



## INSTITUTIONAL CAPACITY AND LOCAL REVENUE GENERATION IN NAKASONGOLA TOWN COUNCIL

Kirabo Kyeyune Bounty Joseph\*, Kasozi Mulindwa Sturninas\*\* & Kayise Chrysostom\*\*\*

\*Deputy Principal, College of Higher Degrees and Research-Kampala International University.

\*\*Programme and Student's Affairs Director-Uganda Management Institute.

\*\*\*Chief Administrative Officer- Kanungu District, Uganda.

### Abstract

This report presents the findings of the study that focused on an examination of how institutional capacity influences local revenue generation in Nakasongola Town Council. It analyzed how institutional capacity influences local revenue generation in the Town council. The study population of 500 people comprised of taxpayers, political leaders and civil servants from Nakasongola Town council. Its sample of 125 respondents was drawn from the three strata of taxpayers, political leaders and civil servants. Majority of the respondents 46.5% said there was institutional capacity to handle the varied revenue sources. The study recommended strengthening of institutional capacity by facilitating the human resource, broadening the local revenue base and improvement on infrastructure in order enhance total revenue generation. Tax payers be consulted regularly and should be involved through a bottom-top planning strategy by the central government.

### Introduction

In the last two decades there has been world -wide interest in decentralization of Government. While decentralization has undoubtedly gained popularity within the last two decades, it is not a new concept. The term attracted attention in the 1950s and 1960s when British and French colonial administrations prepared colonies for independence by devolving responsibilities for certain programmes to local authorities. In the 1980s decentralization came to the forefront of the development agenda alongside the renewed global emphasis on governance and human-centered approaches to human development, Work, 2002). Today both developed and developing countries are pursuing decentralization policies. The pursuit of decentralization is widespread, as both developed and developing countries attempt to challenge central governments' monopoly of decision making power. In the Western world Decentralization is an effective tool for re-organization of government in order to provide public goods and services cost effectively the "post welfare state" era (Beimett, 1990; Wildasin, 1997). As Ebel (2001) points out his overview of decentralization: "The western world sees decentralization as an alternative to provide public services in a more cost-effective way". Developing countries are turning to decentralization to escape from the traps of ineffective and inefficient governance, macroeconomic instability and inadequate economic growth (Bird & Vaillan Court, 1999).

In Africa, decentralization has served as a path to national unity (World Bank, 1999). There are many different reasons why governments pursue decentralization and there are numerous forms and degrees that the phenomenon can take on. Uganda has adopted the decentralization model, which focuses on local revenue generation. Kiyaga (2004) posited that accounting and revenue generation are part of the several interventions required to achieve a higher pay-off level of decentralization. Decentralization can be defined as the transfer of responsibility for planning, management and resource raising and allocation from the central government and its agencies to the lower levels of government. There are three broad types of decentralization: political, administrative and fiscal and four major forms of decentralization: devolution, delegation, deconcentration and divestment.

Among the objectives of the decentralization policy cited by Nsibambi (1998) is one of improving the capacity of local councils to plan, finance and manage the delivery of services. Globally, Local Governance enhances the delivery of goods and services. Decentralization is a gradual process and involves, within appropriate framework, various components like political decentralization, administrative decentralization and fiscal decentralization. In the case of Uganda, after independence in October 1962, the post-independence governments experienced serious difficulties in delivering social services to the citizenry (Olum 1997, 2000). At independence in 1962, the Constitution provided for the devolution of powers to kingdoms, urban councils and district councils under a kind of federal arrangement. However, the system was completely reversed in 1966 after the abrogation of the Constitution by Obote A.M and a highly centralized system became embodied in the Constitution and the Local Administration Act 1967. This marked the end of the first long era of decentralization.

There was a military take-over in 1971. The military regime of Idi Amin (1971-1979) dissolved district and urban administrations and in their place established provincial administrations led by mostly military Governors. The decrees of the 1970s worsened the situation. Obote Two (II) (1980-1985), a key protagonist in the 1966 crisis, did not make any significant effort to re-establish decentralized governance. The National Résistance Movement (NRM) usurped power in 1986 and introduced the decentralization policy, which President Museveni launched in 1992. The Resistance Council Statute was enacted in (1993) to operationalize the policy.

A notable characteristic of Uganda's decentralization is that from the very beginning of the NRM rule, the process was marked as fundamental and crucial to restoring good governance. According to Kofi A. Annan, "Good governance is

perhaps the single most important factor in eradicating poverty and promoting development”. Decentralization was constitutionalized in 1995.

