

REVENUE & TREASURY MANAGEMENT CONFERENCE

Theme: Revenue and Treasury Management as a Competitive Advantage

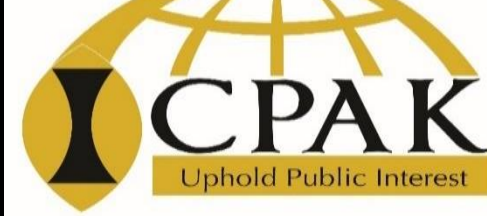
Travellers Beach Hotel, Mombasa: 31st July to 2nd August 2019

Revenue Management:

- Is Revenue the King?
- Private and Public Sector perspectives and comparatives

CPA Andrew Rori

What brings you here?



What **activities** drive/motivate the private operations

new initiatives introduced to **promote fiscal decentralization** and enhance local government authority.

finding **effective financing structures** and partnerships to accomplish most with limited resources and increasing the transparency

There is much need to develop a **mechanism** proper Financial Management – Liquidity concerns

It is therefore **necessary** business entities expand sources of revenue to survive

gain knowledge and understanding on **how to generate revenue from new sources in the local governments – Own source revenues**

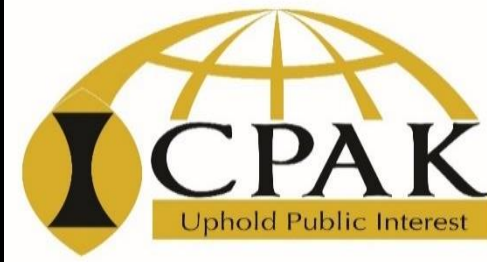
Government is concerned about **slow collection of revenues and arrears of revenues by sub National Governments**

Are the taps dry?

new initiatives introduced leveraging on technology advancements.

going through a reform, moving from a centralised system **towards a more decentralised governmental system**

Session Outline



- Introduction
- Why revenues Matter
- Analysis and strategy
- Strategy and solutions
- Case

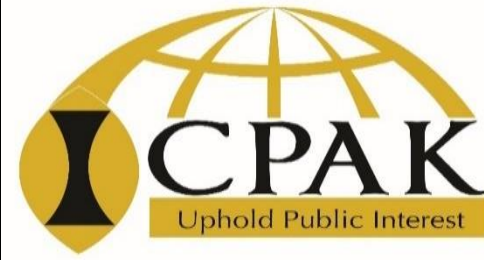


Definitions

- **Revenue:**
 - Income arising in the course of an entity's ordinary activities.
- **Income:**
 - Increases in economic benefits in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity (other than those from equity participants).

- “Revenues or revenue in business is the gross income received by an entity from its normal business activities before any expenses have been deducted. Income may be received as cash or cash equivalent and is typically generated from the sale of goods or the rendering of services for a particular period of time.”
- Revenues received by public sector entities arise from both exchange and non-exchange transactions, the majority of revenue of governments and other public sector entities is typically derived from non-exchange transactions

