult with stakeholders on procedures	May 2001	Stakeholder workshop	Workshop report	Workshop expenses, allowances etc.	
2.3	Obtain approval of procedures from Minister of LG	June 2001	Approval letter/ communication	Letter of approval		Minister does not approve
2.4	Prepare Advisory Notes on assessment, enumeration and collection procedures	June 2001	Advisory Notes	Endorsed advisory notes submitted to stakeholders		

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2.5	Assist MoLG in carrying out training on the Advisory Notes.	Sept 2001	5 Regional seminars for training of executives and trainers	Seminar/workshop reports	Seminar/workshop expenses	
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**8.2 Action Area 3: Property Tax - 1. Procedures**

**Responsibility of: LGFC**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
3.	<i>To have in place improved procedures for the management and collection of Property Tax</i>	<i>Jan to June 2001</i>	<i>Easier assessment methods, reduced cost of collection; improved collections</i>	<i>Improved revenues from this source.</i>		<i>Failure to implement because of vested interest at council level</i>
3.1	Develop improved procedures including: ?? Extend property tax to peri urban areas and trading centres ?? Strengthen collection procedures ?? Strengthen appeal mechanisms ?? Increase penalties for defaulters ?? Make property tax information available to public ?? Strengthen financial management procedures and databases	Jan 2001	New Guidelines/ procedures for assessment and collection of PT.	Draft procedures prepared		
3.2	a) Consult with Govt. Valuer and Ministry of Lands (MWLE) b) Consult with stakeholders on procedures	Jan to March 2001	Interviews/ Workshop	Workshop report	Workshop expenses, allowances etc.	
3.3	Obtain approval of procedures from Minister of LG	April 2001	Letter of approval	Approval letter		Approval not received
3.4	Prepare Advisory Notes on revised procedures	May 2001	Advisory Notes	Endorsed advisory notes submitted to stakeholders		

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**REVENUE ENHANCEMENT ACTION PLAN**

3.5	Assist MoLG in carrying out training on the Advisory Notes.	June 2001	5 Regional seminars for training of executives and trainers	Time table, training materials, training report, etc.	Seminar/workshop expenses	
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**Action Area 4: Property Tax – 2. Valuation**

**Responsibility of: Chief Government Valuer**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
<b>4</b>	<b><i>To have in place the appropriate capacity to maintain an effective valuation roll</i></b>		<b><i>Property tax potential is realised</i></b>	<i>Comprehensive valuation rolls in place</i> <i>Improved Revenues</i>		
4.1	Design mass valuation system	Feb2001	System designed	Draft manual	Consultants	
4.2	Review legislation to ensure compatible with mass valuation system.	May 2001	Amendments required identified	Report	Consultants	
4.3	Develop proposals for capacity building to implement proposals	May 2001	Capacity building needs identified	Report	Consultants	
4.4	Consult with stakeholders on system	June 2001	Interviews Briefing of parliamentary committee Consultative workshop	Workshop report	Consultants Workshop costs	
4.5	Obtain cabinet approval to draft amendments	July 2001	Cabinet Memo	Cabinet Approval		Not agreed by cabinet
4.6	Draft bill	August 2001	Bill prepared	Gazetted		May take long time with of legal drafting in MOJCA.
4.7	Act passed into law	Jan 2002	Act passed	Gazetted		Delays due to tight Parliament programme.
4.8	Recruit necessary staff to carry out valuation	August 2001 to Dec. 2002	New staff in place		Salaries for new district valuation staff	
4.9	Prepare guidelines for valuation for use of central and district staff.	April 2002	User guidelines produced	Final guidelines adopted		

**LOCAL GOVERNMENT FINANCE COMMISSION****REVENUE ENHANCEMENT ACTION PLAN**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
4.10	Capacity building of professional and technical staff	January 2002 to June 2002	Programme implemented	Technicians in place in all districts	Consultants	
4.11	Valuation exercise carried out by districts	July 2002 to June 2003 then ongoing	Valuation programme implemented	Valuation rolls	Training costs, travel, venue, etc.	