The local governments Act chapter 243 in the Laws of Uganda, operationalized the constitutional provision of the policy of decentralization by establishing districts, municipalities and sub counties/divisions, and town councils as corporate bodies of local governments and devolved to them far reaching powers and responsibilities in such areas as finance, legislation, planning and utilizing taxes according to the priorities of people. The Local Governments of Finance and Accounting Regulations 1998 (LGAR) streamlined the management of funds at all levels of local governments in order to ensure effective social services provision. The 2007 revised edition alludes to the same facet through decentralization, the scope of work of local governments expanded enormously impacting on financial management as well as the mobilization of financial resources required to implement the plan.

According to the final accounts of Nakasongola Town Council for nine successive financial years 1998/1999 to 2006/2007, there was a disparity between the estimated Local revenue and the actual local revenue. Actual revenue generated is much lower than what is budgeted. The percentage of realization ranges between 50%-87%. Despite the existence of strong legislations on local revenue generation, its small accessible geographical area, availability of manpower to collect and enforce its collection there still is a problem in local revenue generation. This could be in the area of Institutional capacity.

## Review of Literature

### Decentralization

It is practically difficult to internalize local revenue generation without a clear view of decentralization. According to Ebel (2001), while there are numerous political and economic reasons why governments adopt decentralization policies, scholars and practitioners have theorized about the interdependence of decentralization and size variables such as population, land areas and GDP. Indeed high-income countries are relatively more decentralized than low — income countries and sub-Saharan Africa has the lowest levels of local expenditures and revenue shares compared to the world.

Given the many impetuses for implementing decentralization policies and varying types and degrees of decentralization across countries, it is inherently difficult to compare a single notion of decentralization. While categorizing and comparing decentralization across countries is a challenging task, it is important for monitoring and evaluation purposes. According to Furtado (2001), “it is not surprising that decentralization has complemented the growth of democracies worldwide. It is estimated that 80% of developing countries including the transitional economies of Eastern and Central Europe are experimenting with some form of decentralization.

Devolution is often the form that is considered “true decentralized”. All governmental however, are likely to have elements of devolution, deconcentration and delegation; therefore a clear delineation of forms of decentralization, is rather impossible. Uganda’s reforms to decentralize to the district level date from the early 1990’s. The new constitution adopted in 1995 (as amended) developed responsibilities and power to local government. The LGA of 1997 chapter 243 in the laws of Uganda, deepened reforms by giving authority to LLGs and LUGs to raise revenues and initiate development projects. Devolution was preferred because it gives citizens or their elected representatives, decision-making powers and grants “local -level” government’s discretionary powers to act independently in their areas of jurisdiction, thus reducing central governments control.

### Local Revenue Generation

Local revenue generation is based on the decentralization policy and the accompanying constitutional and other legal provisions making it operational. The diversity in the list of factors that have contributed to the interest in fiscal decentralization reflects institutional differences across countries. Institutional factors, such as political, social, legal and economic conditions are important for the analysis of public finance issues, but they are especially important for the analysis of fiscal decentralization.

Nakasongola Town Council as an urban Local Government needs to have sufficient revenue sources to cover the cost of services provided. The suspension of graduated tax created a gap in local revenue and central government intervention is inevitable. This is done through graduated tax compensation which is only termed local revenue for budgeting purposes. However, the Ministry of Finance in the 2007/ 2008 budget announced the community service tax which is almost like graduated tax re-packaged. However, to the authors it is a completely new tax regime. In fact, the Local Government and the Ministry of Finance have not yet harmonized their position on the graduated tax compensation vis-a-vis the Community Service Tax.

Cheema and Rondinelli (1983) noted that the greatest ambiguity in the decentralization was the insistence by the national leaders on transferring planning and administrative functions without providing localities with sufficient financial resources, and adequate legal powers to collect and allocate resources. This is likely to be true for Nakasongola Town Council as the central government reserves the right to control the autonomy of the local councils or lower governments in general. This is the same as the nation in Ghana where central Government still maintains a great degree of control through directives and decrees.

Abigaba (1998) noted that there is limited revenue which is poorly collected, lack of transparency and accountability, lack of reallocation, revenue collection is seasonal districts insist on tax registers having only residents without taking into consideration migrants who are frequent in some sub-counties. Might this hold true for Nakasongola Town Council? Are there likely to be more people transacting business in the Town Council than do reside therein?

The Monitor, Monday October 25<sup>th</sup> 2004, page 5, Prof Tarsis Kabwegyere, then Minister of Local Government, said it was only the local authorities to work out plans that would progressively finance their projects. The level of revenue raised by the local governments has dramatically gone down leaving grants from the Central Government as the source of funding for local governments. Such a phenomenon could easily erode initiatives and autonomy. Since decentralization is heavily dependent on political will of the central Government and consensus of the population, constant changes in the political framework can hinder the building of support for decentralization.

