

WHY DEVELOPING LOCAL TOURISM WILL ENHANCE LOCAL GOVERNMENT REVENUE UNDER THE NEW PROGRAM-BASED APPROACH

By Walter Akena¹

The government of Uganda embraced the policy of decentralisation by devolution, which recognises local governments as frontline actors in the provision of services to the citizens.ⁱ The ability to effectively and efficiently deliver on this function is dependent upon the volume of resources available at the disposals of the local governments. Financing of Local Governments (LGs) is still a challenge as it has not been matched with the increased demand and cost for services in LGs. The lack of comprehensive needs assessment and inappropriate application of the prescribed formulae for allocation of Central Government grants to LGs has resulted in increased funding gaps. On the other hand, there exists huge potential for Local Governments to enhance their local revenues but owing to various weaknesses not much has been done to exploit that potential. Local tourism is one potential source of local revenue but which local governments have not deliberately thought about. Tourism development is recognised by the Third National Development Plan as one of the 18 programmes to deliver the required results and address the 13 bottlenecks adopted by the African Union. The programme aims to increase Uganda's attractiveness as a preferred tourist destination and it is expected to result in a sustainable increase in tourism arrivals and revenues as well as employment in the tourism sector. Local tourism is a huge revenue generation potential for local governments that has not yet been fully explored and thus presents an enormous opportunity under the Program-Based Approach.

Local government financing

Funds for LGs are mainly from three sources: Central

Government Transfers, Donor Fund and Local Revenues which account for 90%, 7% and 3% of the total budget respectively.ⁱⁱ Local Governments have the powers to levy taxes such as fines rates, rents, royalties, stamp duties and registration and licensing fee among others.ⁱⁱⁱ Despite the revenue sources enumerated, the local revenue base for districts remains worryingly low. The Auditor-General reported in FY 2019/2020, that local governments had met less than 76% of their local revenue targets and advised LGs to initiate strategies to enhance the local revenue base.

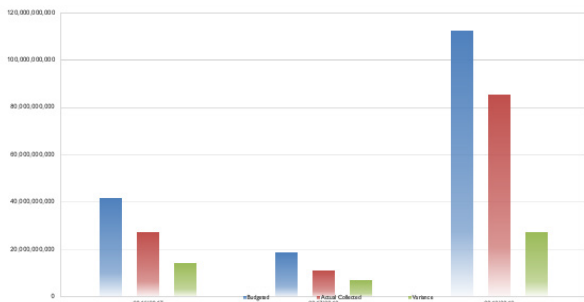
Performance of local revenue

Section 80 (1) of the Local Governments Act, Cap. 243 empowers Local Governments to levy, charge and collect fees and taxes, including rates, rents, royalties, stamp duties and registration and licensing fees and the fees and taxes that are prescribed in the fifth schedule of the Act. Despite the legal provision for revenue generation, local revenue has remained at a static range of about 3-5 per cent of the total Local Government budgets for nearly 15 years. Besides the limited contribution of local revenue to the overall budget of local governments, there has been a notable reduction in the Local Governments revenues, a testament that local governments have not exploited all the potential revenue sources within their proximities.^{iv} The suspension and later abolition of Graduated Tax which was the predominant source of local revenue have been touted as the major contributor to the decline in local revenue. The Graduated Tax, which was important for discretionary expenditures and has never been adequately replaced. All taxes now account for less than 5 per cent of Local Governments' revenues whose collection is estimated to be at less than half of its potential.^v

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Furthermore, local governments have consistently failed to fully collect the projected revenue from local sources. For the three years 2016/ 17, 2017/ 18, and 2018/ 19, financial statements showed that the local governments were not able to tap into key revenue sources and also had revenue shortfalls of UGX 48.6 Billion representing 28.1% of projected revenues.

