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# INCREASE REVENUE MOBILIZATION TO ENHANCE SERVICE DELIVERY

## 1. Preamble

**Above**; UDN's BoardChair, Hon.Fred Omach taking Members of Parliament through a training organized by UDN in collaboration with AFRODAD aimed at Strengthening Parliamentary Oversight in Public Debt Management on 15th Oct 2021.

A State's ability to mobilize domestic resources is determined by size of economic activities, economic growth performance, and capacity to raise and manage tax revenues and the efficiency in the financial system. Government continues to face intense pressure to meet her service delivery targets due to limited revenues collections and is therefore forced to undertake cash rationing, budget suppression or borrow publically to finance supplementary expenditures and budget deficits. Revenue mobilization in Uganda is dominated by taxes, non-tax, appropriations in aid (AIA) and debt.

## 3. SHORTCOMINGS IN DOMESTIC REVENUE MOBILIZATION

Uganda's tax collection effort has remained below potential despite successive reforms by URA in the tax administration and systems since the 1990s. Nevertheless, these changes have resulted in significant increases in revenue collection since 2009, increasing from Ushs 4.2trillion to Ushs.16.6trillion in 2019 to approximately Ushs 19.2trillion in 20/21. Notwithstanding this change, revenue performance remains below potential based on revenue to tax to GDP ratios. Uganda's tax to GDP ratio only increased from 11.6 percent to 12.7 percent between the 2019/20 and 20/21 fiscal years. A comparison with other countries also shows that Uganda's tax revenue to GDP ratio is still below the Sub-Saharan Africa average of approximately 16 percent. In the current FY 2021/22, domestic revenue projection stands at Ushs 22.4trillion, of which Ushs. 20.8 trillion is tax revenue and Ushs.1.5trillion is non-tax revenue.

However, given past trends there has been a variance between the revenue projects and actual collection. In FY2020/21 net revenue collections amounted to Ushs 19.2trillion registering a shortfall of Ushs 2.4trillion and in FY 2019/20, domestic revenue underperformed by Ushs 3.6trillion. To cover up the shortfall, Government of Uganda depended on external and domestic debt. While Government is focused on developing infrastructure and industrialization, the drummed-reformed tax administration is key in improving revenue collection.

## 5. Recommendations/conclusion

1) Government should reduce corporate income tax rates to reduce the cost of business to attract investment for improved savings. Repealing/eliminating tax incentives/ exemptions and holidays is paramount as an accurate taxpayer registration database and effective compliance risk management practices is upheld. Implementing a clear revenue strategy and compliance improvement plan should increase revenue collection through making adequate use of digitalization to improve operations and performance.
2) Government should reduce domestic borrowing because as it has increasingly become clear, domestic debt is very expensive. Generally, for government to mobilize revenue, the economy should be stimulated to grow, pay all arrears of citizens, significantly reduce domestic borrowing to avoid competing with the private sector which is expected to lead economic growth.
3) To address poor tax paying habits, Ministry of Education should design and incorporate tax education and integrity subjects/studies in the syllabus as early as primary section through to tertiary institution to help mould character of future generations with regard to tax compliance.
4) The total number of Members of Parliament is overwhelming. Government spends lots of funds sustaining their operational costs eg Siting allowances, Constituency Allowance among others which would be saved for service delivery.

Therefore, broadening the tax base and increasing attention to revenue mobilization should suffice based on large shortfalls in tax revenue and the risk of reductions in foreign aid and funding gaps left by donors.

## UDN IN PICTURES

**Above**; Hon.Stephen Mikitale addressing Members of Uganda's 11th Parliament at a UDN training aimed at Strengthening Parliamentary Oversight in Public Debt Management on 15th Oct 2021.

**Above**; Mr. Jadson Braganza, ED AFRODAD taking the Ugandan MPs through a training Session on improving the Parliamentary oversight function, towards sustainable debt and prudent management of debt processes in Uganda

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