ASSESSMENT OF LOCAL REVENUE COLLECTION PRACTICES
AT KAMPALA CAPITAL CITY AUTHORITY

BY

AHEBWA SULAIMAN RODGERS

2016/HD06/1225U

A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
A DEGREE OF MASTER OF BUSINESS ADMINISTRATION
OF MAKERERE UNIVERSITY

OCTOBER, 2019
DECLARATION

I Ahebwa Rodgers Sulaiman, hereby declare that this research report titled, “Assessment of local revenue collection practices at Kampala Capital City Authority”, is my original work, and has never been submitted for any award leading to any qualification.

Signature: ........................................ Date: 31/10/2019

AHEBWA SULAIMAN RODGERS
2016/HD06/1225U
APPROVAL

I confirm that this research report titled, “Assessment of Local Revenue Collection Practices at Kampala Capital City Authority”, by Ahebwa Rodgers Sulaiman, was under my Supervision, and it is now ready for submission to the School of Business, College of Business and Management Sciences, for Examination.

[Signature]

Date: 31/10/2019

Dr. Seperla Bwadene Wanyama

Supervisor
DEDICATION

I dedicate this work to my beloved family members and friends especially my dear wife Ms. Sylvia Natuhwera and late son Elian Ahebwa (RIP) for the support and encouragement they gave me throughout my studies.
ACKNOWLEDGEMENT

I thank the Almighty God for His grace during the two years I have been studying.

I would like to acknowledge the support of the entire team of School of Business at Makerere University for their valuable practical knowledge of MBA program during my course. They were very helpful in enabling me to reach this level.

I extend my sincere gratitude to my supervisor, Dr. Seperia Bwadene Wanyama for his generous commitment and unsurpassed professional guidance throughout the entire research process.

I thank all the staff and management of KCCA for allowing me to conduct this study at their organization.

Finally, I acknowledge with love, the moral and emotional support I received from my lovely wife, Ms. Sylvia Natuhwera and our late son Elian Ahebwa (RIP).
TABLE OF CONTENTS

DECLARATION ........................................................................................................... i
APPROVAL ................................................................................................................. ii
DEDICATION ............................................................................................................... iii
ACKNOWLEDGEMENT ............................................................................................... iv
TABLE OF CONTENTS ............................................................................................... v
LIST OF TABLES .......................................................................................................... viii
ABSTRACT .................................................................................................................. ix

1.0 CHAPTER ONE: INTRODUCTION ...................................................................... 1

1.1 Introduction ........................................................................................................... 1

1.2 Background to the Study ..................................................................................... 2

1.3 Statement of the Problem ................................................................................... 5

1.4 Purpose of the Study ........................................................................................... 5

1.5 Research Objectives ............................................................................................ 6

1.6 Research Questions .............................................................................................. 6

1.7 Scope of the Study ................................................................................................ 6

1.8 Significance of the Study ...................................................................................... 7

1.9 Outline of the report ............................................................................................. 8

1.9.1 Literature review ............................................................................................... 8

1.9.2 Research methodology .................................................................................... 8

1.9.3 Presentation, interpretation and discussion of findings. ............................... 8

1.9.4 Summary, conclusions and recommendation. .............................................. 8

1.10 Conclusion ............................................................................................................ 8

2.0 CHAPTER TWO: LITERATURE REVIEW ......................................................... 9

2.1 Introduction ......................................................................................................... 9

2.2 Forms of local revenue collected in Local Governments ............................... 9

2.2.1 Rates and taxes ............................................................................................... 10

2.2.2 Market dues and fees ..................................................................................... 11

2.2.3 Licensing and stamps .................................................................................... 11

2.2.4 Penalties and Fines ......................................................................................... 12

2.2.5 Advertisements ............................................................................................... 13
2.3 Strategies utilized for local revenue collection .............................................. 14
  2.3.1 Direct revenue collection by competent personnel .................................. 14
  2.3.2 Electronic collection of local revenue ......................................................... 15
  2.3.3 Leasing ......................................................................................................... 15
  2.3.4 Outsourcing local revenue collection to private agents ................................. 16
  2.3.5 Voluntary Compliance ............................................................................... 17
2.4 Challenges experienced in local revenue collection ......................................... 18
  2.4.1 Poor revenue administration and political interference. .............................. 18
  2.4.2 Limited tax base ........................................................................................ 19
  2.4.3 Shortage of labour ...................................................................................... 20
2. 5 Strategies that can be adopted to improve local revenue collection in cities ...... 20
  2.5.1 Need to improve local revenue administration ............................................ 21
  2.5.2 Addressing Manpower shortages ............................................................... 21
  2.5.3 Reducing over dependence on Central Government support ....................... 22
  2.6 Conclusion ....................................................................................................... 22

3.0 CHAPTER THREE: RESEARCH METHODOLOGY ............................................. 23
  3.1 Introduction ...................................................................................................... 23
  3.2 Research Design ............................................................................................ 23
  3.3 Study area and population ............................................................................ 24
  3.4 Sample size and Sampling procedure ............................................................ 26
  3.5 Data Sources ................................................................................................... 26
  3.6 Data Collection Instruments .......................................................................... 26
  3.7 Measurement of variables ............................................................................ 27
  3.8 Data Analysis and processing ....................................................................... 28
  3.9 Conclusion ....................................................................................................... 28

4.0 CHAPTER FOUR: PRESENTATION, INTERPRETATION AND DISCUSSION OF
FINDINGS ............................................................................................................. 29
  4.1 Introduction ...................................................................................................... 29
  4.2 Response Rate ............................................................................................... 29
  4.3 Background information of the respondents ................................................ 29
  4.3.1 Gender of the respondents ....................................................................... 29
4.3.2 Age group of the respondents .................................................................................. 30
4.3.3 Respondents’ positions held at KCCA .................................................................. 31
4.3.4 Highest level of Education .................................................................................... 31
4.3.5 Years of service at KCCA ..................................................................................... 32
4.3.6 Direct involvement in revenue collection .............................................................. 33
4.4 Non-demographic information .................................................................................. 34
4.4.1 Forms of local revenue collected at KCCA ......................................................... 34
4.4.2 Strategies used to collect local revenue at KCCA ............................................... 37
4.4.3 Challenges associated with local revenue collection at KCCA ......................... 39
4.4.4 Possible strategies to improve local revenue collection at KCCA ..................... 40
4.5 Conclusion ................................................................................................................. 42

5.0 CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATION ............ 43
5.1 Introduction ............................................................................................................... 43
5.2 Summary of research findings ................................................................................. 43
5.2.1 Bio-data of respondents ....................................................................................... 44
5.2.2 Forms of local revenue collection ....................................................................... 44
5.2.3 Strategies used to collect local revenue ............................................................... 44
5.2.4 Challenges associated with local revenue collection .......................................... 45
5.2.5 Possible strategies to improve local revenue collection ...................................... 45
5.3 Conclusions .............................................................................................................. 46
5.4 Recommendation .................................................................................................... 46
5.5 Limitations to the Study .......................................................................................... 47
5.6 Suggestion for further research .............................................................................. 47

REFERENCES ................................................................................................................. 48

APPENDICES ................................................................................................................ 52
Appendix I: Questionnaire for the study ..................................................................... 52
Appendix II: Interview guide for the top administrators ............................................. 56
LIST OF TABLES

Table 3.1: Staff distribution in the KCCA departments .......................................................... 27
Table 3.2: Staff distribution in the 3 Directorates (The target population) .......................... 27
Table 4.1: Gender distribution of the respondents................................................................. 30
Table 4.2: Distribution of the respondents age group.......................................................... 30
Table 4.3: Position held ........................................................................................................ 31
Table 4.4: Highest level of Education .................................................................................. 32
Table 4.5: Respondents’ number of years of service at KCCA ........................................ 33
Table 4.6: Direct involvement in revenue collection .............................................................. 33
Table 4.7: Descriptive Statistics on the forms of local revenue at KCCA ....................... 35
Table 4.8: Descriptive statistics on the strategies used to collect local revenue at KCCA .... 37
Table 4.9: Descriptive Statistics on the strategies to improve local revenue collection at KCCA 39
Table 4.10: Descriptive Statistics on the strategies to improve local revenue collection at KCCA .... 41
ABSTRACT

The study assessed revenue collection practices at KCCA, and in doing so, it sought to establish the forms of local revenue, strategies used to collect local revenue, challenges associated with local revenue collection and possible strategies to improve local revenue collection by the authority. The study based on the foundation that despite the persistent deficits in local revenue collections by most entities, local revenue plays a significant role in the efficient running of organizations including any local government for the achievement of its development objectives. The research adopted both quantitative and qualitative approaches. Primary data were collected using closed ended questionnaires and in-depth interviews to establish the local revenue collection practices at KCCA. Data were analyzed for descriptive statistics using SPSS version 20. Frequencies and percentages were used to describe the variables. Results on the forms of local revenue indicate that KCCA generates most of the local revenue from taxes (property, hotel and local service taxes), business licenses and markets dues. The dominant strategies KCCA uses to collect local revenue include use of field revenue officers, and use of electronic services such as e-city platform. The challenges associated with local revenue collection include majorly tax evasion, poor revenue administration, limited tax base and shortage of experienced man power. The possible strategies to improve local revenue collection include undertaking regular sensitization of tax payers and other stakeholders, active and positive participation of political actors and addressing the shortage of skilled man power.

The study recommends that KCCA should invest in frequent capacity building of staff for effective administration of local revenues, regular sensitization of tax payers on the benefits of tax compliance and the adverse effect of tax evasion.
1.0 CHAPTER ONE: INTRODUCTION

1.1 Introduction

The performance of any local government considerably relies upon its revenue, and how such revenue is raised and utilized (Slack, 2016). Local governments derive their revenue from various sources but majorly these sources are categorized into three; internally generated fund (local revenue), central government transfers, and donor funds. The local revenue sources include property taxes on commercial buildings, local service tax, business licenses, fines and user charges on locally provided services such as water, sewage and garbage (Akudugu, 2013). The Local Government Act 1997 (as amended, 2008), also points out different local government revenue sources such as property taxes, licenses, trade/business registration, parking fees, official documents fees, among others.

The local revenue is revenue obtained from local or own sources to support the local government budget and for local development and when it is readily available or can easily be collected to meet the budgetary estimates and service delivery, sustainable growth and development is achieved. However, for many local governments, the targeted local revenue is never realized and this demands for better local revenue collection practices to meet the set targets (Uhunmwuangho and Aibieyi, 2013). This makes local revenue collection an important common practice in local governments. As cited in a number of studies (Goodfellow, 2011; Slack & Bird, 2014; Fjeldstad & Heggstad, 2012) local revenue mobilization practices vary from one country or entity to another, basing on the resource envelope and revenue base.

Inadequate financing is the central challenge facing Uganda’s urban councils, and over dependence on central government transfers, particularly conditional grants that are earmarked for certain activities, significantly limits the revenue policy options of local governments in the country (Lambright, 2014).

Although local governments in Uganda are mandated by the Local Government Act 1997 (as amended, 2008) to raise revenue locally, their internal revenue mobilization efforts have not been yielding any meaningful results and majority of local government authorities often depend on limited sources to raise their revenues (Akudugu, 2013). KCCA experienced cash limit shortfall totaling to UGX 56 billion by the third quarter of 2016/2017 financial year from Government of Uganda funding and a local revenue shortfall of
UGX 9.91 billion in the same period, which meant that some of the planned activities to be funded from both local revenue and government transfers could not be implemented (KCCA, 2017). It is also noted that in Kampala, many local taxes have a distorting effect on resource allocation decisions, and, thus an inhibiting effect on the startup of new enterprises and the achievement of economic growth. These effects occur when effective rates vary substantially between different goods that are traded, or when license fees are set too high for startup small scale enterprises to survive which reduces the local revenue potential base of KCCA in the long run (Chambas, 2014).

