



MINALOC

RWANDA FISCAL DECENTRALIZATION PROJECT

Alternative Sources of Revenues
For Financial Sustainability:

A Case of Local Governments
in Rwanda

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All errors remain solely the authors’.

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Abbreviations and Acronyms

ASSETAMORWA	Association of Motorcycle Taxis of Rwanda
BOE	Board of Equalization (California State)
FDP	Fiscal Decentralization Policy
GOR	Government of Rwanda
ILO	International Labor Organization
KIST	Kigali Institute of Science, Technology, and Management
MIS	Management Information System
SHOs	Self-Help Organizations
SOEs	State-Owned Enterprises
UNATAVE	Union of Bicycle Taxis
USA	United States of America
USAID	United States Agency for International Development

1.0 Introduction

This paper proposes new ways to expand revenue sources for the local governments in Rwanda. It is argued that the success of decentralization policy depends largely on the existence of sustainable fiscal management at the local governments and other local structures.¹ The study recognizes that, in the Government of Rwanda (GOR), districts and towns face insurmountable fiscal gaps; it therefore aims at discovering new plausible innovative sources to remedy the situation. The government is attempting to bridge this gap by administering two grants to the local governments (Shirima, 2004a).²

The current sources of finance to the local governments include the following: central government subsidies, devolved taxes and other local non-tax revenues, grants from donors, and (at least potentially) bank loans (MINALOC, 2003). While the current study recognizes the need to increase the revenue-generation ability of the local authorities, it does not advocate launching major new revenue-sharing schemes or assigning more taxes to these local units. The main reason for this is the missing capacity in fiscal and financial management that exists both at the local level and central governments. Therefore, in the next few years, the GOR needs to devote substantial efforts in improving the operation and performance of the existing sources mentioned above.³

At the same time, the study observes that, despite the fact that local governments in GOR are legally allowed to borrow after fulfilling certain predetermined conditions, greater local government borrowing is not plausible to explore at present. This is mainly due to the infancy of the local governments, low levels of economic development, and a lack of creditworthiness on the part of the sub-national governments of Rwanda.⁴ Before a market for local government credit can develop, a number of changes would need to occur—not least of which would be for local governments to increase their creditworthiness, including via improved financial management. Such topics are better left to a more thorough exploration by other deliverables generated by the Fiscal Decentralization Project.

The focus of the present study, therefore, is on alternative revenue sources for local governments, omitting discussion of new taxes and borrowing possibilities for local governments. We also examine other ways for local governments to increase net revenues, including by minimizing costs and improving efficiency. We should also mention that the current study offers an introduction and an overview to alternative sources of revenue for the sub-national governments in Rwanda, but does not explore any one topic in great detail. The current study could form the basis for more detail-oriented studies on the areas mentioned and stimulate debate on the issues raised.

This study addresses the following issues sequentially. Section 2 explores new possible sources of revenue including the non-traditional user fees discussed in detail in Shirima and Nyamulinda (2004). Section 3 discusses ways that local governments can minimize their costs. Section 4 introduces efficiency improvement techniques, and Section 5 offers final policy recommendations and conclusions.

¹ In Rwanda local administrative structures include sectors and cells. See for example the *Official Gazette of the Republic of Rwanda*, No.39 of 20/12/2000.

² The two grants are Common Development Fund (CDF) and Local Authority Budget Support Fund (LABSF).

³ The Minister of Local Government, Hon. Mr. Protais Musoni, has mentioned on several occasions the need to postpone assigning more taxes to the local governments until such time as the center is comfortable and able to meet the legally mandated grants cited above.

⁴ Nevertheless, we cannot rule out the borrowing possibilities of some of the CoK largest districts (Nyarugenge and Kacyiru) and the few urban towns that have shown to be growing toward financial self-sufficiency (Shirima, 2004a).

