

Local Government Revenue Generation and Community Welfare Services: Descriptive Analysis of Kwozir Sub-County, Kween District in Uganda

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Abstract: *This study seeks to assess the relationship between local government revenue generation and community welfare services in Kwozir sub-county, Kween district in Uganda. The study is to be guided by the following objectives; to analyze the relationship of tax sharing and community welfare services, to examine the relationship of intergovernmental transfers and community welfare services, and to establish the relationship of local revenue assessment and community welfare services. The study adopts a simple correlation survey design. This design enables the use of both qualitative and quantitative approaches in data presentation, segmentation, estimation, interpretations and examinations of the degree of the relationships and triangulations. This method also measures the degree of the relationship between the two variables. The coefficient assumes that; there is a linear relationship between the two variables, the two variables are casually related meaning that, one of the variables is independent and the other one is dependent, a large number of independent causes operate in both variables thus producing a normal distribution, (Kothari C. R.2014). The indicative results of the study display a significant relationship between intergovernmental transfers and tax sharing as a major source of funding community welfare services in the district. Basing on the findings, the recommendations made were; to increase on the management of intergovernmental transfers and intensify on proper management of tax sharing to enable the district realize the amount of revenue sufficient for the provision of community welfare services. The local government may involve actively in analyzing the various tax bases in the district. There is need for the authorities to sensitize the local communities on the importance of paying taxes, the authorities may communicate this by describing the projects being funded by the taxes collected by the authority in various parts of the district. The study recommended further that, sufficient funds should be allocated to community welfare services during budgeting and there is a need for more financial control, fiscal discipline and value for money audit to correct the direction of the relationship between revenue allocation and provision of community welfare services in the sub county and the district at large*

Keywords: local government, revenue generation, and community welfare services

1. Introduction

Community Welfare Services are periodical performance of availing public needs or service delivery, which ultimately improves the welfare of the communities in any given locality. Helmsing & James (2015), defines service delivery as a deliberate attempt by elected or appointed officials to serve or deliver goods and services to the recipients. Whereas revenue generation in public sector nomenclature refers to the amount receivable from different sources. In other words, it is the incomes of government seen as public revenue or public finance. Revenue generated by public entities is a big source of budgeting for socio-economic developments of any given community or country in the world. Through revenue collection, the local governments who are the agents of central government collect, share and expend it to enable them provide social services to the people and to build up infrastructures which are essential for economic wellbeing's and development (Kean, 2002), Bidandi Ssali (2002).

Generally, the term revenue is a legal amount of funds collected or received from the taxpayers, organizations and transfers from central government to meet the socio-economic development of a society or nation, which in this case the communities in Kween district do not realize this and at times they do not access them. The local revenue generated from taxes by the sub county should also be

shared in the proportion agreed by the LGA1997 of 65% to be retained, out of which 35% be remitted to the district council. The retained 65% by the subcounty should also be shared downwards in the proportion of 25% to village, 5% to the parish, 5% to the county and 30% to remain at the sub county.

2. Background of the Study

Local government revenue generation is one of the decentralized activities spelt clearly by the 1995 Uganda's constitution. However, several studies have been conducted, in Bolivia, and these studies reveal that, decentralization has helped to improve on the consistency in public services with local preferences, quality and access to social services, Faguet (2001). In India, democratic decentralization has led to improved allocation for pro-poor local services, Foster & Rosenzweig (2001).

It is also a mechanism used by LG in mobilizing funding either internally or externally for effective and efficient service delivery at the local level. This is meant for improving the quality of public services, sustaining local projects and enhancing administrative performance.

Contextually, Local governments are supposed to be corporate bodies which are legally constituted to have perpetual powers to sue and be sued in their names. The

1995 Uganda's constitution spells out the establishment of these corporate bodies and are made functional by the 1997 local government Act. Local governments are political subdivisions of a nation with perpetual powers to sue and be sued in their corporate names. In a federal system they are constituted by law and have substantial control of local affairs including powers to impose, and pass ordinances and bye laws (Lawal 2000). Part VIII 80-81 (1, 2, 3, 4) of the LGA1997 mandates these local governments to levy, charge, collect, spend and appropriate finances. Each local government shall draw up a comprehensive list of all its internal revenue sources and maintain data on total potential collectable revenues. Local governments may also collect fees or taxes; on behalf of the government as agents and where a local government acts as an agent, a portion of the funds collected shall be retained by the local government as may be agreed upon between the two parties and any extra obligation transferred to local governments by the government shall be fully financed by the government (at most referred as intergovernmental transfers).