This study will focus on local revenue collection in Kampala Capital City Authority (KCCA). The section presents the background to revenue collection, the statement of the problem, research objectives, scope of the study and significance in regard to the collection of local revenue at KCCA.

1.2 Background to the Study

Revenue in public sector entities such as local governments is dominantly raised from local revenue, donors and central government transfers such as allocations from the national budget. In a number of economies such as Singapore, India, and China; local revenue is highly tapped from local resources, to be complemented by the central budget allocations (Freire, Lall, & Leipziger, 2014). On the contrary, while Sub-Saharan countries have a lot of local resources from which local revenue could be collected, most of these sources are not adequately tapped (Akitoby, 2018). It is not uncommon to hear of Local Governments failing to deliver services with delays in central government allocation (Astrid, 2017). In an urban setting, local revenue sources can contribute between 45-63% of the revenue needed to meet the budget estimates of a given financial year for the city or municipality (Fjeldstad, 2013).

Revenue collected by local governments, in this particular case, cities and municipalities; is raised from taxes, dues, fines, and fees on residents, properties and businesses in the respective city, municipality or town (Slack and Bird, 2014). The capacity of the municipality or town council or city to raise resources depends on the revenue base, mode of collection, and the overall administration. Local governments with large revenue base, several times raise more revenue contributing to better service delivery, although this depends on their local revenue collection practices. Effective service delivery in most local governments in the world require
huge local revenue to supplement the central budget allocations (Fjeldstad, 2017), but local resources collection practices are vital.

In Africa, the revenue at local government level is mainly collected from the property rates, direct and indirect taxes on locally produced goods, licenses, business registrations, fines, dues and fees for using public social services. Fast growing Africa cities such as Kinshasa, Cairo, Lagos, Cape Town, Nairobi, Abidjan, Ibadan, among others have greatly utilized their local revenue resources, collecting more than 70% of the local revenue potential base (UN-Habitat, 2011). While most of these towns receive federal or central government allocations, grants, and donations, the local revenue collected contribute immensely to their growth and development. However, there is still low revenue collection in other cities like Dar es Salaam and Kampala despite having put in place several local tax reforms that have led to the abolishment of the so-called ‘ineffective’ taxes, such as poll (head) taxes and simplification of the local tax legislation and administrative procedures (Fjeldstad et al, 2014).

The proportion of local revenue is an indispensable contribution to local government revenue. Owing to the benefits of local revenue, it is projected that most cities of Africa will by 2030 depend on locally collected revenues by close to 55% to grow (Freire et al, 2014). Attaining this target, however, depends on the potential sources/endowments harnessed, the methodology used to collect, and the management of the revenue collection process.

Whereas the East African community states regularly prepare budgets, upon which there is a vote for each of the districts and town councils, local revenues complement central government allocations. A number of studies (Ngicuru, Muiru, Riungu & Shisia, 2017; Mainwaring, 2017) show that in Kenya, local revenue plays a greater role in the governance of local authorities. Goodfellow (2017) also points out a related case for the Rwandan Local Government especially Kigali City. Unfortunately, in other urban centers in East Africa such as Kampala, there remains shortfalls in local revenue collection (Fjeldstad et al, 2014).

Uganda has several local governments, including town councils, municipal councils and Kampala Capital City Authority, each having different endowments making local revenue sources to vary. The Local Government Act 1997 (as amended, 2008), points out different local government revenue sources such as property taxes, licenses, trade/business registration, parking fees, official documents fees, and others. Accordingly, each of these local governments is
empowered to plan, raise and spend revenue including local revenue so as to improve service delivery in their areas of jurisdiction. This study will particularly focus on local revenue collection practices in Kampala Capital City Authority (KCCA) as the administrative and commercial city of Uganda.

Kampala is Uganda’s largest city operating as a local government due to its administrative structure (Local Government Act, 1997), and an Authority due to its mandate in governance (KCCA Act, 2010). KCCA is made up of five (5) City Divisions- Central, Nakawa, Makindye, Kawempe and Lubaga. These constitute the City Authority with the Lord Mayor as the political head and the Executive Director as the technical head (KCCA Act, 2010; KCCA Annual report, 2013). KCCA has a high potential of raising local revenue from market fees, issuing permits, billboard fees, land and property revenue, trading license, and rental income among other notary fees and from special institutions such as the museum, and hotels (Kampala Capital City Authority, KCCA Annual report, 2012; KCCA Revenue department, 2015). To the contrary, KCCA has been experiencing challenges in its local revenue collection. The Ministerial Statement of KCCA (2017/2018) shows that the Authority experienced limited funding and that the total local revenue collection has been persistently below targets. This limits the quality of service delivery especially at local units such as divisions, wards, and parishes (KCCA Action plan, 2014; KCCA, 2018).

Following an assessment of local revenue administration conducted by KCCA in 2012, significant impediments to local revenue collection in Kampala including unreliable manual databases, poor technologies, unclear procedures, a narrow tax base and poor collection procedures, were pointed out (Andema, 2018). Several steps have been undertaken by KCCA to address most of the local revenue mobilization challenges, including attracting and retaining a critical mass of qualified staff and installation of an electronic revenue management system.

However, some of these strategies have resulted in extremely large increase in costs, and thus further strategies are still needed to reduce costs of collection. Like most local authorities, KCCA also faces a number of constraints in undertaking large scale legislative reform to support its effort in raising more own source revenue, since much of the reform has to be managed at a national level and can be a long and cumbersome process (Kopanyi, 2015).
This study subsequently assesses the local revenue collection practices in KCCA by examining revenue sources, revenue collection methods, challenges, and possible strategies for effectiveness.

1.3 Statement of the Problem

Since its establishment in 2010, following both political and administrative reforms, KCCA has been considered an engine of transformation of Kampala to a better city (Nuno, 2015). Achieving this requires substantial resources including grants from the central government, donations, and also local revenue. However, there have been persistent deficit in local revenue collections as cited in the KCCA Ministerial Statements of FY 2015/16, and 2016/17. In 2015/16, KCCA had a number of property tax arrears due to revenue mobilization and collection challenges such as poor technology and a narrow tax base (KCCA, 2016). In 2016/17, limited funding was noted to be critical in areas such as infrastructure development and a deficit in local revenue collections was reported (KCCA, 2017). As a result of this deficit in local revenue collection, the overall revenue generated remains inadequate hence affecting the quality of services offered by KCCA. Additionally, little has been studied and reported on local revenue collections at KCCA. For instance, the study on the reforms such as digitalization of database and internal staffing and skilling that were undertaken to address local revenue challenges at KCCA; revealed that these reforms overwhelmingly led to an increase in the costs of operation from 1.1% in 2011 to 11.21% by 2014 (Kopanyi 2015). This is an extremely large increase in costs, and further reforms are still needed to reduce costs of collection. This leaves an information gap that is experienced by different stakeholders at KCCA. Owing to this background, this study assesses local revenue collection practices at KCCA.

1.4 Purpose of the Study

This study sought to assess local revenue collection practices at Kampala Capital City Authority by examining revenue sources, revenue collection methods, challenges, and possible strategies for effectiveness.
1.5 Research Objectives
The study was guided by the following objectives,

1. To understand the various forms of local revenue collected by Kampala Capital City
2. To examine the effectiveness of the strategies used to collect local revenue by Kampala Capital City Authority.
3. To examine the challenges if at all any, that are faced in the collection of local revenue at Kampala Capital City Authority
4. To suggest the strategies that can be adopted to improve local revenue collection at Kampala Capital City Authority.

1.6 Research Questions
The study was guided by the following research questions,

1. What are the forms of local revenue collected by Kampala Capital City?
2. What strategies does Kampala Capital City Authority employ to collect local revenue?
3. Are there any challenges faced by KCCA in the collection of local revenue?
4. What strategies can be adopted to improve local revenue collection at Kampala Capital City Authority?

1.7 Scope of the Study
This study was conducted at KCCA including her headquarters and its division offices located in Kampala City, which is the capital city of Uganda located in the central region of the country. It concentrated on the forms of local revenue collected by KCCA, the strategies applied in local revenue collection, any challenges faced, and strategies that can be used to enhance local revenue collection at Kampala Capital City Authority. The study was undertaken from July to December, 2018, and more so, attention was put on the last five financial years, (2012/13- 2016/17), the duration considered relatively adequate to explore the details regarding local revenue collection practices at KCCA. This is also cognizant of the seven (7) years that KCCA has been in operation since a new administrative structure replaced the defunct Kampala City Council in 2011.
1.8 Significance of the Study

The study can be useful in a number of ways;

It provides up to date information that can be used by KCCA to improve its local revenue collection approaches. The study identifies the main sources of local revenue that need to be focused on by KCCA, it explores the challenges faced in local revenue collection and suggests possible strategies for effective local revenue management.

Findings can be used by management and staff of KCCA for policy and planning especially in the revenue department. This can thus ensure an effective revenue administration that implements well-informed policies and raises sufficient revenues to fund infrastructure development and basic service provision which is a crucial mandate for city authorities, particularly for rapidly urbanising developing countries like Uganda.

It contributes information that can be used by other urban areas/cities in improving their local revenue collection. The findings, challenges and recommendations of the study if well received by other local cities and more broadly by other cities in developing countries can bring about significant increases in own source revenues and consequently reduce over reliance on central governments.

The study can be of great importance to revenue stakeholders in the public sector, especially in assessing the revenue collection policies and practices for the public entities. This is because it is vital for the public sector to engage with businesses and other local revenue contributors in the development of local revenue strategies by first understanding the challenges they are facing and the available opportunities.

The study provides useful information for the current researcher, and other researchers in conducting related studies on public sector, revenue collection and its management in future. The study is not an exhaustive review of all the issues surrounding the topic of local revenue. It aims to highlight some key issues that require greater attention and, more substantial research is thus needed based on the recommendations and areas for further research sections of this study.
1.9 Outline of the report.

The current chapter having provided the introductory information such as the background to the study, scope of the study, problem statement among others; the rest of the report entails the following chapters:

1.9.1 Literature review.
This presents a critical review of related literature about the revenue collection in local governments and the associated practices.

1.9.2 Research methodology.
This section covers the methodology that this study used. It provides a description of the research design that was adopted and the study population from which information was collected.

1.9.3 Presentation, interpretation and discussion of findings.
This chapter presents the response rate, background information of the respondents and descriptive empirical results about local revenue collection practices based on the objectives of the study.

1.9.4 Summary, conclusions and recommendation.
This chapter presents the summary of descriptive and qualitative analysis of each research question, conclusions of the study findings, recommendations and areas for further research.

1.10 Conclusion
Local revenue contributes immensely to the effectiveness of any local government entity. However, the study concentrated on the understanding of the forms of local revenue, collection strategies, challenges associated with revenue collection and possible strategies to improve local revenue collection. The next chapter dealt with reviewing the related literature about the research objectives.
2.0 CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a critical review of related literature about the revenue collection in local governments and the associated practices. It looks at forms of local revenue collected by local governments, strategies used to collect local revenue and challenges if at all any, that are faced in collection of local revenue. The chapter further reviews literature on possible strategies for improving local revenue collection in local governments such as Kampala Capital City Authority.