Introduction



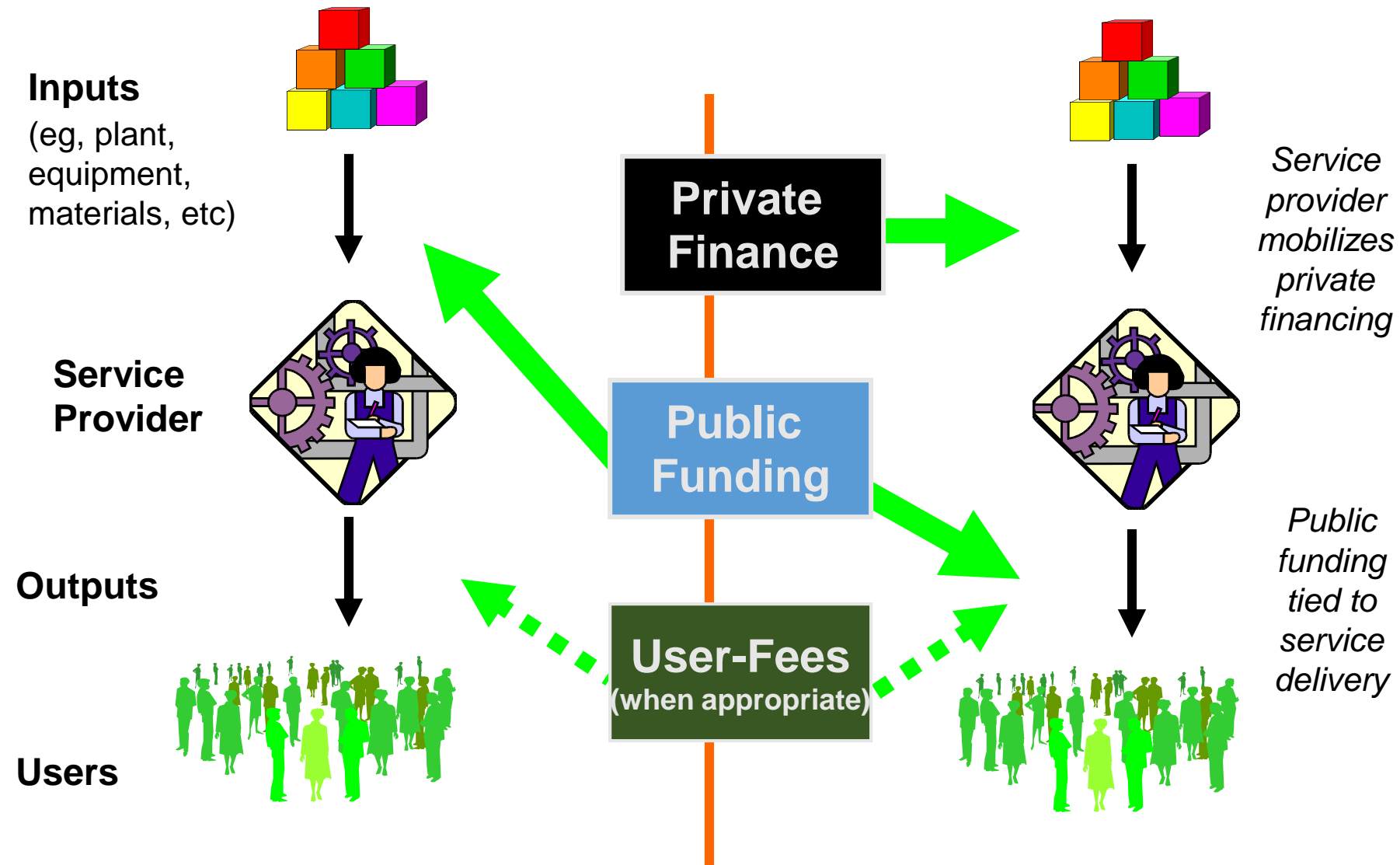
Private and Public Sector

- ✓ What are the drivers of revenues?
- ✓ What are the right product/service mix or tax bases that can maximize the organizational revenues?
- ✓ Once we've generated the revenues...so what?
- ✓ Pricing decisions in the two sectors

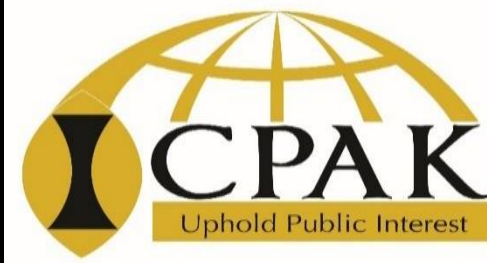
Different perspectives

- ✓ Public goods – existence of externalities
- ✓ Redistributing resources to the poor
- ✓ Failures in financial markets
- ✓ Mitigating political and regulatory risks
- ✓ Circumventing political constraints on prices and profits

Introduction



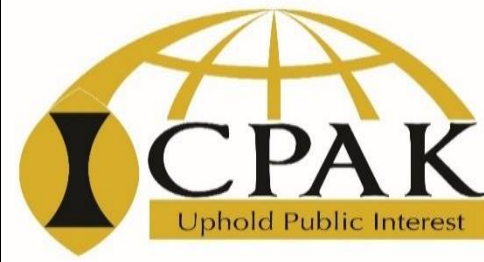
Importance of an efficient & accountable administration