Nsibambi 1998 emphasized Local governments are supposed to be financially autonomous, local revenue generation continued to be constrained by the low tax base, poor collections and the high cost of revenue collection relative to the amount being collected, if this yardstick is put under consideration, it may suit the status quo of Nakasongola Town Council.

Graduated tax, the hitherto major component of locally generated revenue has been suspended in Uganda effective 2004/2005 FY. The efficiency and effectiveness of other sources are being investigated. Property tax which was silent is only being revitalized by URA effective 2005/2006 FY. It may not be much revenue. Besides, collection of local property taxes requires a revaluation exercise every 5 years and yet it has not been done for a number of years. This is a costly venture which the SNGs cannot carry out alone.

### **Institutional Capacity**

Well-developed institutions enjoy an enabling environment of key players using available resources to generate revenue. In this study, institutional capacity refers to the ability to plan, implement and improve revenue administration focusing on efficiency and effectiveness. Manor (in Kayise 2003) observed that it was crucial that decentralized system should have the following: Sufficient powers to exercise substantial influence within the political system and other significant development activities, adequate administrative capacity to accomplish tasks and reliable accountability mechanisms to ensure both the accountability of elected politicians to citizens and the accountability of bureaucrats to elected politicians.

Cheema and Rondinelli (1983) also observed that, local governments are usually unable to value property regularly and recover funds from those who default from local tax payments. High levels of poverty and low levels of administrative capacity prevent local governments in rural areas from significantly expanding their revenue base. This seems to apply to Nakasongola Town Council as well. It is not worthy that institutional capacity of SNGs is determined by the national and or international environment. For example, Heads of Governments in Africa launched the partnership for Africa's development (NEPAD) in 2001 and it came to be known as the eradication of poverty- the Poverty Eradication Action Plan (PEAP). NEPAD's African Peer Review Mechanism (APRM) was therefore developed as an instrument for assessing each country's capacity to achieve the goals of NEPAD.

The success of the DDP programme led to the development of the LGDP which was the DDP model and scaled it up to all Districts. In all, the LGDP is viewed as having created some innovations at the community level. A study done to assess the impact of community driven development at the local level found LGDP has empowered local governments tremendously according to Onyach- Olua *et. al.*, this was through strengthening of capacity of local governments to do tax planning.

### **Human Resource Capacity**

The political head of Nakasongola Town Council is Urban Lower Local Government chairperson, locally known as "mayor". He and two other councilors constitute the executive arm of the Town Council.

Administratively Nakasongola Town Council is headed by the Town Clerk (TC). The TC is the head of the civil servants in the town Council. He is the accounting officer or the chief executive and is responsible for ensuring the implementation of council decisions and programs and supervising the local government officials.

Lubanga: (1998) noted that, Human resources, both local politicians and employees need to have performance competencies to serve as good stewards for their councils this is also alluded to by Kayise (2003). There is however, a paradox of the less educated politicians supervising the more educated and elite civil servants. In relation to institutional development the now abolished decentralization secretariat played a role in capacity building. Town council councilors have been sensitized with regard to institutional framework and interrelationships.

Staff development is also undertaken in the form of seminars, workshops, short and long courses for targeted officials (Kayise 2003) emphasized. It is, however, worth noting that elective offices have been filled with office bearers who have not been exposed. Even, the restructuring exercise has ushered in new occupants in the civil service of Nakasongola Town Council. This calls for continuous capacity building and thorough orientation.

At the 2<sup>nd</sup> international conference on Decentralization in Manila, Philippines in 2002, it was observed that capacity building both in terms of human resources and financial support have been often quoted as the principle obstacle in furthering decentralization process. In the report filed by the Commission on Financial Decentralization in Uganda 1995- 1996, a number of problems in financial decentralization were highlighted which include lack of skilled manpower to prepare, monitor and update income and expenditure, lack of accountability framework carried out by weak monitoring and enforcement practices narrow tax base depending on a few sources for example graduated tax and market dues. Graduated tax has since been suspended by the central government. This meant a reduced revenue base.

In a study conducted by Makerere Institute of Social Research (MISR) 2000 in the Districts of Arua, Mbale and Rakai, there were gaps in the human source capacity. This was attributed to lack of potential applicants for some professions and the inability of Local Governments to attract and retain the desired staff.

### **Financial Capacity of Tax Payers' Equity**

In Uganda, financial decentralization was preceded by political decentralization reform and the revitalization of the local government administration. Financial capacity is a prerequisite to successful implementation of the decentralization programme in Uganda like elsewhere. The chairman, Local Government Finance Commission May 29<sup>th</sup> 2002) stated that "although graduated personal tax constitutes about 80% of local revenues and up to 40% for urban local governments, it is the tax that has suffered most in terms of political interference. No wonder, it was suspended.