2.2 Forms of local revenue collected in Local Governments

Revenue is the life-blood of every government entity as it is for any organization. Revenue is the income generated from a set of income generating activities, and in the public sector, it’s the overall earnings made from utilization of the different public resources (Akitoby, 2018). It includes all the incomes or receipts which a public authority may secure during any period of time. Several studies have paid keen attention to revenue in the public entities especially in governing units; among these studies is Mohamed (2015) who revealed that revenue is a return from use of resources, or providence according to the government financial planning and resource re-distribution. From Mohamed’s perspective, two (2) dimensions of revenue can be obtained and these are revenue raised from local resources (Local revenue), and revenue from providence (budgetary vote) from the national budget allocations.

According to Kopanyi, (2015) local revenue is one of the prominent sources of revenue for local government depending on the resources and endowments that constitute its revenue envelope. A Local Government may collect a lot of local revenue that can enhance its functionality in the short and medium terms although this may not be enough to meet long term goals. It is what the government earns from the public arising from utilization of public resources (Kopanyi, 2015). Several studies (Manwaring, 2017; Akitoby, 2018) show different perspectives in which different local governments collect and spend their revenue. Local governments differ in the extent to which they can raise their funding for the services for which they are responsible. Below are the various forms of local revenue from which local governments can raise revenue in order to finance their development and administrative mandate.
2.2.1 Rates and taxes

Taxes form a wide source of local revenue when levied and collected at the local government level. Taxes represent compulsory contribution to government revenue, levied by the government on workers’ income and business profits, or added to the cost of some goods, services, and transactions. Rates are a tax on property used for business purposes. They are charged on properties such as offices, shops, pubs, and warehouses and most non-domestic properties will attract business rates. Taxes may be levied as recommended by the central government for use of specific resources such as minerals, properties and water resources in a given area, and this is internally generated revenue for the local government (Mohamed, 2015).

In Uganda, the local government Act 2005 provides KCCA with opportunities to levy and collect business rates from all commercially managed properties in the city, schools, hospitals, petrol stations and rented homes, all governed under the Local Government Rating Act 2005 as amended. All persons in gainful employment, professional, artisans and business community and a commercial farmer are mandated to pay local service tax as provided for under the Local Government Act cap 243 (Amendment) (No. 2), 2008.

Property tax is a predominantly demanded tax in many urban centers and due to increasing decentralization in many developing countries; local property taxes play a critical role in developing the institutional financial capacity necessary for good governance (Bird and Slack, 2014). However, the effectiveness of these taxes and rates depends both on the nature, development and distribution of property rights, and the extent to which local governments have real decision making power. Ngicuru and Ruingu (2017) noted that absence of political will and political obstructions greatly hinders the effectiveness of this form of local revenue.

In Uganda, property tax has been a difficult tax to administer due to the fact that, the information necessary to assess property values including land is not always available, which is also the case in many developing countries where administrative constraints including lack of political will have resulted in low collection of such a tax (Kopanyi, 2017).

Despite the fact that Kampala is characterized with strong local economy and fast growing local population, where by taxing vacant land is likely to have an overall positive effect on the city development both in terms of revenue and also in terms of more efficient land use, vacant urban land is exempt from property taxes by national legislation (Astrid, 2017).
Thus this study sought to explore the extent to which these various forms of taxes and rates contribute to the revenue of Kampala Capital City Authority.

2.2.2 Market dues and fees

Fees is a local non tax revenue that comes in the form of compensation for the provision of local services for instance fees on household waste, certificates from registry office, street vendor charges, market fees, parking fees, and slaughtering fees. Market fees and dues collections on a routine or by means of tendering can be a core form of revenue for local governments. These are periodically charged each market day especially when the market is tendered or under a public-private partnership (Fjeldstad, 2017 and Mohamed, 2015). The larger the market, the higher the potential of raising the revenue. In a related study, Ngicuru et al (2017) noted that markets are one of the core areas that contribute immensely to the revenue of the local government. The use of fees makes users of a service support its cost, which changes the breakdown of the tax burden and carries the impact from taxpayers and over to the users (Fjeldstad et al, 2014). Although simple in principle, fee systems are often opaque and complex. They often produce little revenues and generate severe economic distortions as well as undesirable social effects (Fjeldstad and Heggstad 2012). For instance, in Kampala, the pricing of these levies, which is often not transparent, is a major political and administrative challenge. (Iversen et al, 2013). Central government officials consistently intervene to alter and undo the policy decisions and actions of the KCCA. For instance, the president’s interference in regulation of the boda bodas and taxi drivers, the capital city markets such as the president’s actions in response to appeals from vendors in Nakawa market were likely motivated by a desire to gain political support from this key urban constituency which consequently limits the amount of local revenue collected from city businesses (Goodfellow and Titeca, 2012).

This study explored the extent to which market dues and fees contribute to local revenue for urban cities in particular to KCCA.

2.2.3 Licensing and stamps

There are many activities in the local governments that require authentication by licensing or providing a formal stamp to be dealt in or traded (Kant and Malm, 2013). In their study, most of the local states’ earnings arise from licenses and a breakdown of stamp requirements, each of which contributes to the local governance treasury earnings (Friere, Lall, & Leipziger, 2014). In
a related study, Omodero, Ekwe & Udama (2018) revealed that when faced with the dilemma to cope with their expenditure responsibilities, a number of local governments have been able to focus on licensing many startups since these keep emerging, as others close. However, they did focus on the Nigeria scope, which may be different from the Ugandan perspective. On the contrary several studies (Monkam, 2010; Jibao, 2009), show that most local governments lose out on this source of revenue since a number of local firms tend to dodge paying license (UN Habitat, 2014). These findings agree that licensing and sell of stamps is a core source of local revenue, which however, is less explored.

With the licensing of the local government and emphasis on decentralization, each territory is mandated to foster its growth by facilitating communities to startup business activities as a source of income (Martinez-Vázques, & Smoke 2010). For cities like Nairobi city, one of the key sources of local revenue is licensing. Licensing is one of the key approaches local governments can use to foster their revenue collection activities, and this applies to various departments, businesses and services (Ngicuru et al, 2017).

The studies carried out in the districts of Mbale, Manafwa and Kampala on local revenue performance also indicate that one of main forms of revenue for local governments in Uganda is trading licenses (Balunywa et al, 2013).

In Uganda, it is a legal requirement for any person selling goods and services as provided for by the Licensing Act CAP 101 and the Trade Licensing Amendment Act of 2015 to enable KCCA regulate trade and order. Trade license is an annual fee payable by any person carrying out business in KCCA’s jurisdiction before commencement of business and is valid for twelve (12) months from the date of issue.

However, licensing is associated with dodging, under estimations as well as some of the business proprietors bribing the licensing officials. In Uganda for instance, a common complaint from small and medium sized enterprises has been that ‘they do not know what to pay, where and to whom (Ngicuru et al, 2017).

2.2.4 Penalties and Fines

This involves charging fines and penalties to people who violate the laws of the city or governance (Kopanyi, 2015). These sources of finances can arise from compulsory payments arising out of the breaking of laws such as traffic guidelines. Although many studies undertaken in a number of African cities including Cairo, Kinshasa, Kigali and Lagos show that most of
the revenue raised in the local government and division centers fall in building permits, land hold permits, property tax including tax to own hotels, stadia and other recreation centers (Friere et al., 2014; Zinnbouer, 2017; Goodfellow, 2017); penalties and fines could also be a potential revenue source for local governments that double as cities and urban centers, and this includes Kampala city. According to the KCCA Act 2010 and Penal Code Act Cap 120, penalties and fines are any payment made for not honoring KCCA guidelines and acting contrary to law. However, the overall local revenue earned from this form of local revenue remains less explored and documented for the case of the Kampala Capital City Authority (KCCA).

2.2.5 Advertisements

The local governance units have a mandate to charge all signage in their places, especially along the highways and this is a high source of revenue for a number of cities in Africa, when well managed and there is little avoidance of the potential payers to install their signage and posts without the knowledge of the authorities (Friere et al., 2014).

In a later study of Goodfellow (2017), it was revealed that there was a high level of revenue generation from signage. Different size dimensions of signposts, banners, fliers, and any outdoor advertisement tend to attract a cost on the owner of the business in relation to the area/township. Friere et al., (2014) recounted that use of signage as a source of local revenue is not widely used and known by many business persons. Without knowing the cost of erecting a signpost, different entrepreneurs use signage, but when the charges are levied, they do not pay, making the revenue from signage unreliable for most local governments. In Uganda, the permit to advertisement in the city using billboards banners, signpost Liquid Crystal Displays, Neon lights and any other form of advertisement is governed under the physical planning Act 2010 and national physical planning standards and guidelines 2011.

However, the outdoor advertising rates in Kampala need to be revised to match the current economic situation since the existing rates were set a decade ago (KCCA, 2018). The study focused on examining the extent to which advertising contributes to local revenue to the local governments and KCCA in particular.
2.3 Strategies utilized for local revenue collection

This study paid attention on the ways in which revenue for local governments is being raised. These strategies or approaches describe the ways in which local revenue is collected. In a study done by Mohamed (2015) in Akkaraipattu Municipal Council, Sri Lanka, it was noted that the local government collects local revenue using different strategies including out sourcing, voluntary compliance, use of local government staff, and this review presents the different ways/strategies in which local governments raise money.

2.3.1 Direct revenue collection by competent personnel

In many local governments, direct local revenue collection is a function mainly done by field revenue officers. Local revenue officers directly go to the field to sensitize and enforce local revenue payment. Majority of the local governments consider this as the most appropriate way of collecting local revenue especially when contributors of this income are scattered but in one defined locality (Mpaata, Bumali & Okiria, 2015).

Although KCCA is still understaffed, and operating at below 50% of the approved staff establishment (KCCA, 2017), a number of approaches have been set out by KCCA to improve on its revenue collection practices, for example gazatting the resource base in groups, A, B, and C depending on the location and streets in the city. Revenue collection is done directly on business, properties and assets through strict enforcement and tax payer sensitization by competent staff. For example, a total of 44 sensitizations were conducted in the year 2016 in form of workshops and radio/television talk shows. These sensitizations were aimed at popularizing the Commercial Road User Regulations 2015 and reminding taxpayers of their obligations in regard to Property Rates and Local Service Tax (KCCA, 2016). In addition, as part of KCCA activities to ensure compliance by all city taxpayers, the revenue staff carried out a number of enforcement exercises that resulted into 4,310 taxis being impounded for non-payment of monthly fees.

However, despite of all these efforts by staff towards ensuring adequate local revenue collection, the total revenue collection for the period ending the financial year 2016/17 was UGX 42billions against target of UGX 50.3billions, and there was a deficit of UGX 8 billion indicating that the overall local revenue collection within KCCA has been below the target hence affecting the service delivery in the city.
2.3.2 Electronic collection of local revenue

Electronic collection of local revenue is a situation where an institution devises means of allowing tax payers to pay their taxes online (Kumshe & Bukar, 2013). Here tax payers are registered and connected using the internet with their unique identification numbers and they can be reminded or compelled to pay their taxes online as and when payment is due and automatically defaulters can be identified for further action.