Table 1: Trend of local revenue performance for local governments in Uganda



Source: OAG Analysis of Financial Statements of LGs

Tourism and revenue generation

Tourism plays a crucial role in the development and growth of all countries, especially the developing countries, creating a generally positive impact on the economic and social situations for the target country.^{vi} Tourism contributes significantly to Uganda's gross domestic product, provides significant investment opportunities and employment and is a major source of foreign currency.^{vii} The Tourism Industry has emerged as a centrepiece for growth and development with a huge potential to shape the development fortunes of Uganda. The Sector currently sits at the apex of foreign exchange earners for Uganda and contributes to 10 per cent of the country's GDP. In 2017, the sector contributed to USD 1.45 Billion and was only followed by remittances that contributed USD 1.2 Billion.^{viii} The total contribution of the Tourism Sector to Uganda's GDP in FY 2021/2022 is estimated at UGX 7.8 Trillion and is likely to rise to UGX 8.5 Trillion by FY 2025/2026.^{ix}

Potentials for tourism development in local governments

The World Tourism Organisation ranked Uganda third among the world's top 10 most promising tourism destinations amidst several global endorsements for destination Uganda. Given Uganda's diverse landscape, flora and fauna, and national parks, the country enjoys the large potential for the development of nature tourism. It has wildlife safaris, gorilla tracking, adventure tourism, bird watching, and cultural tourism. It has mountains, the Source of the Nile and the Great Lakes.^x

a. Cultural tourism

Attracting tourists to spend more money in Uganda should transcend nature-based tourism (taking them to see gorillas and other wild animals).^{xi} There should be diversification in the direction of cultural tourism. In Kenya, the Maasai have over the years been represented stereotypically as a unique esoteric community that represent the essence of real Africa; consequently, international tour operators and travel agents market the Maasai as one of those extraordinary mysterious indigenous community. This form of touristic images is usually represented as ideal for tourists particularly Western tourists keen on exoticism.^{xii} Fortunately, Uganda has in abundance such opportunities whether from our history and rich culture or our delicious foods that can be tapped into to turn around the fortunes of LGs. Karamoja region can for instance become a powerful destination for cultural tourism. In the same vein, the different traditional foods around the country can become a potential tourist attraction. Local Governments can organise traditional food festivals or cultural exhibitions.

b. War museums

There are many countries around the globe where War Eco-Museums have been constructed to enliven the memories and also attract visitors.^{xiii} Iran, China, Malawi, Rwanda are some of the countries that have constructed war museums as a potential tourist attraction. In Vietnam, War Remnant Museum located in Ho Chi Minh City is the most visited site in the country.^{xiv} Interestingly, tourists comfortably pay to visit a former battlefield of the Great Ming Dynasty in the Ningxia Province. In Northern Uganda, the sad tale of the 20-year conflict is a potential source of tourism. Local government leaders in Northern Uganda can jointly develop war museums and tourist sites that can become revenue sources. Amuru and Agago districts have a rich history of having been the sites of rebellions against the British in Acholi land. Leaders of these two districts should consider developing Guru-guru and Paimol into powerful tourist destinations and begin to cash in on them. Local governments in Bunyoro Sub-region can develop a war memorial of its traditional warfare as well as Luwero district from the 5-year liberation war which can become great tourist attraction sites.

c. Nature-based tourism

The fastest-growing element of tourism is 'nature-based tourism, often involving excursions to national parks and wilderness areas, to developing countries where a large portion of the world's biodiversity is concentrated. Uganda is a country blessed with remarkable biodiversity and tourist attractions; from the climate, people, national parks, hot springs, waterfalls, sprawling savannahs, snow-peaked mountains, dense forests, rivers and Lakes. Fortunately, opportunities for nature-based tourism are in abundance in local governments which, if developed, can become potential sources of local

revenue. In Tororo for instance, Tororo rocks can be a potential tourist attraction site. Agago District in Northern Uganda is beautifully laced with beautiful sceneries of hills like; Amyel, Layita, Akwang and Oret which can be tapped into for local revenue. In Pader, there is a budding tourist site (Aruu Falls) which leaders of the district should develop in partnership with the private sector. Sheema, Mitooma, Amuru and Fort Portal are among districts with hot springs. The question is, what are the local government leaders doing with them?

Conclusion

Both the Uganda Tourism Act (2008) and the LGs Act (Cap 243) arrogate some responsibilities within

the tourism sector to LGs. Under the LG Act, the establishment and maintenance of museums and tourist centres are responsibilities of the LGs while Section 7(g) of the Tourism Act enjoins the Tourism Board to delegate to LGs some of its functions commensurate to the tourism sector. Therefore, local governments creatively and innovatively invest in harnessing the benefits of local tourism and expand their revenue base. Local Governments need to create a conducive policy environment for private sector investment in local tourism if they should reap its dividends.

Endnotes

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