8.3 Action Area 5: Licences and Fees

Responsibility of: LGFC

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
5.	<i>To have in place a system of licensing that provides for a regulatory system.</i>		<i>Improved licencing system</i>	<i>Licences separately classified from fees</i> <i>Improved revenues</i>		
5.1	8.3.1 <i>Develop procedures which take into account:</i>  ?? Differentiation between licences and fees ?? Stratification of licence charges according to the level of activity being carried out ?? The social needs of licensing as opposed to revenue needs	July 2001	New guidelines and procedures on licencing produced	Draft procedures adopted by LGFC	LGFC Staff	Lack of LGFC capacity
5.2	Consult with stakeholders on procedures	August 2001	Stakeholder Workshop Interviews	Workshop report	Workshop costs Allowances	
5.3	Prepare Advisory Notes	Sept 2001	Advisory Notes	Endorsed advisory notes submitted to stakeholders		
5.4	Obtain consent of MoLG	Oct 2001	Approval letter	Letter available		
5.5	Carry out training with MoLG in the councils	Nov 2001	5 Regional seminars for training of executives and trainers	Seminar/work shop reports	Costs of venue, training materials, meals, etc.	

Action Area 6: User Charges

Responsibility of: LGFC

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
6.	<i>To assist the local authorities to implement user fees and charges that meet national policy and local cost recovery requirements.</i>	<i>July to Dec 2001</i>	<i>Streamlined system of user fees and charges and increased revenue to LGs.</i>	<i>Improved revenues</i>		
6.1	8.3.2 <i>Develop procedures which take into account:</i> ?? Establishment of line ministry requirements for user charges (health, water etc.) ?? Definition of permit/user fees as opposed to licences ?? Identification of possible areas for user fees ?? Calculation of full cost recovery, and use of cross subsidies ?? Affordability ?? Compulsory exemptions for poor	July 2001	New definition of user fees and charges New source of revenue New costing schedules based on service delivery	Draft procedures adopted by LGFC		
6.2	Consult with stakeholders on procedures	July to Sept 2001	Interviews Stakeholder workshop	Workshop report	Workshop expenses	
6.3	Prepare Advisory Notes	Oct. 2001	Notes Drafted	Advisory notes approved by LGFC		
6.4	Obtain consent of MoLG	Nov 2001	Notes approved	Letter		
6.5	Carry out training with MoLG in the councils	Dec 2001	5 Regional seminars for training of executives and trainers	Training session reports	Training expenses	

8.4 Action Area 7: Privatisation – 1. Procedures

Responsibility of: LGFC

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	Performance Indicators	Resources Required	Possible Constraints
7.	<i>To assist local authorities to maximise, in a transparent manner, revenue collection through outsourcing where appropriate</i>	<i>March to Sept. 2001</i>	<i>Improved collections from commercial private operators</i>	<i>Financial statements showing improved revenues/reduced costs of service delivery</i>		
7.1	8.4.1 <i>Develop model procedures for privatisation which include:</i> ?? Options for privatisation ?? Techniques for cost benefit analysis ?? Transparent tendering procedures ?? Model contracts ?? Supervision and monitoring of outsourcer performance ?? analysis of costs to benefits of semi autonomous local collection agencies	March to April 2001	Guidelines on privatisation and management of contracts  Cost-benefit analysis; assessment of cost effectiveness and decisions	Consultant’s report	Consultant	
7.3	Consult with stakeholders	March to May 2001	Workshop	Workshop report, participants report, timetable  Final consultant’s report	Workshop/seminar costs	
7.4	Prepare Advisory Notes	June and July 2001	Advisory notes	Advisory notes completed and endorsed	Consultant	
7.5	Obtain consent of MoLG	August 2001	Approval letter	Approval letter in place		

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7.6	Carry out training with MoLG in the councils	September 2001	5 Regional seminars for training of executives and trainers	Workshop report, participants report, timetable	Workshop/seminar costs	
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**Action Area 8: Privatisation – 2. Pilot Privatisation of GPT and Property Tax Collection**