Due to a number of disadvantages in manual tax administration, such as delays in reconciliation of client ledgers, error-prone billing systems, and overall poor service delivery for the client, many local governments have embraced the modern technology in revenue administration (Sserunkuuma, 2016). Complementing this view is Akitoby (2018), who noted that with many new adjustments, cities through their revenue teams put in place a number of efforts to raise their revenue cost effectively. In an effort to improve service delivery through automation of revenue collection, KCCA implemented an electronic revenue management system, e-citie, that allows for automatic billing, reconciliation, and generation of receipts and that sends out a reminder to taxpayers when they need to pay their bills.

It is however important to note that simply digitising payment systems does not automatically make the tax administration more effective. On the contrary, if it is too complex and not appropriate for the existing organisational structures, it can actually have adverse effects on collection (Astrid, 2018). It is therefore critical that those who are meant to use the system are trained to use the technology in the most optimal way possible, ensuring that it becomes a support rather than a burden to the overall system. This study explored the extent to which the e-citie payment system has improved revenue collection at KCCA.

2.3.3 Leasing

In countries where the state owns such assets as lakes, minerals, as well as other renewable resources such as biomass and hydro, the local government where such resources are located can utilize them as a way of earning local revenue. By partnering with various developers and investors, the local governments can lease out these resources to investors for capital and production development (Knox, 2015). In a related study by Astrid (2017), there is a perception that the local government management provides either a 49 years lease or a 100 years lease to investors who are given the mandate to use the resources until the lease expires.
This is a core strategy of how local governments can raise local revenue although this also depends on the nature and number of resources that can be leased (Mohamed, 2015). In Kampala, lease holders are mainly of KCCA public land offered by Kampala District Land Board and are supposed to pay ground rent and the development of the lease agreements are normally guided by the Land Act (Cap 227) and the Physical Planning Act 2010 which provide for the tenure, ownership and management of land. However, the property valuation base at KCCA, is the rental value, which limits the possibilities for accurately determining the correct value of various properties, since some of the properties like land are usually not leased out for rent (Kopanyi, 2018). In Uganda generally, different districts have different resources, and this can account for variances in the resource mobilization from this form of local revenue.

2.3.4 Outsourcing local revenue collection to private agents

In many countries, the collection of many local government revenue sources can be outsourced (Iversen et al 2006). These include private collection of property taxes, market fees and parking fees in urban councils. Outsourcing can establish a platform from which change can be facilitated, but its initial impact and longer-term successful performance depend on many factors such as the strength and quality of the management of the local government authority, political commitment to support the reform, and transparency reflected in the provision of accessible and updated information to the general public on the tendering process and bids received, as well as data on the revenue potential and actual collection.

There is, however, no conclusive evidence to show whether outsourcing leads to better revenue performance compared with direct revenue collection by local government trained personnel (Fjeldstad et al 2012).

With an increase in the number of well trained and qualified staff, KCCA decided to cancel most of the existing outsourced revenue collection contracts other than the contractor; Multiplex ltd that is charged with collection of parking fees (Kopanyi 2015). In Kampala, the lack of oversight of the outsourced contractors was a major source of leakage in revenue, coupled with weak contracts. This led to the decision to carry out collection in house and only outsource where in house collection is impracticable to do (Andema, 2018).

Research has, however, clearly shown the benefits of separating the function of any entity that is collecting taxes, so that there is as much autonomy as possible between officials dealing with the
revenue and those who are spending the taxes (Bird 2010). In addition, Manwaring (2017) noted that careful consideration of the costs and benefits of outsourcing revenue collection is paramount. Though private revenue collection has the potential to improve revenues, it can also lead to high private premiums and deterioration in the social contract between individual and state. He emphasized that effective outsourcing requires detailed revenue projections, transparent tendering and systems of accountability to reduce aggressive collection which all come at a cost. This study thus focused on exploring how effectively KCCA uses outsourcing as a strategy of local revenue collection.

2.3.5 Voluntary Compliance

Compliance to government requirements by tax payers and other personalities that contribute to the resource envelope of the local governments is one of the ideal expectations of the local authorities, which they hardly get. In a study by Uchechukwu and Ohaka, (2017) focusing on the tax source of revenue and the widening level of tax base, voluntary compliance to the tax requirements has become an unavoidable way of collecting local revenue. Voluntary compliance is significantly increased when the government fulfills the social contract with the governed and as a result this makes it a modest way of collecting revenue at minimal administration costs (Modugu et al., 2012). Compliance especially for tax remains vital for behavioral change, and for ensuring that there is an improved revenue mobilization and collection in the local entity. However, studies (Batrancea et al., 2012; Akintoye & Tashie, 2013) show that a few of the tax payers and other stakeholders contribute immensely to the revenue threshold of local government willingly and this points to non-compliance. In Kampala, tax morale has been low at the city authority due to the years of corruption and the overall efforts that were needed to meet their tax obligations (Kopanyi, 2015).

Where administration reforms have been effective in other contexts, there has been a shift in organisational focus towards viewing the taxpayer as a client who requires good services (Bird 2010). The better the service provision, in the form of simple and transparent payment mechanisms, the more likely taxpayers are to comply, as it becomes more convenient for them to do so.

This view has been adopted by the KCCA as well. From the outset, they carried out extensive evaluations to understand what influenced tax payer behaviours, such as economic factors, which
businesses they worked for and their level of education. Then they worked on segmenting taxpayers by their attitudes to compliance and using this to assess what interventions would be required to ensure compliance. The more taxpayers willingly comply with the system, the less effort and cost will be needed for enforcing compliance (Astrid, 2018).

The KCCA’s strategy was to focus on meeting the needs of the widest base of those who were willing to comply and then progressively work towards the more difficult ones. Thus, this study focused on exploring the ways in which KCCA bases on personal and individual compliance as a strategy for local revenue collection, and the extent to which this aspect contributes to the diverse ways of local revenue collection practices used in the Authority.

2.4 Challenges experienced in local revenue collection

According to Mohamed (2015), the success of every local government tends to arise from how they manage the sources of revenue. In addition, basing from the Ministerial statement of FY 2017/18, KCCA as an entity collects revenue which has been associated with a number of challenges. These challenges are administrative, structural and operational (Kopanyi, 2015). Other studies including Akintoye & Tashie (2013) showed that local governments experience a number of challenges, and these are further described.

2.4.1 Poor revenue administration and political interference.

Whereas Larok (2013) in his publication says, “If tax money was not stolen, we would have better public services”, this assertion is not holistically true as it is not only tax being stolen but the overall challenge of poor revenue administration. While specific tax related challenges dominate such as tax evasion; poor revenue administration remains a serious impediment to effective revenue collection. Many local authorities simply do not have the capacity to administer taxes like property tax. Mohamed (2015) revealed that because some taxes such as property tax are highly visible, it makes them politically sensitive and hence require politically sensitive decisions if they are to be effective. For example, trade license is not regularly collected due to political supporters running the trade centers in some areas such as market and bus stand places. In the study of Astrid (2017) in Hargeisa, Somaliland, it was noted that local revenues are not guaranteed like the central fiscal transfers, and as such their collection may be associated with a number of challenges most of which are administrative in nature.
In other aspects, reluctance to put in place plans that can improve the performance of revenue collection by sensitization, a number of towns and citizens are not well sensitized about their role in financing the government (Hanifa, 2013).

In many African countries, property tax has powerful political enemies since the tax tends to strike people with wealth accumulations directly. People with considerable property wealth usually have considerable political power and use that power to thwart taxes that aim directly at their assets (Goodfellow, 2017).

In addition, Kopanyi (2015) reveals that within local revenue reform of Kampala Capital City Authority, there is a challenge associated with the political and civil differences in resource control. These differences can reduce the overall response to the revenue authorities as they levy and collect various taxes, fines, and fees which dominantly constitute the resource envelope of the local revenue.

2.4.2 Limited tax base

Among other challenges is the view that local governments for most of their time increasingly depend on government transfers as a source of financing (Astrid, 2017). Mpaata, Lubogoyi and Okiria (2015) had earlier before revealed that one of the challenges of local government is embedded in their local revenue mobilization. Little of the available tax base directly yields the expected revenue. Thus, it may be hard for the local government especially a city to collect all revenue from all revenue sources. (SEATINI, 2014).

The tax base is also reduced by further decentralization efforts, through demarcating new local administration units (districts), which reduce the revenue that would be collected. According to Nangoli, Ngoma, Kimbugwe and Kituyi (2015)’s study regarding enhanced service delivery in local governments; they reveal that local revenue was greatly affected by adopting decentralization. Some areas are well facilitated and generate more revenue because they have more potential sources of local revenue. In other areas, the population and masses to take an initiative to collect revenue from the available resources is not available and have relocated to other areas (Ngicuru, et al., 2017). Drawing from the view held in KCCA (2017) report, the city authority (KCCA) received some government allocations (about UGX 337.8 billion) but over 60% of its revenue was meant to be generated from the local resources. There are still a few opportunities in Kampala to levy new taxes or impose new fees, including taxing vacant urban land, charging property owners with a development fee and introducing a capital gains tax and
although KCCA is yet to fully take advantage of these opportunities, these revenue source are very common not only in developed but increasing in developing countries (Kopanyi, 2015). Local governments have been exposed to inadequate sources of local revenue which prevent the local authorities from meeting the pressure of service demands by the local community (Thavam, 2013). Increasing the tax revenue base at the disposal of local authorities had never been a popular measure with elected council because they experience a number of challenges in their revenue collection (Fjeldstad & Heggstad, 2013). In many cities, the aspect of revenue collection has been constrained by migrations and unstable characteristics of residents, where people for instance avoid tax contribution by re-locating their businesses and operations.

2.4.3 Shortage of labour

It was revealed that local authorities face shortage of well trained and qualified personnel particularly in the area of revenue assessment and property valuation which is supposed to serve as a tool for collection of taxes and rates at the local level (Steiner, 2006). In a related study by Mohamed (2015), most local governments lack the capacity to attract and train the right caliber of staff to articulate plans and execute programs and projects in order to improve local revenue collection such as proper enforcement of rules and procedures of collecting revenue. Since the establishment of the Directorate of Revenue Collection at KCCA in 2011, many experienced staff from various government agencies, including but not limited to, the ministry of Finance, and the Uganda Revenue Authority were recruited. The staff compensation for the existing staff has subsequently increased to ensure staff stability and motivation (Kopanyi, 2015). However, KCCA has been operating at below 50% of the approved staff establishment. The problem of inadequate funding for recruitment of staff remains a challenge which will further put a strain on KCCA’s ability to mobilize revenue and deliver the required services (KCC, 2017).

2.5 Strategies that can be adopted to improve local revenue collection in cities

While there have been a number of challenges hindering local governments including Kampala Capital City Authority from attaining their local revenue resources, Kopanyi (2015) reveals that KCCA has paid attention to a number of strategies that include the following:
2.5.1 Need to improve local revenue administration

In his study, Kopanyi (2015) noted that in an effort to improve local revenue collection, the city needs to have remarkable revenue reforms by improving the revenue sources, reducing cost of collection, institutional modernization and putting in place the revenue policy that defines clearly proper changes in local revenue assessment and collection mechanism. Measures to improve tax revenue administration can be as important as tax policy to raise revenues. In Kampala, for example, reforms to revenue administration since 2010 (such as digitization and updating of databases) have meant that the Kampala Capital City Authority (KCCA) managed to increase its own-source revenue by more than 100% from shs41bn to shs85bn between 2011/12 and 2014/15 fiscal year (Manwaring, 2017).