Nsibambi: (1998: 48-49), noted that Financial decentralization supported by effective financial management is one of the litmus tests of genuine empowerment. The financial capacity of the town council is not an exception. Kayise (2003) further noted that while Local governments are supposed to be financially autonomous, local revenue generation continues to be constrained by the low tax base, poor collections and the high cost of revenue collection relative to the amount being collected.

According to Barungi (2001), the implementation of decentralization of powers and responsibilities is undermined by the fact that locally generated revenue is on the average less than 20% of the total revenue. The constraints in raising local revenue include lack of capacity to collect and assess taxes, and unfavorable central government share in revenue collected from locally situated tax payers.

### **Infrastructural Capacity**

One of the decentralization principles in Uganda is to improve capacities of councils to plan. Finance and manage the delivery of service to their constituents (JARD 2004). Infrastructural capacity includes office facilities, road network. Market facilities and other utilities

Local Governments are faced with numerous constraints in infrastructure provision. Some of these constraints include the lack of powers by Local Governments to acquire land compulsorily in the public interest for infrastructure provision, limited expertise (man power) and little transfer of knowledge by the various stakeholders; lack of appropriate and sustainable technology; lack of proper planning facilities, equipment and reliable data and information user fees concept not well appreciated according to the Participant's Manual of June 2003 on Decentralization Policies and Practices- Case Study Uganda.

Barungi (2001) on the other hand infers that, the general performance of the economy impacts directly on the possibilities of enhancing locally generated revenue, reducing the dependence to central government and donor funding and economic development. No doubt the stage has been set for rural development and poverty reduction through a strong decentralization and local governance programme.

### **Collection Methods**

Collection methods as part of institutional capacity included; identification, assessment, collection, checking, and accountability of the locally generated funds. Available literature indicates that the common methods include mobilization, enumeration, assessment, and enforcement. The effort of the then Strengthening Decentralization Unit (SDU) installment payment system is being piloted out. Privatized revenue collection was another approach being adopted.

In a paper presented to a Strategic framework for reform workshop of Kampala City Council, March 2004, Tumwesigye noted that contracting to professional firms is expected to improve on the process of collection, customer care. And public relations all contracts should have a supervisor. He further noted that some contractors use highly qualified and knowledgeable manager. The applicability of this is to be assessed. It is noteworthy that to the contrary, some contractors employ quack supervisors. Stiffener et al in JARI) (2004) noted a general poor fiscal collection performance.

### **Taxpayers' Awareness of their Civic Duties and Obligations**

The strong positive correlation between decentralization and Gross Domestic Product (GDP) per capita in developed countries supports the argument that as people become more educated, better informed about their governments, and more aware of problems that affect their lives, their desire to bring the control of government functions closer to themselves grows (Smoke, 1994). In fact, much of the decentralization that has taken place in the past decade has been motivated by political dynamics that promote democracy and transparency.

Participants in the JARD 2004 workshop agreed that local revenue enhances accountability of politicians to their citizens. It was stated that citizens or the electorate are more likely to demand for accountability for the Local Revenue (L.R) other than central government transfers because they pay directly. However, for the public to hold the council accountable and for it to appreciate the positive side of local taxes, it requires that the electorate is informed about the various local revenue sources, the way they are collected, appropriated or budgeted and accounted for, and their duties and obligations at all those stages.

### **Methodology**

The study, employed quantitative and qualitative strategies to allow for triangulation. This facilitated personal contact in data gathering. It was specifically designed to collect primary and secondary data in surveying how institutional capacity influences local revenue generation. The study was a case study of Nakasongola Town Council. Stratified random sampling was also utilized.

Stratified random sampling is another way of increasing precision of simple random sampling (Moser and Kalton 1979:85), as alluded to by (Kayise 2003:59). Using this method, the three wards become strata. Respondents were then randomly selected from each of the three wards; East ward, Central ward and West ward.

## Presentation and Interpretation

### Introduction

The demographic characteristics of the sample presented include: gender, age, marital status as well as the level of formal education of the respondents.

**Table 1: Gender of the Respondents**

Gender	Frequency	Percentage	Cumulative %age
Female	31	30.4%	30.4%
Male	71	69.6%	100%
<b>Total</b>	<b>102</b>	<b>100.0%</b>	

Source: Survey results, February 2007

Table 1 showed that more than half of the respondents 69.6% were males. This implies there is male dominance in matters of local revenue generation in Nakasongola in Town Council.