**Responsibility of: MoLG**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
8.	<i>To test effectiveness of use of contractors in collecting Taxes</i>	<i>Oct 2001 to Nov 2002</i>	<i>Assessment of use of contractors before commitment</i>	<i>Report received on experience in piloting in sample councils</i>  <i>Advisory notes produced to implement in other authorities</i>		
8.1	8.4.2 <i>Develop procedures for testing</i>	October 2001	Testing procedures/ methods Agreed with stakeholders	Procedures manual produced Stakeholder workshop report	Workshop costs	
8.2	Identify districts in which to be piloted including urban and rural councils	October 2001	Pilot urban and rural councils	Approved pilot councils		
8.3	Prepare action plan with councils to implement piloting	November 2001	Action plan for piloting	Approved action plans	MLG staff expenses	
8.4	Assist councils in selection and contracting of outsourcers	Dec. 2001 to Jan. 2002	Contractors selected	Council resolution	MLG staff expenses	
8.5	Assist councils in monitoring and supervising performance of outsourcers	Feb. to July 2002	Outsourcers supervised	Agreed work plans Monthly reports	MLG staff expenses	
8.6	Review success of pilot and lessons to be learnt	August 2002	District level workshops District assessment reports Central workshop Overall report	Analysed and endorsed review report	Workshop expenses MLG staff expenses	

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	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
8.7	Prepare Advisory Notes with LGFC	Sept. 2002	Advisory Notes	Advisory notes endorsed		Not considered appropriate
8.8	Roll out to all districts with LGFC including in-council training	Oct. to Nov. 2002	5 Regional seminars for training of executives and trainers	Training reports	Training venue, materials, fees, per diems, meals, etc.	

**Action Area 9: Capacity Building Co-ordination**

**Responsibility of: LGFC**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
<b>9.</b>	<i>To ensure that capacity building initiatives in local authorities include, and are consistent with, improved procedures and strategies</i>	<i>Dec 2000 on going</i>	<i>Comprehensive capacity building programmes that cover new procedures and strategies.</i>			
9.1	8.4.3 <i>Review initiatives under DDP, LGDP and others to ensure that appropriate local revenue focus is included in</i>  ?? Financial management ?? Revenue collection ?? Tax administration ?? Audit	December 2000	Report on proposals for refinement of DDP, LGDP and others procedures	Well analysed, approved and endorsed inputs		
9.2	Prepare modules for inclusion in capacity building programmes as required	January 2001 ongoing	Training programme/modules for capacity building programmes.	Modules produced and available	LGFC/MLG Staff	Modules may be reliant on other action areas before can be prepared.
9.3	Assist in presentation of training where needed	January 2001 ongoing	Training delivered	Training reports	MLG staff	



**Action Area 10: Tax Payer and Councillor Education Programmes**

**Responsibility of: MoLG**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
<b>10.</b>	<i>To increase awareness of purpose and uses of council revenues in order to increase willingness to pay</i>	<i>March to Dec 2001 June 2002</i>	<i>Appreciate sensitisation on usefulness of various revenues</i>	<i>Increased revenues Reduced numbers arrested for non payment</i>		
10.1	8.4.4 <i>Prepare, with LGFC, training modules</i>	March/April 2001	Training programmes/modules	Quality training modules produced.	MLG staff allocated	
10.2	Consult with stakeholders as to its appropriateness	March to May 2001	Consultative workshop	Workshop report	Workshop expenses	
10.3	Pilot training in 2 districts	June 2001	Training Programme in 2 districts	Timetable, pilot training report, evaluation	Training costs	
10.4	Finalise training materials	July 2001	Training materials	Materials finalised		
10.5	Train MoLG staff on materials and presentation techniques	August 2001	TOT for MoLG trainers	Training report	Training costs	
10.6	Roll out training into all other districts	Sept/Oct 2001	Training programmes in all districts held	Training report	Training Costs	
10.7	Carry out impact assessment for further training	July 2002	Review of impact in sample districts	Report produced Programme for further training prepared.	MLG/LGFC staff expenses	