Manwaring et al (2017) noted that this achievement came without any reforms to legislation at the national level, but reforms were simply made in key areas like digitizing and updating databases, seeing the tax payer as a client, who requires good services, and who is legitimate in demanding these services in exchange for tax payment and practicing this required improved communication with taxpayers and measures to enhance ease of tax payment.

2.5.2 Addressing Manpower shortages

In addition, Steiner (2006) revealed that as result of decentralization, there is diversity in manpower availability and skills. There are a lot of implementing man power shortages that need to be addressed especially shortage of well trained and qualified personnel particularly in the areas of tax assessment and property valuation. Rizan (2013) further noted that most of the local governments are under staffed to carry out their duties, and the capacity to exhaust all local revenue sources remain inadequately provided. The ability to address manpower challenges may take a good way of improving local revenue collection. KCCA established the directorate of revenue collection with a state of the art organizational structure and experienced staff. The adequacy of staff, number, skill mix and the respective provision of equipment has substantially improved, but there is need for continuous staff capacity development in the light of the emerging developments and sophistication of the revenue directorate (Kopanyi, 2015).
2.5.3 Reducing over dependence on Central Government support

Studies have shown that effectiveness of local governments is constrained by dependence syndrome of local government in their revenue mobilization on the central government (Muga & Otoo, 2015; Ngicuru, 2017). Unless the central government starts the process, the local entities remain idle and in waiting, and this has to be changed so that local governments can start a bottom-up revenue collection and mobilization plan. Local governments should strive towards improving internally generated revenue and transparency and accountability in their management structure. The external sources which include donations and central government financial transfers, like grants introduce a dependence syndrome in local government revenue mobilization effort and any setback from the external sources would have adverse effect on the administrative machinery and execution of some viable projects at the local government (Mohamed, 2015).

It was revealed that there is substantial room for KCCA to improve internal local revenues in order to reduce over dependency on central government transfers. This can be done through levying more taxes or imposing new fees including taxing vacant urban land, charging property owners with a development fee or participation fee to contribute in developing trunk infrastructure, and introducing a capital gains tax and providing Kampala Capital City Authority with a share of it (Kopanyi, 2015).

2.6 Conclusion

Based on the reviewed literature, most local governments collect local revenue from taxes and business licenses. The strategies for revenue collection by majority local governments include; direct field revenue collection by revenue officers through identification, assessment and enforcement, and the use of electronic revenue systems. The dominant challenges associated with local revenue collection are; tax evasion, shortage of skilled man power and lack of the political will in collection of certain local revenue sources. The main strategies to improve local revenue collection include; sensitization of tax payers, addressing shortage of man power problem and continuous improvement of technology in revenue collection. The next chapter dealt with the research methodology.
3.0 CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section covers the methodology that this study used. It provides a description of the research design that was adopted and the study population from which information was collected. It also presents the sample size and sampling techniques that were used, the sources of data, data collection instruments, procedure of data collection, measurement of variables, data analysis and processing and likely limitation the study was prone to encounter.

3.2 Research Design

This study was carried out using a cross sectional research design. A cross sectional research design is an approach used to explain, compare and describe the phenomena basing on opinions of a particular group of people at one point in time (Sekaran, 2006). In line with the study objectives, the cross sectional research design was appropriate for exploring the local revenue collection practices at Kampala Capital City Authority because tax collection is usually done in a given time frame/period. In this study, both qualitative and quantitative approaches of data collection were used. The quantitative method is a structured scientific approach to quantify attitudes, opinions, behaviors, and other defined variables and generalize results from a larger sample population (Saunders et al. 2012). Quantitative research is more objective and it’s easy to examine large amounts of data in a relatively short time compared to qualitative research. Qualitative research on the other hand is more subjective in nature and involves examining and reflecting on perceptions in order to gain an understanding of social and human activities. It involves use of unstructured or semi structured techniques like interviews and content analysis of relevant literature (Hussey and Hussey 1997). It attempts to uncover trends in thoughts, opinions and feelings and digs deeper into the problem. However, qualitative research is criticized for being purely descriptive, lacking validity, and not being robust compared to statistical approaches (Goulding 2002). Thus, combining both qualitative and quantitative research approaches and techniques helps to overcome the potential bias and sterility of a single method approach (Saunders et al. 2012).
3.3 Study area and population

This study took place at Kampala Capital City Authority with headquarters located on Nakasero Hill along Kimathi Avenue in the central business district of Kampala. KCCA is the governing body of the capital city and administers the city on behalf of the central government. Kampala Capital City is currently divided into five urban divisions namely Central, Kawempe, Makindye, Lubaga and Nakawa all covering a total of 188 square Kms with 169 square Kms of land and 19 square Kms of water. Kampala has about 23% of its area as fully urbanized, a significant portion (60%) semi-urbanized and the rest considered as rural settlements (KCCA, 2017). Kampala Capital City Authority has 10 directorates including, Administration and HRM (AHR), Physical Planning (PP), Treasury Services (TS), Engineering and Technical Services (ETS), Public Health Services and Environment (PHE), Education and Social Services (ESS), Legal Affairs (LA), Revenue Collection (RC), Internal Audit (IA), Gender Community Services and Production (GCSP), and the Office of the Executive Director. The total establishment require 1,425 staff, but by December 2017, KCCA had a total of 407 staff. They included 59 staff in the Office of the Executive Director, 48 staff in the Administration and HR Directorate, 26 staff in the Physical Planning Directorate, 35 staff in the Engineering and Technical Services Directorate, 23 staff in the Directorate of Treasury Services, 23 staff in the Legal Affairs Directorate, 15 staff in the Internal Audit Directorate, 99 staff in the Directorate of Revenue Collection, 7 staff in the Directorate of Public Health Services and Environment, 49 staff in the Gender Community Services and Production Directorate, and 23 staff in the Directorate of Education and Social Services as (KCCA, 2017).
Table 3.1: Staff distribution in the KCCA departments

<table>
<thead>
<tr>
<th>Level</th>
<th>ED’s Office</th>
<th>AHR</th>
<th>PP</th>
<th>ETS</th>
<th>TS</th>
<th>LA</th>
<th>IA</th>
<th>RC</th>
<th>PHE</th>
<th>SBD</th>
<th>ICT</th>
<th>GCSP</th>
<th>ESS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ED</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>DED</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Director</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>D-Director</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>7</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>28</td>
</tr>
<tr>
<td>Supervisor</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>7</td>
<td>0</td>
<td>4</td>
<td>2</td>
<td>8</td>
<td>6</td>
<td>61</td>
</tr>
<tr>
<td>Officer</td>
<td>42</td>
<td>10</td>
<td>22</td>
<td>16</td>
<td>13</td>
<td>13</td>
<td>8</td>
<td>88</td>
<td>3</td>
<td>3</td>
<td>10</td>
<td>36</td>
<td>15</td>
<td>279</td>
</tr>
<tr>
<td>Assistant</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>9</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Support</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Subtotal</td>
<td>59</td>
<td>22</td>
<td>26</td>
<td>35</td>
<td>23</td>
<td>23</td>
<td>15</td>
<td>99</td>
<td>7</td>
<td>9</td>
<td>17</td>
<td>49</td>
<td>23</td>
<td>407</td>
</tr>
</tbody>
</table>

For the purpose of this study, the directorates of Revenue Collection, Internal Audit and Treasury Services were considered because of the special positions they hold as focal departments for the development of plans and policies for local revenue collection and control at KCCA. The three directorates’ total number of staff is 137 as distributed in table 2.

Table 3.2: Staff distribution in the 3 Directorates (The target population)

<table>
<thead>
<tr>
<th>Staff</th>
<th>Internal Audit</th>
<th>Treasury Services</th>
<th>Revenue Collection</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Deputy Directors</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Managers</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Supervisors</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>Officers</td>
<td>8</td>
<td>13</td>
<td>88</td>
<td>109</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>23</td>
<td>99</td>
<td>137</td>
</tr>
</tbody>
</table>
3.4 Sample size and Sampling procedure

The sample size representative of employees in this study was 103 respondents. It was determined based on Krejcie and Morgan (1970)s’ guidelines of sample size determination. The upper limit figure of 103 was taken from Krejcie and Morgan (1970) table. The 3 directors (one director from each of the three directorates of internal audit, treasury services and revenue collection) and 2 deputy directors (one from treasury services directorate and one from revenue collection directorate) were purposively selected because they were regarded as key informants for the study. The rest of the respondents (98 staff) were sampled using stratified sampling with the three directorates becoming the strata. Thus, 10 staff (14/132*98=10.39) were selected from Internal Audit Directorate, 16 staff (21/132*98=15.59) came from Treasury Services Directorate and 72 staff (97/132*98=72.01) were selected from Revenue Collection Directorate. Simple random sampling was then used to select the sampled respondents from each stratum i.e. a complete and updated list of all staff from each of the three directorates was obtained from the Directorate of Administration and Human Resources and used to select the respondents. The names of staff in each directorate were numbered and randomly the names of 10 staff from Directorate of Internal Audit, 16 staff from Directorate of Treasury Services and 72 staff from Directorate of Revenue Collection were selected. Simple random sampling was used because the sample to be chosen constituted a homogeneous group (Creswell, 2012).

3.5 Data Sources

The study collected both primary and secondary data. Primary data are information provided by respondents (Mbabazi, 2011), while secondary data are those that were obtained by review of already existing information (Oso & Onen, 2010). Utilizing primary and secondary data provided a comprehensive picture of local revenue collection practices at Kampala Capital City Authority.

3.6 Data Collection Instruments

Questionnaire: A close ended questionnaire consisting of 5 Likert-type scale questions was used. The Likert-type scale ranged from; not at all (1) to very great extent (5) in response to statements about the study objectives. Using such a scale saved time, was convenient, and allowed respondents to freely express their opinions. The questionnaire was administered to all the selected respondents except the directors and deputy directors.
**Interview guide:** The researcher prepared an interview guide to provide an interaction with Directors and Deputy Directors in the Revenue Collection Directorate, Directorate of Internal Audit and Treasury Services Directorate at KCCA. The interview consisted of open-ended questions about the forms of revenue collected by KCCA, the strategies used, challenges and possible measures that can be used to improve revenue collections in Kampala Capital City Authority.

**3.7 Measurement of variables**

Questions adopted from previous studies on the main variables of study were used. These are described under each variable that was measured and they were ranked under a Likert-type scale. The measures used include;

**Forms of local revenue**

This study used items from Ngicuru et al (2017) and Martinez et al (2015). Such items included “taxes and rates”, “business licenses”, and “market dues and fees”. In addition to these, the researcher developed and included in the questionnaire measures of local revenue forms such as advertisements, fines and penalties, and public utilities, which were applicable in the context of the study (Mohamed, 2015).

**Effectiveness of local revenue collection strategies**

This was measured using items by Ruingu, Ngicuru and Muiru (2017) who reviewed factors affecting revenue collection in Nairobi City. Items included “competent staff to collect local revenue”, “use of third party to collect revenue”, and “computer/electronic strategies were used in the study.” Fjeldstad et al’s (2012) focus on the breadth of these strategies; for example, “outsourcing strategy of local revenue collection” was also used. The researcher included other common aspects emerging from the literature review namely; voluntary compliance and leasing.