**Table 2: Age Group of Respondents**

Age group	Frequency	Percentage	Cumulative %age
<20	3	2.9%	2.9%
20-29	38	37.3%	40.2%
30-39	30	29.4%	69.6%
40-49	21	20.6%	90.2%
50-59	7	6.9%	97.1%
60 & above	3	2.9%	100.0%
<b>Total</b>	<b>102</b>	<b>100%</b>	

Source: Survey results, February 2007

Results show that the majority of respondents 66.7% were between 20-39 years of age, see Table 2). 'This is likely to suggest that this is the youthful age where most people become active and work hard to earn a living for themselves and their families and inevitably become tax payers-local revenue generators.

**Table 3: Marital Status of Respondents**

Marital status	Frequency	Percentage	Cumulative %age
Married	62	60.8%	60.8%
Single	35	34.3%	95.1%
Widowed	2	2%	97.1%
Divorced/separated	3	2.9%	100.0%
<b>Total</b>	<b>102</b>	<b>100%</b>	

Source: Survey results, February 2007

Table 3 showed that most of the respondents were married 60.8%.

This may be attributed to married people commanding more respect for public offices

**Table 4: Level of Formal Education of Respondents**

Education level	Frequency	Percentage	Cumulative %
None	2	2%	2.0%
Primary	8	7.8%	9.8%
Secondary	44	43.1%	52.9%
Tertiary	34	33.3%	86.2%
University	14	13.7%	100.%
<b>Total</b>	<b>102</b>	<b>100.0%</b>	

Source: Research results, February 2007

Results show that the majority of respondents at best attained secondary education 90.2% (see Table 4). Very few respondents never had formal education 2%. The number of University graduate was more than that of respondents who never attained secondary education 13.7%. Those who attained tertiary constitute the second largest group of respondents 33.3%. This show, fairly reliable results have been generated as this section of the population is more informed.

### Local Revenue Generation

In their responses both to questionnaire and the interview guides, the factors influencing local revenue generation (see question in the interview guide), where listed as: institutional capacity. Political pronouncements especially on radio, lack of awareness on the part of tax payers, collection methods, human capacity, central government grants, political factors, lack of enough facilities, productivity approach by revenue collectors, language used facilitation of the collectors, some councilors are not role models, outright refusal to pay taxes, harassment of tax payers, tenderers may

collect but fail to remit poverty, nonparticipation in the assessment. Lack of big investors, location-off the highway, limited markets, corruption, low population, prolonged dry spell (drought), laziness, literacy level in conflict of interests while the factors are numerous, the study focused on institutional capacity- revenue generation methods, taxpayers' awareness of their civic duties and obligations.

These factors were said to be many. However, the list included institutional capacity, political factors, low productivity, and high levels of poverty, poor communication, and conflict of interests, laziness, low population, draught and ignorance and out right refusal among others. According to the respondents there are several fragmented local revenue sources. They have been narrowed down to include: trade licenses and permits, market dues, taxi park, user fees, boda boda fees, birth and death certificates, property tax, approval of building plans, lines, rates and others. The best three revenue sources in Nakasongola Town Council according to the respondents and available records are: Market dues at 68.7%, trade licenses 52.5% and Taxi Park at 51.5%.

**Table 5: Local Revenue Sources**

Local revenue source	Ranking of source	Respondents percentage
Market dues	1 <sup>st</sup>	68.7%
Trade licenses	2 <sup>nd</sup>	52.5%
Taxi park	3 <sup>rd</sup>	51.5%
User fees	4 <sup>th</sup>	20. %
Approval of building plans	5 <sup>th</sup>	10%
Inspections fees	6 <sup>th</sup>	8%
Boda-boda fees	7 <sup>th</sup>	7%
Fines	8 <sup>th</sup>	3%
Birth certificates	9 <sup>th</sup>	2%
Death certificates	10 <sup>th</sup>	1.5%
Permits	11 <sup>th</sup>	1%
Rates	12 <sup>th</sup>	0.8%
Many others	13 <sup>th</sup>	0.5%

**Source: Research results, February 2007**

According to Table 5 of the technical staff who responded, 50% say yes, 41.7% say no and 8.3% don't know. It is however, a little disturbing to note that to the contrary, 53.3% of the political respondents say there are no such bye-laws. Again, 41.7% of technical staff say so and even 25.3% of the taxpayer respondents contend so. In fact in the in depth interview with the current chairperson of the urban Lower government, confessed that he had not acquainted himself with them yet. One officer with the Auditor's office clarified that there were no such bye-laws.

There was a significant positive relationship between Institutional Capacity and Revenue Collection ( $r = 0.295$ ,  $p\text{-value} < 0.01$ ). This implied that institutional capacity positively influenced the revenue generated.

There were significant positive relationship between Institutional capacity construct awareness, collection methods, legal framework with revenue generated ( $r = 0.376$ ,  $p\text{-value} < 0.01$ ;  $r = 0.233$ ,  $p\text{-value} < 0.05$ ;  $r = 0.299$ ,  $p\text{-value} < 0.01$ ) respectively. This implied that awareness, collection methods and legal framework positively influenced revenue generated.