2.0 Identifying New Sources of Revenue

The study advances 16 areas that local governments in Rwanda can explore to enhance their revenue-generation ability so as to increase their financial and fiscal autonomy. These areas are of two major types, explored below: (1) user charges and fees, and (2) sources related to local economic development.

2.1 User Charges and Fees

Services or user charges are an important source of municipal revenues in developing countries. Charging the immediate users of infrastructure and services has become a common principle, and user charges are growing in importance. User charges are developed to generate revenues to cover operating and investment costs. In Rwanda, the design should provide for more efficient provision of municipal services including infrastructure to enable the rate setting and adjustment at levels that reflect real capital cost, finance charges and inflation. In the GOR, these may be imposed on public or private water supply, sewerage, telephone company, and electricity utilities. When fees and user charges are reasonably established, sub-national level governments can achieve financial self-sufficiency as it has been shown by the water supply corporation in the Malaysian state of Penang (Lohse, 2003).

2.1.1 Toll Charges

Toll charges may be raised from vehicles, which come to the local markets for collecting agricultural crops and other natural resources, like timber and mineral resources. The class of vehicle and tonnage capacity will determine the toll amount paid;⁵ for instance, cars, cars with trailers, trucks with two axles, or trucks with more than two axles. The money raised by the tolls would be used by districts and town authorities for transport improvement. In collaboration with the central government, each district can set toll rates to be charged on vehicles using feeder roads and main roads across the country.

2.1.2 Garbage Collection Fees

There is a dire need for transportation facilities to collect garbage from cities and municipalities in Rwanda. The collected garbage may be useful in the preparation of manure, domestic energy supply, and for re-use if possible. Local authorities in Rwanda can make this area a good source of their revenues. In the City of Kigali (CoK), garbage collection is done by the city authority, but due to a shortage of means of transport, this service does not reach all areas of the city. In some parts of the city, like Nyamirambo and Kacyiru Districts, garbage collection is done by private individuals and associations that charge fees to provide this service. Through privatization and consultancy, efficiency can be improved and local authorities can create sources of revenue out of solid waste management.⁶

Solid waste management may include various activities, such as:

- a) **Composting:** Some garbage collection from the household and industries can be served as compost manure and be sold to farmers of vegetables and other crops. There is a high demand for manure in many parts of Rwanda because of the soil infertility.
- b) **Energy recovery facility:** The garbage collected could be used for supplying energy as a replacement to traditional sources of energy like firewood and charcoal.

⁵ Rwanda produces timber and other forest products in many districts of Gitarama and Gikongoro province. It is also endowed with coltan and tin minerals.

⁶See deliverables produced by the FD Project's District Services component for further insights into this area.

- c) **Landfill development and closure:** In this process, land reclaimed can be turned into productive areas. Several districts and towns in Rwanda are covered with marshy and swampy areas.
- d) **Wastewater treatment:** With the current water shortage in Kigali and other parts of Rwanda, wastewater treatment can reduce the shortage and add to the income of suppliers.

Other activities involve material recovery facility, transfer stations, waste collection systems and waste reduction recycling systems, parks and recreation facilities, roads, and parking areas. Such practices can help Rwandan local authorities make solid waste management one of the reliable sources of revenue as mentioned above.

2.1.3 Sewage Charges

By developing a central district or town sewer system, local governments and municipalities can generate revenue by charging a fixed amount for users of the sewerage on a monthly or yearly basis. CoK and other municipalities in Rwanda need to have underground sewers for all buildings for waste disposal. Residents who want to construct new buildings can pay for sewage services. Local authorities in this case need the services of professionals to manage the system; Dar-es-Salaam municipality in Tanzania is a good example.

2.1.4 Road-Cutting Charges

On many occasions, roads are cut when there is a project for water supply, sanitary services, electrical connections, and other construction tasks. Rates should be set to charge people before issuing permits for road cutting. This creates another source of revenue for districts and may well discourage such activities, which, in turn, minimizes district and town spending.