- Will lead to improved credibility and trust;
- Will increase citizens commitment and compliance;
- Will improve security and equity
- Will result in increased revenues for better services;
- Will increase financial possibilities to invest in the social and economic infrastructures and services;
- Will reduce costs of doing business and increase employment;



Why Revenues Matter in the public sector



- Imagine to have no access to clean water, a home without electricity, or children without disease-preventing vaccines. In many countries however this still is a fact of life.
- Like them or not, taxes and other domestic revenues pay for the public services we use: schools and hospitals in our communities; roads and bridges that we take to work; and police and sanitation workers who keep our neighbourhoods safe and clean.

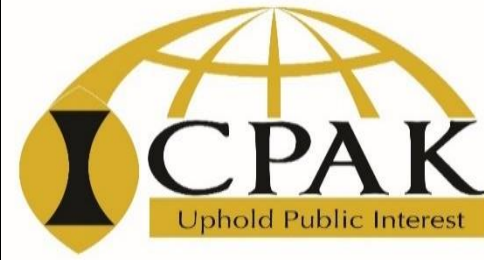


Akufo-Addo urged to back 'Ghana beyond aid' with sustainable tax system



- *“Other countries have been able to mobilise internal resources, and adequately so to the extent that they have the money to finance the needs of society that can create the foundation to finance development. That is our problem. In our country do we even collect up 30% of the taxes that we are supposed to collect?”*

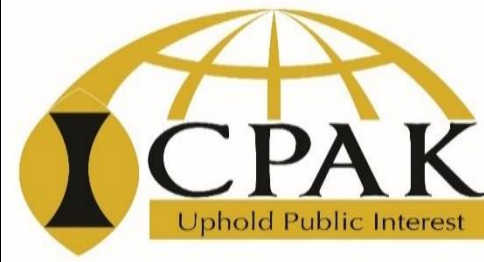
Recommendations (IMF, OECD, Habitat III)



Invest in:

- Strategy development;
- Technical and the human resources needed to maintain effective local tax systems;
- Low-cost cadastral and assessment innovations and digital systems for mass assessments;
- Integrated ICT solutions;
- Property tax as a strong own-source revenue option.

What can block revenue performance



- Constitutional, legal and policy limitations;
- Politicians who are concerned to loose support when they commit to increased revenues;
- Local governments who lack the human resource capacities to collect revenues
- Inefficient billing and collection systems;
- Problems in identifying taxpayers and relevant data;
- Lack of modern IT support
- Citizens who not involved and thus not committed;
- Lack of trust between local government and citizens

What is needed?



What is needed?

Governments that:

- Deliver good services;
- Are customer oriented and friendly;
- Understand the importance of citizens' involvement;
- Are transparent about budget and revenues.

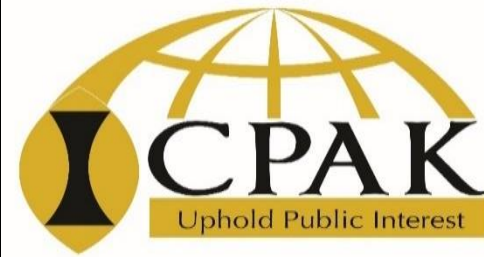
Citizens who:

- Want to have a constructive dialogue with their local government;
- Are engaged and involved in government plans;
- Understand why they have to pay tax and are compliant in paying;
- Can trust their local government

Collection led strategy

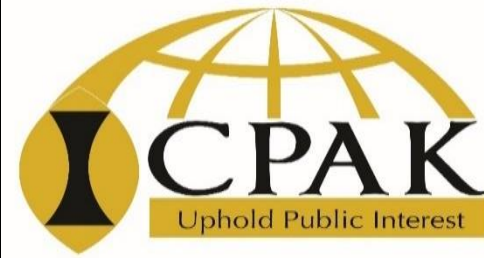
- Collection leads to revenue, equity, efficiency and accountability
- Improving:
 - collection and enforcement
 - taxpayer service and education