The local government revenue generation helps local governments to achieve and fulfill their decentralized activities and service delivery inclusive by co-funding development project within. Locally generated revenues promote ownership and sustainability of programmes and services as basic tenet of decentralization. Tax sharing in the district should also be done at an agreed portion as follows; 65% to be retained, out of which 35% be remitted to the district council. The retained 65% by the subcounty is further shared downwards in the proportion of 25% which goes to villages, 5% to the parish, 5% to the county and 30% to the subcounty.

The community welfare services by the local government nomenclature area process of extending basic services like; education, health care, agricultural practices, water and sanitation, transport and road networks to the public (communities) etc. The provision of these services is bone to the local governments and the local communities (public) as the beneficiaries. However, the recent inherent policy of fiscal decentralization leaves behind lingering questions about the capacity of local governments to effectively and efficiently deliver these services and ensure the value for money in public expenditures. In Uganda, some government policies have also left behind alarming impacts including the creation of new districts and the abolition of graduated tax. The creation of new districts has put more expenditure pressures on local governments, reducing in some cases and taking away completely the resources that would have been used in increasing and improving service delivery (Kadiresan, 2009).

Kween district local government finds a challenge in delivering efficiently and effectively the community welfare services to the communities living in the hard-to-reach rural areas like; Kwoisir subcounty of the district. This may be attributed to low levels of revenue generated due to; poor attitudes and poverty among the tax payers, and no control over the conditional and donors grants as intergovernmental transfers. In essence, the revenue generated by the local government from various taxes, fees, conditional, unconditional and equalization grants from central

government is not sufficient enough to provide a multitude of services and community welfare services inclusive. Therefore, it is upon such a state of affair that, this study seeks to investigate the relationship between revenue generations and community welfare service in Kwoisirsubcounty, Kween district.

3. Statement of the Problem

Local governments revenue generation is a fiscal decentralization mandate which enable the local governments to finance their decentralized services like; the provision of good community roads, (feeder roads), proper medicalcareservices (HCIII's and IV's), good education facilities, clean and good water and sanitation services among others (Mbafu 2013). Revenue generation is an activity within the fiscal decentralization policy which avails finances or money for running up community welfare services which improves the local people's well-being's. However, some communities in Kween district face some difficulties in accessing some of these basic community welfare services like; health care services, clean drinking water sources and good and properly planned and maintained feeder roads among others. (Local government council performance Report 2017-18).

The community welfare services in Kwoisir subcounty leaves a lot to be desired, thus, it is upon such a state of affair that, this study seeks to investigate the relationship between local government revenue generation and community welfare services, in Kwoisir subcounty, Kween district.

4. Literature Review

Central government transfers are the dominant source of revenue for local governments accounting for over 95% of the total local government financing. But how these grants are structured and delivered becomes critical to the efficiency of local governments financing and operations of their budgets as well as effectiveness in supporting local services delivery (LGFC 2004). To increase revenues from other sources such as local fees, user charges, calls for an increase in the billable use of the service by ensuring that the users are billed fully, and all billings are collected and increase the level of fees or user charges for the service (Harrison, 2008).

Mpata A, K, Lubogoyi, B, & Okiria. C. J (2015) examined the influence of local government revenue collection on the provision of services in Masaka district in Uganda. The results revealed that, there is a positive and significant relationship between the existing tax base and the delivery of the basic community services in the district, that there is also a significant relationship between the existing mobilization capacity and the delivery of basic community services.

Samuel and Tyokoso (2014), examined the assessment of taxation on revenue generation, the study used a regression analysis and found among other things that taxation has a significant contribution on revenue generation and gross domestic product (GDP)

Robert (2011) made a study on the impact of revenue collection on service delivery in local governments with a case study of Iganga district local government. The study was to establish the relationship between revenue collection and service delivery, the research used a descriptive and exploratory survey research designs based on results from questionnaires, interviews and observations.