2.1.5 Open Space Entry Fees

Local authorities may develop open spaces into parks, gardens, and recreation centers, which may generate revenues from users who visit them and pay entry fees. Parks and golf fields can be developed by district and town governments which can charge a fee for facilities such as parking permit, camping, picnicking, and golfing. There are many beautiful places in Rwanda that can be developed by local governments to serve this purpose.

2.1.6 Hazardous Waste Fee

A hazardous waste fee can be charged on industries that generate or store hazardous substances. For example, UTEXRWA textile factory in CoK generates industrial water, which affects the people nearby. In a country like Rwanda, there is a need to establish an organ that charges fees for all dealers of toxic substances. The fee program may include the following.

Environmental Fee – This is a fee on industrial groups that use, generate, or store hazardous materials or conduct activities related to those materials.

Facility Fee – The facility fee applies to the owners or operators of sites that dispose or store hazardous waste.

Waste Generator Fee – This is a fee determined by the total tonnage of waste generated.

Disposal Fee – The disposal fee applies to any waste disposed of by depositing the waste on or into land in any district or town.

Activity Fee – This fee is based upon specific activities approved by the Ministry that has environment protection in its attributions. Types of activity fees include new permit modification, variance, or site mitigation assessment fee. All of the above-mentioned fees could also be introduced in Rwanda in order to protect the environment and generate revenue.

2.1.7 Betterment Fees

This is a tax that can be assessed by the city for properties that have been “bettered“ by the construction of a public water or sewer line. Therefore, a property may have some assessment paid but still have a water or sewer betterment fee. Most of the betterment fees are for vacant lots in the older sections of the cities. The fee is paid when the building permit is purchased. This fee may be a good source of revenue for all major towns in Rwanda.

2.1.8 Burial Services Charges

Private individuals in CoK and other municipalities in Rwanda currently provide burial services. Local governments, through collaboration with the private sector, can generate revenue from this source. Municipalities and local governments in other countries have burial and funeral policies for providing this service. It is not uncommon for municipalities and local governments to provide this service and at the same time raise revenues.

2.2 Local Economic Development Activities

Districts and towns in Rwanda may improve their financial position and performance by undertaking economic development activities. These activities have positive fiscal impacts in three main ways. First, it directly raises the revenue-generation capabilities of the districts and towns via fees and user charges. Second, increasing their productivity broadens the tax base of local authorities. Third, if operated and managed by the local councils, then the profits generated may solve the fiscal deficit problems.

2.2.1 Tourism Promotion

Tourism industry promotion can create a good source of revenue in a number of ways. District and town authorities can invest in areas of attraction to tourists, and revenues may be generated in the form of profits, dividends, and through taxes. With the promotion of tourism local artisans and cultural troupes develop and create opportunities to generate more revenues for local governments. In addition, farmers can generate more revenue by supplying products to hotels and other tourist centers.

For instance, districts with rivers and lakes can establish speedboats for attracting tourists and the public in general during holidays. The districts of Nyarugenge and Gisozi in the CoK can develop Nyabugogo River and its valley into a number of revenue-generating projects like an artificial lake and garden for tourist attraction. Art gallery shopping centers and hotels can also be concentrated around the area.

The districts surrounding Lakes Muhazi and Kivu can do the same along the lakeshores. Lakes Ihema and Nasho are in the neighborhood of Akagera National Park. These lakes could attract the tourists from Akagera for boating and enhance revenue collection. Lakes Muhazi, Kivu, Nasho, and others can attract both local and foreign tourists for boating and sightseeing. Rutarerwa Ndaba in Kibuye province and the volcanic mountains in Ruhengeri province are also beautiful places for tourism. Therefore, the revenue earned from the tourism industry will increase the revenue capacity of local governments throughout Rwanda.

2.2.2 Cooperatives Support

Cooperatives are autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned, and democratically controlled, enterprises. A cooperative is essentially a vehicle for self-help and mutual aid. Many cooperatives throughout the world share a commitment to a distinctive statement of identity formulated by the International Cooperative Alliance (ICA).