**Challenges associated with local revenue collection**

In reference to the reviewed literature of studies done by Mohamed (2015), Goodfellow (2017), Thavam (2013), the researcher developed relevant measures such as poor revenue administration and political interference, limited revenue base, and shortage of competent personnel in order to examine the challenges associated with local revenue collection at KCCA.
Strategies that can be used to improve local revenue collection

Finally, the study sought to suggest the strategies that can be adopted to improve local revenue collection at KCCA where the researcher adopted similar measures used by previous researchers such as Ngicuru (2017) and Kopanyi (2015). These measures included “sensitization of tax payers”, “use of improved technology”, “addressing man power shortages” and “reducing overdependence on central government transfers”.

Demographic variables

In order to obtain bio-data and the general information about respondents, the questionnaire included items such as gender (1=male or 2=female), age (5 age categories of class interval 10, with the least being 20 years, with the highest as 70 years); highest education qualification (post graduate degree, bachelor’s degree, diploma, professional certificate), years in service (categorized into three; less than 1, 1-5, and 6-10); position held (Manager, Supervisor, and Officer).

3.8 Data Analysis and processing

The study data were collected for a period of one month. After data collection, quantitative data were checked for completeness and then analyzed using SPSS version 20 to generate descriptive statistics such as frequencies and percentages, to describe the variables. Statistics are mainly used to explain and justify the perceptions of the data reported (Kothari, 2004). Data from interviews were edited and read for commonly occurring themes that were coded and categorized/ grouped together for in depth explanation to supplement quantitative findings. Direct or verbatim quotes that illuminate and help explain points were used to express the respondents’ opinions.

3.9 Conclusion

The study was carried out using a cross sectional research design and it took place at Kampala Capital City Authority. A close ended questionnaire consisting of 5 Likert-type scale questions and an interview guide were used collect data. The study collected both primary and secondary data. The next chapter dealt with the presentation, interpretation and discussion of findings.
4.0 CHAPTER FOUR

PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction
This chapter presents the response rate, background information of the respondents and descriptive empirical results about local revenue collection practices based on the objectives of the study, which included forms of local revenue, strategies used to collect local revenue, challenges associated with local revenue collection and possible strategies to improve local revenue collection at Kampala Capital City Authority (KCCA). Descriptive quantitative results include frequency percentage distribution tables which are presented in line with research objectives of the study.

4.2 Response Rate
The study used a sample of 103 staff at Kampala Capital City Authority (KCCA). The researcher distributed 120 questionnaires and 111 questionnaires were successfully filled and returned. A response rate of 107.8 was thus achieved and this was sufficient to provide reliable findings since it is above the acceptable statistic confidence interval of 95% significance level.

4.3 Background information of the respondents
The background information for the study include position held, gender, age, highest qualification, years worked and whether the respondent is directly/indirectly involved in revenue collection.

4.3.1 Gender of the respondents
This shows the gender of the respondents for the study in terms of male and female so as to determine whether the study obtained views from a diverse group of respondents.
Table 4.2: Gender distribution of the respondents.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>57</td>
<td>51.4</td>
</tr>
<tr>
<td>Female</td>
<td>54</td>
<td>48.6</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.1 revealed that 51.4% of the respondents were males while 48.6% were females. This implies that there was a slightly even participation of respondents by gender in the study which helped in capturing a wide spectrum of views from both women and men about local revenue collection practices at KCCA.

4.3.2 Age group of the respondents

This aimed at establishing the age distribution of the sampled staff at the Kampala Capital City Authority (KCCA). This is because employee diversity in terms of age improves creativity and brings in a variety of solutions in local revenue collection and control.

Table 4.3: Distribution of the respondents age group

<table>
<thead>
<tr>
<th>Age bracket (years)</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30</td>
<td>8</td>
<td>7.2</td>
</tr>
<tr>
<td>31-40</td>
<td>84</td>
<td>75.7</td>
</tr>
<tr>
<td>41-50</td>
<td>19</td>
<td>17.1</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.2 shows that 75.7% of the respondents were of age between 31 to 40 years, 17.1% were aged between 41-50 years and 7.2% were aged between 20 to 30 years.

These results suggest that the research covered a broad spectrum of employees at KCCA. The results show that KCCA employs majority staff aged between 31 to 40 years in the directorates of Revenue Collection, Internal Audit and Treasury Services which comprise of the people that have relatively worked for some good time and have accumulated adequate experience. However, none of the respondents were above the age of 51 years which indicates low retention capacity of such staff and may have implication on staff motivation in the long run especially
those that are approaching retirement. The existence of various employee age groups at the Authority allows staff to learn from each other in order to improve performance of the local revenue at KCCA.

4.3.3 Respondents’ positions held at KCCA

This was centered on establishing the position held by the sampled staff at Kampala Capital City Authority (KCCA). This helped in ascertaining whether the sampled staff were fairly representative of the all the key job positions available in the targeted Directorates of KCCA in order to obtain a variety of solutions to the research questions.

Table 4.4: Position held

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>Supervisor</td>
<td>7</td>
<td>6.3</td>
</tr>
<tr>
<td>Officer</td>
<td>103</td>
<td>92.8</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.3 shows that the sample consisted of individuals who were Managers, Supervisors and Officers. From the analysis, 92.8% of the respondents (103) were Officers vs 7 Supervisors (6.3%) and one manager (0.9%). This shows that the responses obtained were fairly representative of the key positions held by the staff. KCCA also employs many of her staff at the officer level because most of the assignments including registration of tax payers, assessments, collection and monitoring of tax payers is primary the responsibility of these officers who are directly supervised by experienced personnel that report to the managers. This ensures effective flow of work within the organization.

4.3.4 Highest level of Education

This was aimed at establishing the highest level of education of the respondents. This is because local revenue collection, management and control is a critical area that requires a well skilled workforce with various academic and professional qualifications in tax, law, audit, accounting and management.
Table 4.5: Highest level of Education

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post graduate</td>
<td>82</td>
<td>73.9</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>11</td>
<td>9.9</td>
</tr>
<tr>
<td>Post graduate professional certificate</td>
<td>18</td>
<td>16.2</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Tables 4.4 revealed that majority of the respondents were holders of a post graduate qualification followed by participants with Professional certificates and Bachelor’s degree. Specifically, Post graduate holders were 82 (73.9%), 11(9.9%) had Bachelor’s degree and 18 (16.2%) had post graduate professional certificates. From the results, this shows that participants who were involved in the study were adequately educated and able to understand local revenue practices. The post graduate and professional qualifications also means that the respondents are equipped with extra ordinary technical and specialized skills to handle specific areas of local required to improve local revenue performance and eliminates the need to outsource for technical expertise.

4.3.5 Years of service at KCCA

This was aimed at establishing the years worked by the sampled staff with Kampala Capital City Authority (KCCA). This is because most of the research questions required respondents with adequate experience in the area of local revenue collection and revenue policy formulation, where by in most cases, this experience comes with the years an employee has served in a similar specialty.
Table 4.6: Respondents’ number of years of service at KCCA

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>2</td>
<td>1.8</td>
</tr>
<tr>
<td>1-5 years</td>
<td>82</td>
<td>73.9</td>
</tr>
<tr>
<td>6-10 years</td>
<td>27</td>
<td>24.3</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.5 revealed that majority at 73.9% of respondents had served between one to five years, 24.3% had served between six to ten years and 1.8% had served for less than one year. This implies that the sampled staff had the required experience which guaranteed reliability and validity of the data. It also reveals that the employee retention rate is fairly good at KCCA which motivates staff to do quality work and also an avenue to attract good talent to the organization.

4.3.6 Direct involvement in revenue collection

This aimed at establishing whether the respondents were either directly or indirectly involved in local revenue collection at Kampala Capital City Authority (KCCA). Ascertaining this would ensure that the study obtains responses from the participants with relevant and practical knowledge on local revenue collection practices.

Table 4.7: Direct involvement in revenue collection

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>65</td>
<td>58.6</td>
</tr>
<tr>
<td>No</td>
<td>46</td>
<td>41.4</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.6 revealed that 58.6% of the respondents were directly involved in the collection of local revenue at KCCA and 41.4% were not directly involved in the collection of local revenue. This implied that the majority of the respondents due to their active participation in the revenue collection provided quality data about local revenue collection practices.
4.4 Non-demographic information

This aimed at presenting data about the research objectives which include forms of local revenue, strategies used for collection, challenges faced during collection and possible solutions to the challenges faced during local revenue collection at KCCA. Findings are presented using descriptive statistics mainly percentages and frequencies on a Likert scaled range questionnaires following the study research questions.

4.4.1 Forms of local revenue collected at KCCA

The first research objective sought to establish the forms of local revenue collected at Kampala Capital City Authority (KCCA). As per the KCCA Act (2010), the Authority may levy, charge, collect and appropriate fees and taxes in accordance with any law enacted by Parliament under Article 152 of the Constitution. The fees and taxes levied, charged, collected and appropriated may consist of trading licenses, property taxes, advertisements, local service tax, fines and penalties, market dues, among others. The participants were presented with an option to rate how they agreed or disagreed with some of the forms of local revenue available for KCCA and table 4.7 presents the results.
Table 4.8: Descriptive Statistics on the forms of local revenue at KCCA

<table>
<thead>
<tr>
<th>Forms of revenue</th>
<th>Responses on 5 Likert-type scale</th>
<th>NA</th>
<th>LE</th>
<th>ME</th>
<th>GE</th>
<th>VGE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F  %</td>
<td>F  %</td>
<td>F  %</td>
<td>F  %</td>
<td>F  %</td>
<td>F  %</td>
<td></td>
</tr>
<tr>
<td>Taxes (e.g. Property tax, hotel tax, local service tax)</td>
<td>4</td>
<td>3.6</td>
<td>59</td>
<td>53.2</td>
<td>48</td>
<td>43.2</td>
<td>111</td>
</tr>
<tr>
<td>Business licenses</td>
<td>1</td>
<td>0.9</td>
<td>5</td>
<td>4.5</td>
<td>68</td>
<td>61.3</td>
<td>37</td>
</tr>
<tr>
<td>Market dues and fees</td>
<td>1</td>
<td>0.9</td>
<td>26</td>
<td>23.4</td>
<td>70</td>
<td>63.1</td>
<td>14</td>
</tr>
<tr>
<td>Public utilities (e.g. such as stadia, museum and theatre)</td>
<td>44</td>
<td>39.6</td>
<td>56</td>
<td>50.5</td>
<td>10</td>
<td>9.0</td>
<td>1</td>
</tr>
<tr>
<td>Advertisements (e.g. sign posts, bill boards, banners and Neon lights)</td>
<td>35</td>
<td>31.5</td>
<td>60</td>
<td>54.1</td>
<td>14</td>
<td>12.6</td>
<td>2</td>
</tr>
<tr>
<td>Fines and penalties</td>
<td>1</td>
<td>0.9</td>
<td>56</td>
<td>50.5</td>
<td>41</td>
<td>36.9</td>
<td>12</td>
</tr>
</tbody>
</table>
Key
NA= Not at All; LE= Little Extent; ME= Moderate Extent; GE= Great Extent; VGE= Very Great Extent; F= Frequency; %= Percentage

The results from table 4.7 show that 59 respondents (53.2%) and 48 respondents (43.2%) respectively agreed to a great extent and very great extent that taxes in form of property tax, hotel tax and local service tax form the largest source of local revenue for KCCA. This was followed by business licenses with 68 respondents (63.1%) agreeing to a great extent and 37 respondents (33.3%) agreeing to a very great extent that business licenses are a major source of local revenue for KCCA, market dues and fines with a total of 75.7% agreeing to a great extent and very great extent. The findings therefore revealed that taxes, business licenses and markets are the major sources of local revenue for KCCA. The findings also show that public utilities (with majority responses: 50.5% moderate extent, 39.6% little extent), advertisements (with majority responses: 54.1% moderate extent, 31.5% little extent), fines and penalties (with majority responses: 36.9% moderate extent, 50.5% little extent), contribute little to the local revenue of KCCA. The results on advertisements as a local revenue source are in agreement with the findings of Friere et al., (2014) who noted that without knowing the cost of erecting a signpost, different entrepreneurs use signage, but when the charges are levied, they do not pay, making the revenue from advertisements especially the use of signage unreliable for most local governments.