Critical Success Factors



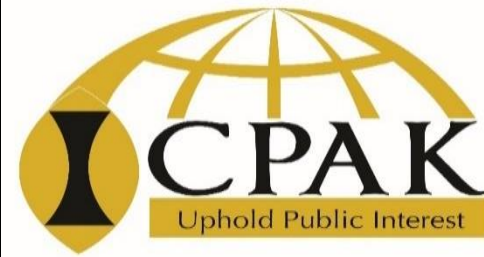
- The political will to become a trusted, accountable and service oriented local government;
- Citizens being part of an open, participatory and inclusive approach;
- Improvement of the local governments communication and social skills;
- Implementation of easy to use and easy to maintain software to minimize risks of fraud and corruption;
- Capacity building to empower local governments to take command of their own development.

Leveraging Safely



- A **shared joined strategy** on national and local levels to improve both revenue collection and the delivery of basic services;
- improved **revenue collection procedures** necessary to become a good local tax administration and including modernisations such as indexing of property values, zonal valuations, e-bill delivery, e-payments and improved revenue collection;
- Easy to use, easy to implement, **billing and collection software** to facilitate effective revenue management and decrease the risks of leakages and fraud;
- improved mass- and inter-personal **communication** with citizens;
- Organise a **sustainable and spending funding cycle** in which one can determine how these new revenues will be spent.

Analysis and Strategy



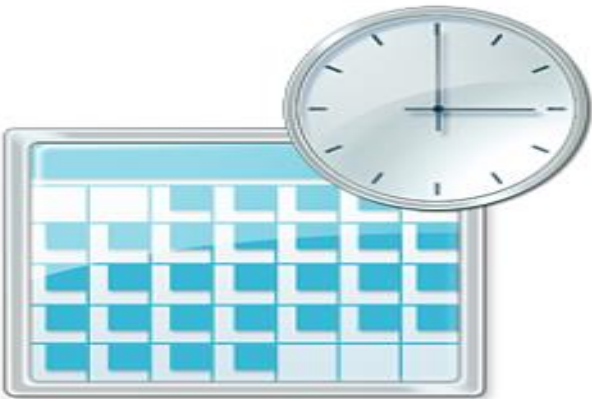
Program/ Project management

Problem analyses, strategy development and social contract

Improving the tax **organisation** (processes and procedures)

Implementation of Tax Management tool

Transparency, Taxpayer communication and improved services



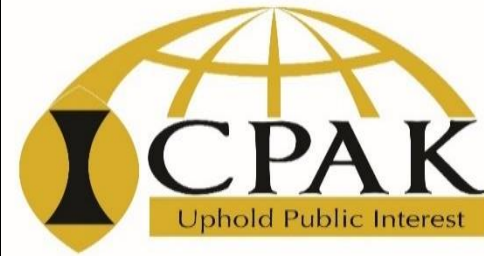
Tax and Development: Aid Modalities for Strengthening Tax Systems, OECD 2012

The fundamental purpose of taxation is to raise revenue effectively, efficiently and fairly to finance public goods and services.

“Vision without Action is Daydreaming
Action without Vision is a Nightmare”

(Japanese proverb)

Guiding Principles in designing a reform Strategy



- Political commitment;
- Formulate a clear strategy;
- Identify laws and procedures to be changed;
- Simplify tax system and reduce compliance costs and time;
- Encourage voluntary compliance;
- Reform, restructure tax administration;
- Take an integrated approach;
- Ensure effective management of the change process;
- Start with pilot project, quick wins

First step towards strategy: Diagnose existing problems (IMF)

“the diagnoses of bottlenecks is an important exercise, as the reformers must identify the administrations key problems and identify its key goals, as well as the options for achieving these goals...”

Different strategies for Property Tax Reform

- **Collection led strategy: Strengthen PT-collection by**
 - Improving collection and enforcement with taxpayer service
 - Less attention on improving quality of property information and accuracy of property valuation.
- Collection leads to revenue, equity, efficiency and accountability
 - Increased revenues at short notice
- **Valuation pushed strategy: Improving coverage and valuation ratios by focusing on:**
 - Tax mapping
 - Fiscal Cadaster information
 - Accurate valuation
 - High quality geo information

➤ **Advice** start with Collection led strategy, then followed by Valuation pushed strategy