There is an urgent need for the GOR to institute policies that encourage cooperatives at sub-national level structures. Cooperatives for marketing agricultural supplies in Ruhengeri province of northern Rwanda distributes its main product, Irish potatoes, which is one of the staple foods in the City of Kigali (CoK) and other parts of Rwanda. Through a cooperative, farmers will be able to get competitive prices to their members, and local authorities will be able to generate revenue through taxation.

Other agricultural cooperative societies in provinces of Rwanda can increase income of their members through centralized marketing at district or town levels. District and town governments can generate revenues by buying shares in cooperatives in the same manner as other members of the cooperatives. The engagement of district and town governments will allow them to generate revenues from dividends received out of profits generated and taxes collected. Districts and towns in this area can act as a force to bargain for prices for specific products in a specific period. There is a need for developing consumer cooperatives in CoK and other parts of Rwanda. Such cooperatives will help members to get their necessities at the lowest cost and stabilize the prices of their products. Districts and town governments may act as patrons to these cooperatives in order to ensure quality supplies.

Alternatively, the local authorities are encouraged to participate in savings and credit cooperatives. This will enable them to access long- and short-term loans as a proportion of their shares owned. The loans may be used by district and town authorities to meet their capital development budgets. In some cases, the local governments can participate by share acquisition where the dividends received will enhance their revenue-generation capacity. The following are best-case examples available in Rwanda:

- ◆ **ASSETAMORWA** (*Association de l'Esperance des Taxis Motor au Rwanda*). This is a cooperative for motorcycles in Rwanda, which generates revenues to both members and local authorities.
- ◆ **UNATAVE** (*Union des Taxis Velos*). This is a cooperative of bicycle taxes in CoK. The cooperative unites members from which local authorities receive tax revenues.

Brick-Making Cooperatives

Small-scale fired brick making is an important industry in many parts of Rwanda. Many construction companies have switched into the use of the cheaper clay bricks. This resulted in an increased demand of these bricks. Hence, joint ventures with cooperatives, districts, and towns can generate revenue out of brick sales. Below we explore some best practices of cooperatives in other countries.

Dairy Cooperatives in Bangladesh

Dairy cooperatives in Bangladesh, with its “Milk Vita” brand, broke the buyers’ monopoly and became the leading supplier of fresh milk and its dairy products, such as butter and yogurt to the capital city of Dhaka. In 1998, farmer members earned a total of US \$9.3 million from sale of 30 million liters of milk. In 2000, dividends paid to producers totaled US \$ 1.5 million.

Cooperatives in USA and Argentina

Cooperatives owning utilities are common in the United States where they operate more than a half of the electricity lines, providing power to more than 25 million people in 46 states. In Argentina, about 500 cooperatives distribute 19 percent of electricity, while 130 cooperatives provide telephone services. In Rwanda, there is a very big shortage of services in the area of electricity, telephone, irrigation scheme, and water supply. In collaboration with cooperatives, districts and towns can generate revenues by offering such services.

Consumer Cooperatives in Armenia (1998-2000)

In 1999, the Ararat Cooperative rented 45 hectares of deserted lands and started to cultivate them for vegetables and cattle feeds. Ararat Cooperative purchased abandoned premises that had formerly belonged to a state collective farm and established its own milk-producing farm with 200 cows. The Ararat Consumer Cooperative also started wool processing, carpet, and leather articles production. Aparan Consumer Cooperative established a chicken farm in 2000 aimed at selling chicken to interested peasants as well as establishing a processing unit for the farm's products. In 1999, Talin District Consumer Cooperative set up a jewelry production workshop in a department store in a joint venture with the Yerevan jewelry factory which had well-established marketing channels, including business ties with France and USA.