5. Methodology

The study adopted a simple correlation survey design, because this method measures the degree of relationships between two variables, as the coefficient here assumes that; there is a linear relationship, and as there is casual relationship of the variables and the progression of both variables produces a normal distribution. In a similar aspect the study would exhaust and answer two types of questions of either the bivariate population or multivariate population such as;

- 1) Is there an association or correlation between the two or more variables? If yes, of what degree?
- 2) Is there any cause-and-effect relationship between the two variables in case of the bivariate population or between one variable on one side and two or more variables on the other side in case of multivariate population? If yes, of what degree and in which direction? The cause-and-effect relationship can be studied through simple regression equations.

A reciprocal relationship would exist when the two variables mutually influence or reinforce each other, while a symmetrical relationship would also exist if one variable (the independent variable) is responsible for another variable (the dependent variable).

6. Results of the Studies

The analysis of the relationship of tax sharing and community welfare services showed a symmetrical relationship when revealed after an investigation of a number of probability questions floated to the respondents such as; (1) improved community welfare services is a result of adequate tax sharing, (2) tax sharing ensures smooth running of the community welfare services in the subcounty, (3) there is sufficient revenue allocations done considering the needs of the communities in the subcounty, and (4) there is transparency in the assessment of various funds receivable etc. For instance; the finding on: there is sufficient revenue allocations done considering the needs of the communities in the subcounty, the indicative findings reveal that, 41% of the respondents were in agreement to this probability statement, 12% were not sure, while 47% were in disagreement to the fact that insufficient revenue is allocated to the community welfare services in the subcounty from the district which leaves a state of affair where the communities do not access the basic community welfare services to improve their wellbeing. This implies that, the vote for community welfare services is not sufficiently allocated the funds it deserves.

During an interview conducted, the subcounty chief affirms that, despite the little allocation of funds tied to the conditional grants from the central government, the subcounty tries to balance any funds allocated to facility

community welfare services. That is why you can see that these services are inadequate. However, I categorically affirm that, they as a subcounty do not have enough funds to satisfy fully the entire community welfare services in the subcounty.

This finding is also inconsonance with Mpaata, et al, (2015) who examined the influence of local government revenue collection on the delivery of basic services in Masaka district. The results further reveal that, there is a positive and significant relationship between the existing tax base and the delivery of community welfare services in the district.

The tax sharing ensures the smooth running of the community welfare services in the district; indicative results reveal that, 59% of the respondents disagree to this statement, while 36% agree with the statement leaving 5% not sure of. Implying that the basic community welfare services priorities are not considered significant during the appropriation of the budgeting process in the district.

During an interview conducted, the CDO (community development officer) of the area affirmed that, the bad and impassable roads and ill-fated medical care services is directly a result of inadequate funds received and budgeted for these items. But, I as a CDO of the area strongly and firmly assert that, they do not receive or have enough funds at all times to satisfy these requirements. That is why, you can see the road network in such a shape.

These results are in line with, Dang, Y. D. (2013) who empirically, examined the impact of tax sharing on socio-economic developments in Nigeria which revealed that, revenue allocation had a significant causal relationship with such developments.

Intergovernmental transfers increase the amount of revenue mobilized by the district council, the indicative results reveal that 66% of the respondents agreed to this statement that, intergovernmental transfers increase the amount of local revenue mobilized or generated by the local government. While 34% disagree to the statement. Which implies that, the intergovernmental transfers should be considered important as it increases the local revenues generated or mobilized by the local government especially when it comes to the newly established districts with low levels of revenue bases and such districts always rely on this source to finance their decentralized activities as well as in the provision of necessary services to the communities. These findings are also inconsonance with the study by Samuel and Tyokaso (2014) who examined that, the assessment of taxation and revenue collection on service delivery in Nigeria, needed well equipped data base of taxpayers and proper identification of all other possible sources being vital in funding service delivery minus any corruption whatsoever in the system.