In the second part, through face to face interview, the participants were requested to mention the major sources of local revenue that KCCA explores. The respondents mentioned property tax and business licenses as the most common forms of local revenue for KCCA in addition to other sources such as ground rent, tendering fees, local service tax, penalties and fines, local hotel tax and advertisements. These results are in agreement with the findings of Mohamed (2015), that both property taxes and business licenses are the dominant sources of local revenue for local governments. The results also agree with the study carried out in the districts of Mbale, Manafwa and Kampala on local revenue performance which pointed out business licenses as one of main source of revenue for local governments in Uganda (Balunywa et al, 2013).
4.4.2 Strategies used to collect local revenue at KCCA

The second research objective sought to establish the strategies used by Kampala Capital City Authority (KCCA) to collect local revenue. Table 4.8 shows the results.

Table 4.9: Descriptive statistics on the strategies used to collect local revenue at KCCA

<table>
<thead>
<tr>
<th>Strategies used to collect local revenue</th>
<th>Responses on 5 Likert-type scale</th>
<th>NA</th>
<th>LE</th>
<th>ME</th>
<th>GE</th>
<th>VGE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
</tr>
<tr>
<td>Direct field revenue collection by Revenue Officers</td>
<td></td>
<td>2</td>
<td>1.8</td>
<td>8</td>
<td>7.2</td>
<td>64</td>
<td>57.7</td>
</tr>
<tr>
<td>Voluntary compliance (deliberate response of the public to pay their taxes)</td>
<td></td>
<td>13</td>
<td>11.7</td>
<td>33</td>
<td>29.7</td>
<td>60</td>
<td>54.1</td>
</tr>
<tr>
<td>Electronic collection of local revenue such as e-citie</td>
<td></td>
<td>1</td>
<td>0.9</td>
<td>6</td>
<td>5.4</td>
<td>38</td>
<td>34.2</td>
</tr>
<tr>
<td>Outsourcing (Use of private agents)</td>
<td></td>
<td>24</td>
<td>21.6</td>
<td>71</td>
<td>64.0</td>
<td>15</td>
<td>13.5</td>
</tr>
<tr>
<td>Leasing e.g. through public private partnership (PPP)</td>
<td></td>
<td>1</td>
<td>0.9</td>
<td>82</td>
<td>73.9</td>
<td>23</td>
<td>20.7</td>
</tr>
</tbody>
</table>
The results from table 4.8 show that 64 respondents (57.7%) and 37 respondents (33.3%) respectively agreed to a great extent and very great extent that revenue collection is done directly by field revenue officers of KCCA and less than 10% (only 10 respondents) moderately and to a little extent were not in favor of this strategy making this strategy a common used method of revenue collection. 54.1% (60 respondents) and 4.5% (5 respondents) respectively agreed to a great extent and to a very great extent that voluntary compliance is a major local revenue collection strategy with only less than 50% (46 respondents) that were not in support of this strategy making it a fairly used strategy of local revenue collection at KCCA. Over 90% (104 respondents) were in support of electronic revenue collection strategy by agreeing to a great extent (34.2%) and very great extent (59.5%) to this method making it the major strategy KCCA uses to collect local revenue according to the research findings. The results are in agreement with Mpaata, Bumali & Okiria, (2015), that majority of the local governments consider this as the most appropriate way of collecting local revenue especially when contributors of this income are scattered but in one defined locality. Also in support of electronic revenue collection is Akitoby (2018), who noted that with many new adjustments, cities through their revenue teams put in place a number of efforts to raise their revenue cost effectively through adapting to new technologies.

The outsourcing and leasing strategies came out as less exploited methods of local revenue collection by KCCA where by the majority of the respondents (over 85%) agreed either to a little extent or moderate extent with them. These findings are in agreement with Kopanyi (2018) who found out that the property valuation base at KCCA is the rental value, which limits the possibilities for accurately determining the correct value of various properties, since some of the properties like land are usually not leased out for rent. The results also agree with Andema (2018) who noted that in Kampala, the lack of oversight of the outsourced contractors was a major source of leakage in revenue, coupled with weak contracts. This led to the decision to majorly carry out local revenue collection in house and only outsource where in house collection is impracticable to do.
The in-depth interviews with key informants also revealed that self-assessment and e-city system has become the main strategy utilized by the Authority in revenue collection because of the growing technology in the world. However, it was also stated that some of the other methods such as direct collections by revenue officers and outsourcing cannot be ignored.

4.4.3 Challenges associated with local revenue collection at KCCA

The third research objective sought to establish the challenges associated with local revenue collection at Kampala Capital City Authority (KCCA). The intention of knowing these challenges was to understand the ways of strengthening revenue collections in the area of study. The results from in-depth interviews showed that the major challenges include political interference in collection of some taxes such as market dues, difficulty in identifying property owners, no adequate data on all the income sources for tax payers at KCCA and lack of understanding of the tax matters by the tax payers. The studies of Kopanyi (2015) agree with the challenge of political and civil differences within local revenue reform of Kampala Capital city Authority. These differences reduce the overall response to the revenue authorities as they levy and collect various forms of local revenues within the Capital City.

Table 4.9 present the results from respondents who contributed in rating the stated possible challenges.

Table 4.10: Descriptive Statistics on the challenges associated with local revenue collection at KCCA.

<table>
<thead>
<tr>
<th>Challenges faced</th>
<th>Responses on 5 Likert-type scale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>F</td>
</tr>
<tr>
<td>Tax evasion</td>
<td></td>
</tr>
<tr>
<td>Poor revenue administration and political interference</td>
<td></td>
</tr>
<tr>
<td>Limited tax base</td>
<td></td>
</tr>
<tr>
<td>Shortage of experienced manpower</td>
<td></td>
</tr>
</tbody>
</table>
Key
NA= Not at All; LE= Little Extent; ME=Moderate Extent; GE=Great Extent; VGE=Very Great Extent; F=Frequency; %=Percentage

The results from table 4.9 show that 61 respondents (55.0%) and 46 respondents (41.4%) respectively agreed to a great extent and very great extent that tax evasion is a serious challenge facing revenue collection at KCCA with only 4 respondents (3.6%) moderately agreeing that this is a challenge. 78 respondents (70.3%) and 24 respondents (21.6%) agreed respectively to a great extent and to a very great extent in support of poor revenue administration and political interference with only 8.1% (9 respondents) who were on the moderate side. Shortage of experienced man power was also over emphasized by the respondents as the major challenges hindering local revenue collection at KCCA with more than 50% agreeing with this challenge to a very great extent (4.5%) to a great extent (77.5%). This is in agreement with earlier research by Rizan (2013) who noted that most of the local governments are short staffed to carry out their duties, and the capacity to exhaust all local revenue sources remain inadequately provided. Hence, according to the research findings over 90% of the respondents strongly suggested tax evasion, limited tax base, shortage of experienced man power and poor revenue administration are all serious challenges facing local revenue collection at KCCA.

4.4.4 Possible strategies to improve local revenue collection at KCCA

The fourth research objective sought to establish the possible strategies to improve local revenue collection at Kampala Capital City Authority (KCCA).

In this section, the researcher also solicited the views of respondents on the strategies to be adopted to improve revenue collection at KCCA through in-depth interviews. The results show many areas that were outlined by the respondents. These are; need for capacity building of staff, tax payer trainings and other sensitization programs, linking tax payments to service delivery so as to improve voluntary compliance and positive and active involvement of political actors. Details of the analysis from the filled questionnaires revealed that undertaking regular tax payer sensitization, use of more improved technology and the use of more experienced manpower were the strategies most conceded by the respondents. See Table 4.10.
Table 4.11: Descriptive Statistics on the strategies to improve local revenue collection at KCCA

<table>
<thead>
<tr>
<th>Strategies to improve local revenue collection</th>
<th>Responses on 5 Likert-type scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>LE</td>
</tr>
<tr>
<td>F</td>
<td>%</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Undertaking regular sensitization and training of stakeholders</td>
<td>1</td>
</tr>
<tr>
<td>Use of more improved technology</td>
<td>2</td>
</tr>
<tr>
<td>Reducing over dependency on the allocations of the government.</td>
<td>2</td>
</tr>
<tr>
<td>Changing the overall revenue collection strategy accountability.)</td>
<td>6</td>
</tr>
<tr>
<td>Addressing shortage of experienced man power problem</td>
<td>1</td>
</tr>
</tbody>
</table>

Key
NA= Not at All; LE= Little Extent; ME= Moderate Extent; GE= Great Extent; VGE= Very Great Extent; F= Frequency; %=Percentage

The results from table 4.10 show that over 80% of the respondents strongly conceded that sensitization of tax payers with majority responses: very great extent (55.9%) and great extent (43.2%), improved technology with majority responses: very great extent (19.8%) and great extent (19.8%).
extent (71.2%), addressing shortage of experienced man power with majority responses: very great extent (3.6%) and great extent (73.9%) are the most strategies that can be explored by KCCA in order to improve local revenue collection. These results agree with the earlier findings by Steiner (2006) who revealed that as a result of decentralization, there is diversity in manpower availability, skills and that there are a lot of implementing man power shortages that need to be addressed especially shortage of well trained and qualified personnel particularly in the areas of tax assessment and property valuation.

Changing the overall local revenue collection strategy with majority responses: moderate extent (37.8%), little extent (39.6%) and not all (5.4%), reducing over dependency on allocations from central government with majority responses: very great extent (20.7%), great extent (34.2%), moderate extent (18.0% and little extent (25.2%) were on average viewed by respondents as strategies for improving local revenue collection. The findings are in agreement with Muga & Otoo (2015) and Ngicuru (2017), that the effectiveness of local governments is constrained by dependence syndrome of local government in their revenue mobilization on the central government.

4.5 Conclusion
Local revenue has an important contribution toward the organizational effectiveness of Kampala Capital City Authority. However, the study concentrated on the understanding of the forms of local revenue, collection strategies, challenges associated with revenue collection and possible strategies to improve local revenue collection. The next chapter dealt with the summary of findings, conclusion and recommendation
5.0 CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction
The resources of local governments are dominantly raised from local revenue but the capacity of any local government to raise resources depends on the revenue base, mode of collection, and the overall administration. Local governments with large revenue base, several times raise more revenue contributing to better service delivery, although this depends on their local revenue collection practices. As stated by Astrid (2017), most local governments fail to deliver services with delays in central government allocation. KCCA for instance has persistently been faced with deficits in local revenue collections as cited in the KCCA Ministerial Statements of FY 2015/16, and 2016/17 due to revenue mobilization and collection challenges (KCCA, 2016). Some of the strategies to improve revenue collections such as digitization of revenue collection system resulted in extremely large increase in costs, and thus further strategies are still needed to reduce costs of collection. This study therefore assessed the local revenue collection practices in KCCA by examining revenue sources, revenue collection methods, challenges, and possible strategies for effectiveness. The study was carried out using a cross sectional research design. In line with the study objectives, the cross sectional research design was appropriate for exploring the local revenue collection practices at Kampala Capital City Authority because tax collection is usually done in a given time frame/period. Both qualitative and quantitative approaches of data collection were used in order to overcome the potential bias and sterility of a single method approach.

