

**Revenue Development Foundation
Concept Note for Discussion**

REVENUE MOBILISATION FOR LOCAL GOVERNMENT

What RDF Can Provide

Increasing Local Government Revenue

Local governments in low-income countries often struggle to raise capital to provide public goods and services. RDF has developed an Urban Tax Administration System which assists local councils to efficiently administer and manage property tax and business licenses.



The support includes the RDF REMOP software system. The system supports the entire process registration of properties, through valuation, billing, payments and outstanding arrears. It automatically calculates the tax due and produces notices and correspondence to simplify the process for valuation staff, ensuring accurate calculations and a transparent process. Following the collection of taxes, all revenues are recorded in the system, allowing for accountable monitoring of progress. The system is lightweight and durable, functioning offline and suitable in remote locations with no internet connectivity.

Democracy and Accountability

A broad campaign to sensitize taxpayers is a critical step in the revenue mobilization effort. Public sensitisation around tax compliance, such as radio programs or local theatre is introduced, as well as sensitisation around participation. This encourages councillors, civil society and community members to participate in a transparent system that highlights accountability.

REMOP Methodology

RDF implements a 6-step methodology. The steps follow the local tax year and is repeated for the second tax cycle, during which RDF support is gradually reduced as appropriate.

- 1) Discovery:** Numbering and indexing all existing properties. This involves identifications of roads and buildings, data collection by hired enumerators and managed by field supervisors, and data input into RDF ReMoP Software.
- 2) Assessment:** ReMoP uses a “points based” valuation method where points are awarded to specific features of a building. It awards points for attractive features or deducting points for poor features. There is an appeal process to allow the appellant to challenge the assessment made on the building or to challenge the business category.



3) Billing: Rate Demand Notices (RDNs) are delivered systematically to all tax payers, with a delivery form filled out to ensure receipt. These are automatically calculated and produced in the software.

4) Sensitization: A broad campaign to publicise tax and sensitize tax payers. Includes activities such as regular radio programmes, banners, permanent signs, ward meeting, street theatre, announcements at local church, mosque or football match, town-crier, vehicle signs, posters, newspapers, and business promotion.

5) Collection: Collection of taxes due. Using revenue collectors gives rise to corruption opportunities, so it is strongly recommended is the payment of taxes and licences through a local bank.

6) Compliance: This stage involves the Magistrates Court and will normally see the vast majority of summoned defaulters pay prior to the Court hearing. Taxes paid during first year voluntarily, will naturally be small. Experience is about 5% - 10% compliance even with all of the sensitization, incentives and penalties

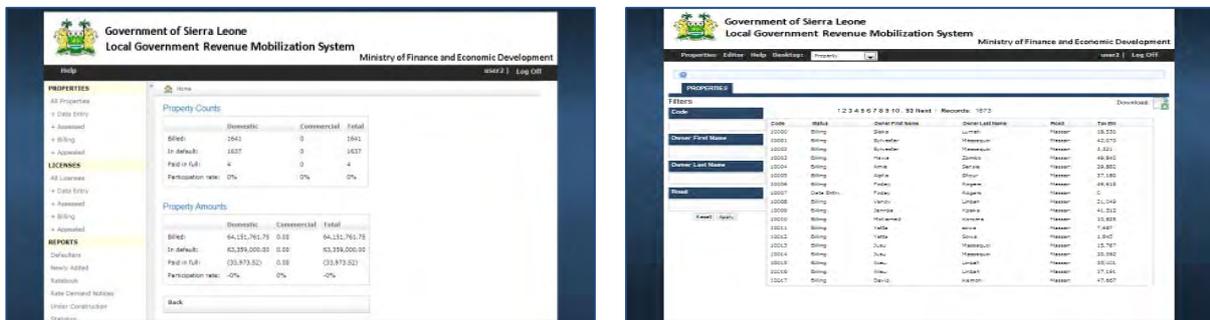


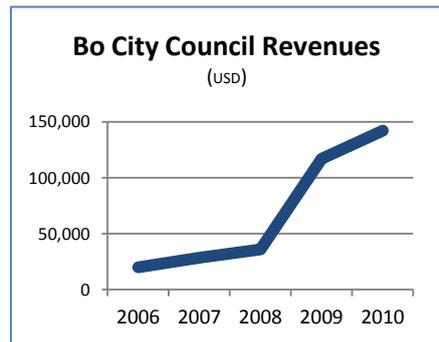
Figure 1 Remop 3.0 screenshots

Sierra Leone Experience

RDF's main property tax project has been in collaboration with Bo City Council, with its origins as early as 2009. The RD Urban Tax Administration System has been successfully installed, which allows for the administration of both property tax and business licenses. It has been reported that the system greatly reduced discretionary power exercised by tax collectors, and thus decreased corruption and increased trust.

Mainly due to the tax revenues collected through the programme, BCC has managed to increase tax revenues and improve public services such as bus services and waste management.

RDF in partnership with IFAD, is currently implementing its ReMoP Programme in four new councils in Sierra Leone. The first phases have been successful and an update version of the software has been installed. RDF is planning execution of a country-wide implementation.



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