There is transparency on the assessment of various funds receivable and the distribution of revenues. The results of the analysis indicate that, 41% of the respondents agreed or consent that, the transparency in the assessment of the market dues and other license fees are done well to the best of the assessors and collectors, but 44% of the respondents

did object to the statement of the transparency in assessment by citing some inconsistencies by the actors. While 15% of the respondents had nothing to comment because, they said that, they were neither involved directly nor indirectly in the exercise. This implies that, any adequate provision of any community-based welfare services to the communities in the subcounty and in the district at large, should be tied upon the local government taking significant steps to ensure that, there is transparency in the collection of revenues in term of tax assessments, awarding of tenders (contracts) and general procurements in the district.

The Trajectory of Local Government Revenue and findings

In the preceding sections, we have provided the review of the concepts, critique and meaningful analysis of the local government revenue generation and community welfare services in Kwozir sub-county, Kween district in Uganda. The findings reveals the objective of the relationship of intergovernmental transfers and community welfare services, indicates that 66% of the respondents were in agreement that, intergovernmental transfers increases the amount of revenue collected and if it is well managed at all levels such as; at budgeting and appropriation would do good to the local governments' development agenda, like provision of basic community welfare services to the communities especially those in the hard to reach areas of the district. Its' proper management would give the local governments the chance to fulfill their obligations under the decentralization policy. The findings also noted that 34% of the responses disagreed to the fact, that intergovernmental transfers do not make any difference in the revenue base of the local governments especially with reference to the newly created and curved out districts with very-very low levels of revenue bases and very small and poor-ill community set up. On the same note, this percentage of the response is also attributed to the attitude of those implementers who seem to have inconsistent focus towards socio-economic transformation of their societies.

The findings on the objective of the relationship of tax sharing and community welfare services, indicates that 36% of the responses agreed to the fact that, tax sharing would best match the provision of community welfare services only if it is managed well by those in authority and with the blessing of the principle of tax sharing proportions in local governments expressed clearly in the LGA 1997. The responses also attributed this anomaly to those in authority of implementation and generation as inconsistent.

Thus, the community welfare service provision suffers from the insufficient allocations during budgeting process which results into shoddy works were possible. 59% of the responses disagreed on the ratio in which the 1997 LGA expresses as un-realistic and un-tenable when it comes to the poor and newly created districts which may not have the capacity to expound on the provision of equitable community welfare services to the communities especially those in remote areas of the district. Therefore, LG internally generated revenue should assist in increasing the in availability of domestics public needs, provisions of opportunities to improve existing public services and expand

the scope of public utilities and wider their presence both in the city and villages under their constitutional jurisdictions.

7. Conclusion and Recommendation

Owing to the normative and empirical issues found, this study made the following policy recommendations based on the complexities and values of the LGR on the dwindling local revenue which clearly compromises the quality of basic service delivery as summed by Bidandi (2002), revenue assessments and collections, tax sharing and intergovernmental transfers among others;

- 1) There is need for central government to come up with a realistic formula of remitting funds from the consolidated fund at the treasury to the poor and newly created districts. This will in turn enable local government of this nature to realize sufficient amount of revenue for the provision of basic community welfare services to the communities in the hard-to-reach areas. This may also involve analyzing the various tax bases within the local government jurisdiction,
- 2) There is need for a more precise financial control, fiscal discipline, distribution or allocation of the locally levied taxes following the recommended sharing portions spelled by the LGA 1997. This in turn will enable the local governments to correct the direction of the relationship between revenue allocation and provision of community welfare services to the beneficiaries. This may also avail sufficient funds to be allocated during the budgeting process in the district.
- 3) There is need to sensitize the people about the importance of paying taxes, the tax assessors and collectors need also some training. This will in turn help curb the tax evasion and insufficient collections of revenues as a result of malpractices.
- 4) There is need to privatize the collections which will ensure that, the loopholes in the tax systems are patched up. The district council themselves ought to avoid political wrangles, and improve working relations among themselves at all level.
- 5) Kwozir sub-county, Kween district in Uganda should conduct a thorough and comprehensive registration of local revenue sources in their domain for property evaluation, billings, and public sensitization above LG taxes and benefits accrued.

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