### Multiple Regression Analysis

The regression results indicate that institutional capacity and its constructs significantly and positively linearly related to revenue generated ( $F = 9.287$ ,  $\text{Sig.} = 0.000$ ). Awareness, collection methods and legal framework positively explained 31.2% of revenue generated. Awareness ( $\beta = 0.312$ ,  $\text{sig} < 0.01$ ) explained more to revenue generation than legal framework ( $\beta = 0.227$ ,  $\text{sig} < 0.05$ ) and collection methods ( $\beta = 0.134$ ,  $\text{sig} > 0.05$ ).

**Table 6: Regression Model**

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Model	constant)	.296	.284		1.043	.300
	Awareness	.514	.159	.312	3.233	.002
	Methods	.107	.080	.134	1.337	.185
	Legal	.181	.076	.227	2.298	.024

R Square 0.238, Adjusted R Square=0.213,  $F = 9.287$ ,  $\text{Sig.} = 0.000$

**Source: Second Level Research Analysis Results, April 2008**

Regression model of generated revenue and institutional capacity

**Table 7: Regression Model of Generated Revenue and Institutional Capacity**

	Unstandardised Coefficients		Standardized coefficients	t	Sig
	B	Std. Error	Beta		
(constant)	.673	.220		3.059	.003
Institutional capacity	.585	.123	.447	4.761	.000

R-Square 0.199, Adjusted R-Square 0.191,  $F = 22.664$ ,  $\text{Sig.} = 0.000$

**Source: Second level research analysis results, April 2008**

Institutional capacity is significantly and linearly related to revenue generated ( $F=22.664$ ,  $\text{Sig.} = 0.000$ ). Institutional capacity ( $\beta=0.447$ ) explains 19.1% of revenue generated. A percentage change in institutional capacity leads to 44.7% significant positive change in revenue generated.

## Summary of the Major Findings

The factors influencing local revenue generation in Nakasongola Town Council were said to be many. However, the list included: institutional capacity, political factors, low productivity and high levels of poverty, poor communication, conflict of interests, laziness, low population, drought and ignorance and outright refusal among others.

### Local Revenue Sources

It has also been established that local revenue sources in Nakasongola Town Council include: trade licenses and permits, market dues, Taxi Park, user fees, boda-boda fees, birth certificates, death certificates, fines, approval of building plans, rates and others. This is in agreement with Lubanga 198:84-85) and Nsibambi Apollo. (1998:48-49). It has further been established that the best the local revenue yielding sources in Nakasongola Town Council are: market dues, trade licenses, and taxi park. According to the Town Clerk the tax park yields about 50% of the local revenue; market dues 20% and trade licenses over 10% of the local revenue generated.

### Institutional Capacity

Whereas there are likely to be several factors influencing local revenue generation in Nakasongola Town Council, the study established that institutional capacity influences positively local revenue generation. Institutional capacity focused on: human resource capacity, financial capacity, infrastructural capacity, revenue collection methods; taxpayers' awareness of their civic duties and obligations and the legal framework, Nakasongola town has the institutional capacity to handle the varied local revenue sources in general. However, the human resource capacity in Nakasongola town council is inadequate.

The financial capacity is also inadequate at 42% that is to say 31 members of staff out of the approved structure of 64 members. The infrastructural capacity too is inadequate. The local revenue collection methods are also in inadequate. This is in agreement with what Kayise (2003:38) observed as did Lubanga (1998).

### Revenue Generation Methods

The revenue generation methods were found to be wanting and particularly not customer friendly. There was need for persuasive language and humanitarian handling of tax payers.

### Tax-payers' awareness of their civic duties and obligations

The taxpayers are aware that paying taxes is one of their civic duties and obligations. It was however established that taxpayers are not aware of how local revenue may be collected, appropriated and accounted for. The study also established that the level of education does not relate directly with awareness of civic duties and obligations.

## Conclusions

The study only investigated institutional capacity and its constructs.

### Institutional Capacity

The human resource capacity was found inadequate in terms of numbers and placement. Both the political and technical teams were found requiring continuous capacity building to increase their effectiveness and efficiency. The financial capacity was also found inadequate in Nakasongola town council. The infrastructural capacity of Nakasongola town council was established to be inadequate and thus kept the local revenue generated at low ebb.

### Revenue Collection Methods

The revenue collection methods were found wanting. They were not adequately effective and efficient. The six methods of tax administration viz; awareness, sensitization, assessment, collection, monitoring and evaluation were not fully exhausted and hence both ineffective and inefficient.