Overall, the above-studied cooperatives were profitable in 1999 and even more so in 2000. The average growth in profit for the cooperatives listed above reached 142.5 percent between 1999 and 2000. The initiatives, while contributing to an improvement in financial results, also increased the production and sales of some products. For example, the procurement and marketing activities in the Artashat Cooperative contributed to an increase in the production of grapes and other fruits and vegetables from 1,270 tons in 1998 to 1,560 tons in 1999, and 2,590 tons in 2000. By assisting peasants in marketing their products, the five cooperatives also improved their business with their members. All the initiatives undertaken by the five cooperatives contributed to the creation of 990 jobs (Parnell, 2000).

The foregoing examples can be put into practice in Rwanda if districts and towns offer more facilities to cooperatives in various fields. Employment can be created and income generated to the district and town governments. A variety of cooperatives jointly owned by individuals and local governments as has been mentioned in the above examples can be initiated to generate income. By following the above examples, local governments in Rwanda can build a strong foundation for revenue generation through cooperatives of such kind.

2.2.3 Self-Help Organizations (SHOs)

SHOs are associations that share a number of common characteristics. They all have an economic purpose and are owned and controlled by individuals who primarily benefit from their activities. The *Kenyan Harambee* and *Rwandan Umuganda* systems can be applied in such organizations to serve economic purposes. People in each district can develop an economic project through a self-help organ, "Umuganda."

Trail Sponsor-Pennsylvania Greenways Local Government Funding Sources of USA apply the trail sponsors of SHOs in raising revenues. This is one way of raising revenue for construction of a trail or roadway leading to some sites. In this source of fund, a sponsorship program for trail amenities allows for smaller donations to be received from individuals and businesses. The program must be well-planned and organized with design standards and associated costs established for each amenity. Project elements, which may be funded, can include wayside exhibits, benches, trash receptacles, and picnic areas. Usually,

plaques recognizing the individual contributors are placed on the constructed amenities or at a prominent entry point to the trail.

Volunteer Work-Community volunteers may help with trail construction, maintenance, fundraising, and a whole host of other activities. Self-help groups and cooperatives are very important institutions for community development. They are good contributors in informal economy when given support.

2.2.4 Appropriate Technology (Biogas and Solar Energy Supply Units)

Biogas is a clean and efficient, generated cow-dung, human waste, or any other kind of biological materials derived through anaerobic formation process. Biogas plants provide safe fuel for cooking and lighting. The biogas plants can be cheap sources of energy in rural areas. Biogas means social benefits for women and children. A smoke- and ash-free kitchen means women will no longer be prone to lung and throat infections and can look forward to a longer life expectancy. In addition, local government may save on health insurance as these infections are reduced.

The main supply of domestic energy used in cooking food in Rwanda is charcoal and firewood obtained from trees in natural forests and those planted by individuals and local authorities at the district level. Recently, the Government of Rwanda has prohibited all unauthorized tree cutting in order to protect the environment. By introducing biogas plants and other sources of supplying energy like solar system, local governments can generate revenue by providing these services.⁷

Alternative sources of energy may also be developed by district employees and passed to all citizens who can afford to pay for that service. A good example is the use of coffee husks for domestic cooking. Solar energy panels in many districts in the rural areas are now becoming a popular source of power and revenue. Individuals and religious institutions are now widely using the solar panels as an alternative source of power in rural Rwanda and are commercializing the service.

2.2.5 Water Harvesting

Local governments can introduce water-harvesting projects, which may supply water to individuals and public associations, and earn revenues from them in return. Water harvesting may mean capturing rainfall water or capturing the runoff in a village or town, and taking measures to preserve the water in a hygienic condition by limiting polluting activities in the catchment area.

Water harvesting can be undertaken through a variety of ways, such as capturing runoff from rooftops, runoff from local catchments, seasonal floodwater from local streams or rivers, and conserving water through watershed management. These techniques can serve several purposes, including providing drinking water, increasing irrigation water supply, increasing groundwater recharge, overloading sewage treatment plants, and developing fishponds for domestic and commercial uses.