This chapter subsequently presents the summary of descriptive and qualitative analysis of each research question, conclusions of the study findings, recommendations and areas for further research.

5.2 Summary of research findings
This section presents the summary of findings on each research question following the results in the previous chapter.
5.2.1 Bio-data of respondents

Bio-data revealed that, respondents were fairly distributed with males at 51.4% and female respondents at 48.6% which helped in capturing a wide spectrum of views about local revenue collection practices. The Authority employs staff of various age groups with majority of the staff (75.7%) which enables the employs to share experiences and learn from each other so as to improve performance. 73.9% were post graduate holders with extra skills in specific areas of local revenue collection and management, 92.8% were at the rank of officer which shows that most of work including registration, assessment, collection and monitoring is the work of these officers which motivates them by gaining experience in these areas. 58.6% were directly servicing in revenue collection directorate which implies that the respondents gave reliable responses, and 73.9% had served between 1 year to 5 years and had acquired enough experience in working with the organization, thus guaranteed reliability and validity of the data.

5.2.2 Forms of local revenue collection.

The dominant agreed sources of local revenue at KCCA were taxes (in form of property taxes, local service tax and hotel tax) with over 90% respondents agreeing to a great extent and very great extent in support of these taxes. KCCA therefore needs to come up with the necessary strategies that can help to maximise revenue from this local revenue source. Business licenses and market dues and fees also came out as significant sources of local revenue for KCCA largely because of many startups in the city and many markets that are emerging in the city center. Advertisement did not receive majority support of the respondents because as Friere et al., (2014) noted, different entrepreneurs use signage, but when the charges are levied, they do not pay and hence, there is need for increased enforcement so as to enhance revenue collection from this revenue source.

5.2.3 Strategies used to collect local revenue

The dominant strategies used for local revenue collection at KCCA were; direct field revenue collection by revenue officers through identification of tax payers, registration, assessments, and enforcement. Electronic collection of local revenue was also considered a dominant strategy by majority of the respondents where by many cities including Kampala have embraced technology so as to improve and simplify the process of local revenue collection. Voluntary compliance also received more than 50% of the participants agreeing to a great and very great extent with the
strategy because of increased tax payer sensitization. The outsourcing strategy did not receive majority support and as noted by Andema (2018), KCCA carries out most of the local revenue collection role internally after cancelling most of the previously contractors who used to collect the local revenue on her behalf. This was after finding fault and several leakages in revenue coupled with weak outsourcing contracts.

5.2.4 Challenges associated with local revenue collection.

In order to strengthen the revenue collection strategies at KCCA, the study thought to know the challenges faced during local revenue collection in the area of study. The dominant challenges associated with local revenue collection were tax evasion, poor revenue administration and political interference, shortage of experienced man power with a percentage of over 70% agreeing with these challenges to a bigger extent. As Rizan (2013) noted, most of the local governments are short staffed to carry out their duties and their capacity to exhaust all of the local revenue sources remain inadequately provided. The in-depth interviews also revealed that political interference in collection of local revenue especially market dues is a bigger challenge facing local revenue collection at KCCA.

5.2.5 Possible strategies to improve local revenue collection.

The dominant strategies to improve local revenue collection were; tax payer sensitization, positive and active participation of political actors, use of more improved technology and addressing the challenge of skilled man power shortage. As stated by Steiner (2006), as a result of decentralization, there is diversity in manpower availability, skills and that there are a lot of implementing man power shortages that need to be addressed especially shortage of well trained and qualified personnel particularly in the areas of tax assessment and property valuation. The effectiveness of local governments is also constrained by dependence syndrome of local government in their revenue mobilization on the central government. Local governments need to develop their internal resource capacity by exploiting more of the available local revenue sources rather than continuing to lookup to central governments for most of their financial needs.
5.3 Conclusions

According to the findings on objective one about the sources of local revenue, KCCA collects most of the local revenue from taxes and business licenses. The dominant strategies for revenue collection at KCCA were; direct field revenue collection by revenue officers and through the use of electronic services such as e-city service. The dominant challenges associated with local revenue collection at KCCA were; tax evasion, shortage of skilled man power and lack of the political will in collection of certain local revenue sources. The main strategies to improve local revenue collection were; sensitization of tax payers, addressing shortage of man power problem and continuous improvement of technology in revenue collection.

5.4 Recommendation

Based on the findings of the study, it is recommended that KCCA invests more in the capacity building of staff so as to enhance local revenue collection and accountability. Since the biggest percentage of local revenue is collected directly by staff, there should be frequent capacity building initiatives to staff in administration of local revenues. Staff responsible for revenue collection as well as senior officers accountable for local revenues should be oriented in effective revenue administration.

KCCA should regularly sensitize the tax payers on the benefits of tax compliance and the adverse effect of tax evasion on their businesses. In addition, political leaders must be educated and frequently reminded of the need of their supportive role in local revenue collection. Citizens should be made aware of applicable taxes and the respective by-laws in the city, the applicable rates, due dates, modalities of payments, and benefits for paying taxes and consequences for non-payment.
5.5 Limitations to the Study

Like any other research, this study is not without its own limitations.

The reluctance of some respondents to accept the questionnaires on arguments that they are lengthy which implies that some respondents were not willing to spend adequate time in providing the required data which biases the responses. This bias was reduced by distributing many questionnaires so as to get the appropriate number of responses on time.

The respondents trying to rank the organizational performance towards the most perfect which biases their response. This was reduced by distributing the questionnaires to the right respondents with appropriate knowledge about the research objectives.

5.6 Suggestion for further research

From the study findings and gaps identified in this study, I suggest areas for further research on local revenue. For example, it was thought that outsourcing strategy of revenue collection would come up as the most common used strategy of revenue collection by KCCA in the sense that, an independent agent will involve and invest in revenue collection so as to exceed the targets and make profit while KCCA will remain with the task of setting the targets, monitoring and supervising the collection procedures. From this study it was revealed that instead of outsourcing, KCCA is to a great extent directly involved in revenue collection using revenue collection officers. Hence, there is a need to conduct a comprehensive study to identify the efficiency of outsourcing revenue collection or being collected by KCCA itself. A series of research questions are therefore suggested for further research:

How potentially does each of the revenue sources contribute to the core functions of KCCA as stipulated in the KCCA Act 2010?

How should an effective local revenue administration system for KCCA be designed and implemented?

Is there a connection between local revenue collection and service delivery at KCCA?

What are the benefits and challenges for outsourcing revenue collection or being collected by KCCA staff themselves?
REFERENCES


50


Dear respondent,

I am Ahebwa Sulaiman Rodgers, pursuing a degree of Master of Business Administration of Makerere University. As a partial requirement for this award, I am undertaking a study on the topic, “Assessment of Local Revenue Collection Practices at Kampala Capital City Authority”. As an employee at KCCA, where this study is being undertaken please feel at ease to respond to the questions within this questionnaire. Note that none of the responses is wrong, but instead, provide what you feel is the most applicable response. Please tick the level to which you agree with the given statements. The answers provided will be exclusively used for this study purpose, and will be treated with the highest level of utmost confidentiality and anonymity.

Section A: Bio data and general information

1. Position held

2. Gender

3. Age

4. Level of Education (highest attained)

5. Number of years of service at KCCA?

6. Are you directly involved in revenue collection?
For questions in Section B, C, D, E and F please respond to the given statements drawing from the meaning and extent to which you agree with the given assertions. Rate your responses as shown below:

<table>
<thead>
<tr>
<th>Response assertion</th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate score</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Section B: Forms of local revenue collected by Kampala Capital City Authority**

7. Which of these aspects reflect the forms of local revenue collection in Kampala Capital City Authority?

<table>
<thead>
<tr>
<th>S/N</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Taxes (e.g. Property tax, hotel tax, local service tax)</td>
</tr>
<tr>
<td>2</td>
<td>Business licenses</td>
</tr>
<tr>
<td>3</td>
<td>Market dues and fees</td>
</tr>
<tr>
<td>4</td>
<td>Public utilities (e.g. such as stadia, museum and theatre)</td>
</tr>
<tr>
<td>5</td>
<td>Advertisements (e.g. sign posts, bill boards, banners and Neon lights)</td>
</tr>
<tr>
<td>6</td>
<td>Fines and penalties</td>
</tr>
</tbody>
</table>

**Section C: Strategies used to collect local revenue by Kampala Capital City Authority.**

Rate your response to Question 8 as shown below:

<table>
<thead>
<tr>
<th>Response assertion</th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate score</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
8. The following statements are about the different ways/strategies used by KCCA to raise local revenue. Please respond to the way you agree with the given statements?

<table>
<thead>
<tr>
<th>S/N</th>
<th>Statement</th>
<th>Rating Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>1</td>
<td>Direct field revenue collection by Revenue Officers</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Voluntary compliance (deliberate response of the public to pay their taxes)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Electronic collection of local revenue such as e-citie</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Outsourcing (Use of private agents)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Leasing e.g. through public private partnership (PPP)</td>
<td></td>
</tr>
</tbody>
</table>

Section D: Challenges faced in collection of local revenue at Kampala Capital City Authority

Rate your response to Question 9 as shown below:

<table>
<thead>
<tr>
<th>Response assertion</th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate score</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

9. Which of the following statements are true in relation to challenges faced by KCCA in its attempt to collect local revenue? Please respond to the way you agree with the given statements?

<table>
<thead>
<tr>
<th>S/N</th>
<th>Statement</th>
<th>Rating Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>1</td>
<td>Tax evasion</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Poor revenue administration and political interference</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Limited tax base</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Shortage of experienced man power</td>
<td></td>
</tr>
</tbody>
</table>
Section E: Strategies that can be adopted to improve local revenue collection at Kampala Capital City Authority.

Rate your response to Question 10 as shown below:

<table>
<thead>
<tr>
<th>Response assertion</th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate score</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

10. Which of the following statement relate to the strategies that can be adopted to improve local revenue collection at KCCA? Please respond to the way you agree with the given statements?

<table>
<thead>
<tr>
<th>S/N</th>
<th>Statement</th>
<th>Rating Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Undertaking regular sensitization and training of stakeholders</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Use of more improved technology( such as the use of e-citie service)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Reducing over dependency on the allocations of the government .</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Changing the overall revenue collection strategy accountability.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Addressing shortage of experienced man power</td>
<td></td>
</tr>
</tbody>
</table>

THANK YOU
Appendix II: Interview guide for the top administrators

Dear respondent

1. Self-Introduction

I am Ahebwa Sulaiman Rodgers, pursuing a Master of Business Administration Degree of Makerere University. As a partial requirement for this award, I am undertaking a study on the topic, “Assessment of Local Revenue Collection Practices at Kampala Capital City Authority”. As a top administrator at KCCA, where this study is being undertaken please feel at ease to respond to the questions in this interview.

2. Respondent’s introduction and bio data

What is your highest level of education, are you directly involved in revenue collection, and what is the average local revenue collected by KCCA.

3. Which different forms of local revenue is collected by Kampala Capital City Authority?

4. What are some of the common ways used by KCCA to collect local revenue?

5. What challenges are by KCCA in an attempt to raise local revenue?

6. What strategies can be adopted to improve local revenue collection at KCCA?

THANK YOU