### Taxpayers' Awareness of their Civic Duties and Obligations

Taxpayers' awareness of their civic duties and obligations is another component of institutional capacity. From the evidence from the field study, my earlier view that they were not aware is hereby dropped. However, the view that they may not know how revenue is collected, appropriated and accounted for, was established and supported. Meetings, seminars and workshops were also established to be irregular.

## Recommendations

It is recommended; to strengthen the institutional capacity the human resource should be facilitated to enhance local revenue generation. Council needs to broaden the base for local revenue to strengthen the financial capacity. The infrastructural capacity should be improved upon in order to tap inure locally generated revenue. There will be more confidence on the part of taxpayers and politicians and tax administrators will be more accountable and trusted.

Revenue collection methods are revisited to suit the environment by making them customer friendly. Regular meetings, seminars and workshops for taxpayers be carried out.

It is also recommended that the central government should give local revenue generation the deserving attention by amending the legal framework and further design and implement a bottom-top planning strategy to enhance local revenue generation.



## References

- Abigaba M (1998). Financial Decentralization and social services delivery in Uganda 1993- 1998. Unpublished MA (PAM) Dissertation Makerere University.
- Ahuja, Ram (2003) Research Methods for Business Students.
- Background for the 2<sup>nd</sup> International Conference on Decentralization on [www.geocities.org](http://www.geocities.org)
- Bahi, Roy and James A : in, Decentralization in Indonesia: Prospects and Problems Working Report, USAID. June 1999.
- Bahi, Roy and James Aim, Decentralization in Indonesia: Prospects and Problems Working Report, USAID, June 1999
- Bahi. R (1998) Intergovernmental Fiscal relations & Local Finance Management Course: Fiscal Decentralization. Georgia State USA. Atlanta, Georgia.
- Barungi, Barbara 2001. "The African Development challenges: living the Experience in Adesida. Qand Otech A. (Uds). African voices: Africa Visions. Stockholm: The Nordic Africa Institute
- Barungi, Barbara. 2002. "Sub-national planning in Uganda". Paper presented at inception workshop on provincial Growth and Development plan (PGDP) for the Eastern Cape. November 1, 2002. East London, South Africa.
- B,C.Smith (1985) Decentralization, The Territorial Dimension of the State. George Allen and Unwin Publishers Ltd.
- Beijuka J. and Ronald Kitanda (July 1996) A study of the state of Local Resource Mobilization: Amongst Development Network of Indigenous Voluntary Association; (DENIVA) member organization. Deniva studies series No.3 Kampala,
- Bird, Richard M and Francois Vaillan Court. Eds (1999) Fiscal a Decentralization in Developing Countries (Cambridge: Cambridge University Press.)
- Decentralization Toolkit Introduction [www.worldbank.org](http://www.worldbank.org)
- Ebel, Robert D, and Serdar, Yilmax. 2001 "Concept of Fiscal Decentralization and Worldwide Overview, "International Symposium Quebec Commission of Fiscal Imbalance
- Economic policy Research Center (EPRC).2002. "Systematic issues: Governance". Note, Kampala: EPRC).
- Ford J. (1999) "Constitutional, Legal and Regulatory Framework for decentralization" in J. Litvack and J. Seddon (eds). Decentralization Briefing Notes (Washington, DC: World Bank Institute).
- Furtado, Xavier. 2001. "Decentralization and Capacity Development: Understanding the Links and the Implications for Programming" CIDA Policy Branch.
- G.O.U Decentralization Secretariat. 1994. Decentralization in Uganda -the policy and its implications.
- Hurther, Jeff and Anwar Shah. (1998). "Applying a simple measure of Good Governance to the Debate on Fiscal Decentralization."Policy Research Working Paper No. 1 84, World Bank.
- I.U.I.A Local Government as Promoter of Economic and Social Development.
- Kanbur, Ravi, 2004. The African Peer Review Mechanism (APRM): An assessment of concept and Design. SAGA working paper, Cornell University, U.S.A
- Kavise C. 2003 Councilor participation in Local Governance UMI Dissertation.
- Lister, Stephen, and Mary Betley 1999. "Approaches to Decentralization in Developing countries" paper prepared as background reading for the MEFMI/DFID workshop on Good Practice in Public Expenditure Management, Cape Town June 1999.
- Mahi, Raksaka dan Adrian Panggabean. The Impact of the Crises on Local Government Finances: Findings Based on Held Survey in 22 Regions, Unpublished report for the Ministry of Finance and US Clean Project, 1999.
- Mahi, Raksaka, Robert Simanjuntak, Bambang Brodjonegoro and Karyaman Much tar, "Alternative Local Revenue and Tax Sharing" 2000.
- Makerere Institute of Social Research 2000. MDGD/UNDP.2000 "Decentralization and Governance - A Global Matrix of Experiences" July 2000.
- Ministry of Finance, Planning and Economic Development, 1997. Poverty Eradication Action Plan 1 997 - 2000 Kampala.
- Ministry of Finance, Planning of Economic Development. 2003. PEAP Revision Guide. MOFPED, Kampala
- Ministry Of Local Government (2006) Decentralization Policy Strategy Framework.
- Ministry Of Local Government (2004) Joint Annual Review of Decentralization
- Ministry Of Local Government (2005) Joint Annual Review of Decentralization
- Museveni Y.K 1992. What is Africa problem? N.R.M Publications. Kampala.
- Mutibwa, P 1992. Uganda Since independence: A story of unfulfilled Hopes. Fountain publishers Ltd, Kampala. 101
- Nakasongola Town Council (Local Government) Three Years Approved Integrated Development Plan 2001-2004.
- Nakasongola Town Council, Three Year Integrated Development Plan 2004/ 2007
- NEPAD /APRM/ Panel 3/ guidelines/I 1-2 3 Doe . Guidelines for Countries to prepare for and to participate in the African Peer Review Mechanism (APRM).
- Nsibambi Apollo. Decentralization and Civil Society, The quest for good Governance. Fountain Publishers Kampala 1998.
- Ochiengy. E. 1991 Economic Adjustments Programs in Uganda 1985-89 in Hasen and Michael Twaddle , eds. Changing Uganda. London. James Currey.
- Onyach- Olaa Martin.2001. "Perspective of managing a National programme and resolving the competing and conflicting interests: Experiences from the District development programme". Paper presented at the UNCDF conference on Decentralization and local Governance in Africa. Cape Town, 26- 30 March 2001.