A rainwater harvesting system is flexible; it can range from a simple tank under a rain gutter to a complex multi-tank used for irrigation schemes. The materials used to build tanks can be obtained locally and at a low price. In collaboration with local contractors, district and towns can invest in this area and offer the service on a fixed rate of revenue.

In general, water harvesting is an activity of direct collection of rainwater. District governments can make this a source of revenue by charging some cash to residents receiving the service. Many people in CoK

⁷ Again, for further insights into this problem and local economic development solutions, see deliverables produced by the District Services Component of the Fiscal Decentralization Project.

and other places in Rwanda are lacking a reliable source of water supply. A water-harvesting project can help solve the problem of water shortage and generate revenue for the local governments. In Umutara province, rainwater harvested and stored in artificial water dams has benefited farmers for both domestic and livestock.

2.2.6 Sale of Plants and Seeds

Plants and seeds for planting are needed in residential, public, and commercial areas in cities, municipalities, and rural areas threatened by soil erosion. In selling such plants and seeds, local governments can generate revenue. This may be done by local government employees or in collaboration with the private sector. The Government of Rwanda supports environmental protection through the Ministry of Land and Environment.

3.0 Cost Minimization Strategies

Rwanda, like any other developing country, requires an immediate action directed towards cost minimization, including via public-private partnerships in the provision of public goods and services. The ministries and government departments should start promoting democratic, good governance and gender equality to stimulate economic activity. This must allow for joint-venture participation and privatization based on economic, social, and political dimensions. The following two areas merit discussion.

3.1 Commercial Venture Participation

Local governments can form economic project teams to coordinate and manage income-generating ventures that can help in positioning a modern business entity.⁸ It may also involve common partnership, which is a process in which the districts and towns can involve the public in developmental projects in various fields. Common partnership can contribute to local government revenue through the following:

Economic Sphere: In this area, partnership can create jobs, promote private sector, promote entrepreneurship, expand trade and investment, support financial reform, promote transparency and fight corruption. The advanced entrepreneurship will generate more revenue in terms of taxes and business profits. For example, the following projects could be identified among many others.

Conference facilities and multipurpose halls: These include accommodation and catering, lecture theatres and seminar rooms, audio-visual, leisure facilities, sport grounds, indoor sports, conferences, show events, exhibitions, workshops, musical theatres, museums, and cinema.

Bee keeping projects: These can generate revenue to the district and all the people involved in it. By investing in this area, the districts and towns may supply hives to the community in order to produce honey for commercial purpose.

Social and Cultural Sphere: This area may promote education for all, and equality between men and women. Through emphasis on social groups and community development, income can be generated out of handicraft products if they are exposed to external markets. Gender support programs, especially for the marginalized groups such as women and specifically for single mothers, may be promoted through this area.

Political Sphere: GOR may enforce democracy and the rule of law, effective guarantees in the area of human rights and fundamental freedom, use of peaceful resolution to differences, adherence to good governance, and modernization. Private, foreign, and domestic investors in business activities could be attracted only if they are assured of the stability in Rwanda. With political stability, local governments can succeed in both short- and long-term economic plans. Revenues raised from these ventures will be shared according to the ratios agreed upon.

3.2 Privatization

Inefficient and loss-producing local government entities need to be privatized. The financial and service delivery records of state-owned enterprises (SOEs) around the world have not been impressive. The transfer of such services to private ownership is usually an integral part of any fiscal reform. Political interference, transferring income to the general fund, and packing the staffing rolls with unneeded workers can all lead to poor performance and low productivity. This reflects the fact that SOEs are often

⁸ Common Development Fund (CDF) funds most of the projects in GOR.

free of the discipline of financing their own operations or responding to market demand. Lohse (2003) argues that an important aspect of privatization is the fact that investment in infrastructure such as transport, water supply, sanitation, and other network systems are attractive to private companies.