**Action Area 11: Revenue Monitoring**

**Responsibility of: LGFC**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
11.	<i>To provide LGFC with up to date information as to revenue collection performance in order to assist councils in improvement</i>	Jan to July 2001	<i>Up to date and regular information on Revenue collection to LGFC</i>	<i>Complete quarterly analysis for all councils available within 60 days</i>		
11.1	8.4.5 <i>Develop reporting procedures for councils which include:</i>  ?? Reporting formats ?? Deadlines ?? Consistency with current and MoLG reporting ?? Responsible officers within LGFC	Jan to Feb 2001	Guidelines and procedures on revenue collection produced	Endorsed manual on guidelines and procedures	Secretarial services costs, stationery	
11.2	Define Terms of Reference for 9 regional revenue monitors including capacity building and assistance roles	Jan 2001	TOR for the 9 Regional Revenue Monitors	Approved TOR		
11.3	Consult with stakeholders	Jan to Feb 2001	Workshop	Timetable, report	Workshop costs for venue, training materials, trainers' fees	
11.4	Develop Advisory Notes	March 2001	Advisory Notes	Timely production of Advisory Notes		
11.5	Recruit and train regional monitors	Jan to April 2001	Regional Monitors recruited and trained	Appointment letters, training reports	Consultant	Funding available for monitors
11.6	Regional monitors train councils	May/July 2001	Seminars/Workshops for Councils	Work plans Progress reports	Workshop costs	
11.7	Revenue monitors report on district revenue	On going	1 <sup>st</sup> quarterly report	LGFC report		

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	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
	performance		produced before 31 <sup>st</sup> October 2001			

**Action Area 12: Assessment of District Revenue Capacities**

**Responsibility of: MoLG**

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
12.	<i>To identify the tax bases of individual councils and their collection capacity in order to assist them in identifying revenue sources and yields, and improving collection</i>	<i>April to Dec. 2001</i>	<i>New revenue sources identified and improved collections made</i>	<i>Decreasing reliance on traditional sources</i>		
12.1	8.4.6 <i>Develop procedures for assessment based on those used in field trips in this study</i>	April 2001	Assessment procedures	Manual endorsed	Consultant	
12.2	Identify and train staff to carry out the assessments	April to May 2001	Staff identified and trained	Staff schedule Training report	Consultant	
12.3	Carry out assessments in the districts	May to Sept 2001	Assessments done	Assessment report	Travel costs, per diems, stationery	MLG staff available
12.4	Assist councils to prepare local action plans based on the results	May to Sept 2001	Action plans for councils produced	Action plans	Travel costs, per diems, stationery	Council commitment
12.5	Provide assistance and resources to councils in the implementation of action plans	Ongoing	Resources and technical assistance given to councils	Reports	Travel costs, per diems, stationery	MLG resources available
12.6	Monitor progress in implementation	Ongoing	Monitoring done	Report on monitoring	Travel costs, per diems, stationery	MLG resources available



8.5 Action Area 13: Central Strategy

Responsibility of: LGFC

	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
13.	<i>To formulate and co-ordinate implementation of a strategy for local government tax reform</i>	<i>March to October 2001</i>	<i>LG taxes reformed in line with requirements of service delivery</i>	<i>Strategy document agreed at cabinet level</i>  <i>Local Government financial statements</i>		
13.2	Identify central government resources raised at district level and develop bases of sharing at district level. These might include:  ?? Forestry revenue ?? Hunting/national park fees ?? Vehicle registration ?? Stamp duty ?? Mineral royalties	March 2001 to April 2001	Report on Central Govt. Revenues raised at district level	Report endorsed and analysed in time		
13.3	Consider incentives for improvement in revenue mobilisation including results based additional unconditional grants	April to May 2001	Report on recommended incentives for high revenue collectors	Endorsed report of recommendations		Difficulty in operationalising the rewards; possible clashes with councillors
13.4	Input into the land policy debate with a view to possible taxation of large commercial landholdings	April 2001	Paper on possible taxation of large commercial land holdings	Report accepted by LGFC	Consultant	Opposition by politicians and influential owners
13.5	Identify mechanisms for greater information sharing with URA	May 2001	Meetings/ information sharing	Minutes, memoranda		Delay in getting relevant meetings with URA
13.6	Consult with stakeholders	June 2001	Stake holder workshop	Report	Workshop costs	

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	<i>Objective/Activities</i>	Time Scale	<i>Outcomes/Outputs</i>	<i>Performance Indicators</i>	Resources Required	Possible Constraints
13.7	Obtain consent of Ministers of Local Government and Finance	August 2001	Approval received	Written comments from ministers		Delays due to busy schedules of Ministers
13.8	Assist in preparation of cabinet paper	September 2001	Cabinet paper submitted	Cabinet approval through minutes		Delays due to busy schedules of responsible personnel
13.9	Publish strategy document	October 2001	Press briefings Development of programme	Implementation programme and work plans		
13.10	Monitor and assist MoLG in implementation of policy	On going	Policy implementation	Advisory notes Progress reports	Travel costs, per diems, stationery Training costs	