- Onyach-Olaa M.Narnara.S.Lubanga.T.Musheshe M, 2003. Scaling Up The Community *Driven* Development (CDL)). Case Study from Uganda, Kampala.
- Republic of Uganda (1995) Constitution of the Republic of Uganda 1995. Entebbe. Government Printers.
- Republic of Uganda (1996) Financial Decentralization in Uganda report Entebbe. Government Printers.
- Republic Of Uganda (1987) Report of the Commission of inquiry into the system of Local Government. Entebbe Government Printers.
- Republic of Uganda (1997). The Local Government Act 1997. Entebbe Government Printers.
- Rondinelli. D (1999). What is Decentralization?" in J. Litvack and J.Seddon (eds) Decentralization IBriefing Notes (Washington, DC: World Hank Institute).
- Rondinelli, Dennis A. 1981. Government Decentralization in a comparative Perspective: Theory and Practice in Development Countries. International Review of Administrative Sciences Vol. XL VII, No.
- Shabbir Cheema G. & Dennis A. Rondinelli Decentralization and Development:\_ Policy implementation in Developing countries, Sage Publishers, London. 1983.
- Shah, Anwar, and Zia Qureshi, Brian Binder, and Heng-fu zou, Intergovernmental Fiscal Relations In Indonesia, World Bank Discussion Papers, 1994.
- Smoke. Paul. (1994). Local Government Finance in Developing Countries: The case of Kenya (University of Oxford: Oxford).
- Soren Villadsen & Francis X. Lubanga. Democratic Decentralization in Uganda. Fountain Publishers Kampala 2000.
- Steffensen J & Tollegaard (2000) Fiscal Decentralization and Sub National Government Finance in relation to infrastructure and service provision. A Synthesis reports on six Sub-Saharan countries studies. (Directed by World Bank financed by DANIDA, etc)
- Steve Leach, John Stewart and Kieron Walsh (1994) The changing Origin and Management of" local (jo\ ernment.
- Teddie C. and Raynolds, D, 2000. The international Handbook of School effectiveness Research London and New York, Falmer Press.
- The World Bank. 2001. "Decentralizations and Governance: Does decentralization improves service Delivery?" PREM Notes, June 2001
- Uganda Management Institute. (2004) Basic Principles of decentralization.
- ULGA (2006) Presentation of Major Issues and Recommendation of JARD 2006 Regional Consultative Workshops
- UNDP/UNCDF Project Document. District Development Programme 2. Kampala: UNCDF/UNDP and Government of Uganda.
- USAID, Data Sheet. For Obligation FY 2004 and FY 2005.
- Villadsen, Soren and Lubanga, Francis (eds) 1996. Democratic Decentralization in Uganda: A new Approach to Local Government. Foundation Publishers Ltd. Kampala.
- World Bank. (1999) World Development Report 1999/2000: Entering the 21 Century. New York: Oxford University Press.
- Yates. Jenny and Okello, Leonard.2002. Learning from Ugandan's effects to learn from the Poor: Reflections and Lessons from the Uganda Participatory Assessment Project in Brock and McGee (eds)