In line with the national privatization policy, local governments can sell some of their assets and utilities to private individuals and associations, provided it is to their advantage. Privatization can be effected in areas of agriculture, housing, tourism and hotel business, transport, and other areas not covered by the central government. Disposing of unprofitable assets and keeping only the profit-making ones lead to positive results. If there is any vacant land and extra local government houses, they can be disposed of to generate revenue to the local governments.

Privatization may also reduce local governments' deficits where subsidies will be eliminated and districts may realize funds from asset sale proceeds. After privatization, district governments may assume the regulatory and administrative role of the former SOEs. In addition, the privatized businesses will add more revenue from taxation.

4.0 Efficiency Improvement Strategies

In both developing and developed nations, government failures are ubiquitous. This is manifested in inefficiencies in the use of government assets, while others are still lying idle and left unused. In some cases, some assets are not known or registered and accounting systems are not developed to an extent of recording them in their accounting books. Workers, especially the civil servants, are poorly remunerated and ghost workers exist; their duties overlap and sometimes they have nothing to do. This is coupled by their low levels of education and lack of serious and sustainable capacity-building programs.

4.1 Better Use of Existing Assets

Existing assets, such as buildings and machines, can be put to better use to generate more revenue. This can be achieved through adjustment of regulations in the use of public assets, where necessary principles for better land use policy and planning may also increase local government revenue.

4.2 Identification of all Assets Not Registered

There are many assets owned by private and public individuals in many towns and districts of Rwanda that are not registered and do not pay taxes—nor are they put into productive use. Identification of such assets would increase revenue to district authorities. Some public assets were damaged during the civil war in the 1990s, but some of them can be renovated or repaired and then used for generating income.

4.3 Accounting System

Sound financial and fiscal management based on proper reporting systems and introduction of a strong accounting system will help to increase local government revenues. An example of this is using an accrual accounting system, which recognizes revenue when it is earned rather than when cash is received, and expenses are recognized when they occur rather than when they are paid for. An accrual accounting system can provide information on all assets and the cost of their use.

4.4 Incentive Systems

Local governments and towns can increase revenue by establishing a good system of providing incentives to actors and partners in the whole process of revenue collection. This may be done in various ways. First, initiate achievement rewards such as a bonus system for employees attaining a target set by the management. Second, acquire and maintain customers through customer care. Revenue collection may be increased by maintaining old customers and attracting new ones. Third, instilling loyalty, which is related to the above point, may increase performance. When people are motivated, their production will improve and thereby increase revenue. Fourth, acquire global solutions; districts and towns can increase their revenues through benchmarking what other locations are doing to improve their income generation.

4.5 Training and Education

Local government training and education can build the capacity of the local governments' staff. As a result, operational and managerial skills shall improve across the local government functions, including revenue collection.

5.0 Policy Recommendations and Conclusions

This study attempted to propose new alternative sources of revenue for the GOR. The discussion focused on four innovative ways that, if well explored, local governments in Rwanda can be less dependent on transfers from the center.

First, the study identifies new owned sources of revenue where it advocates the introduction of various user fees, organization of local-level cooperatives, and encouragement of social and economic activities.

Second, the GOR is contemplating establishing strong local government borrowing systems. Currently in Rwanda, there are many private and government-owned banks and financial intermediaries. It is recommended that local governments start collaborating in the use of the services of these institutions as a means to enhance their revenue generation capability. This option, however, may not be feasible for many districts and towns of Rwanda due to a lack of well-developed financial markets and creditworthiness of these governments.

Third, there is a good reason to initiate and implement quickly cost minimization strategies in the way local governments conduct their business. Privatization of the failing and unproductive ventures reduces the fiscal deficits of the sub-national governments in two ways: it minimizes subsidies and generates sales revenue proceeds.

Fourth, the government in the near future should implement a fixed and mobile assets census and maintain a register that will provide information on value and other details for proper management of the same.

Finally, improving efficiency of their management structures and integrating with capacity-building programs mainly in the area of financial management could result in better control of their resources. In addition, incentive mechanisms for workers in the local government should be introduced.

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