

**PUBLIC PRIVATE SECTOR PARTNERSHIP IN UGANDA'S LOCAL
GOVERNMENTS: A CASE STUDY OF REVENUE COLLECTION
IN MAKINDYE DIVISION, KAMPALA**

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DECLARATION

This dissertation is original and has not been published or submitted for any award to any university or institution of higher learning.

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APPROVAL

This work was done on “Public-private sector partnership in Uganda’s local governments: A case study of revenue collection in Makindye division, Kampala”. It was done by Sekiziyivu Richard and it was supervised and approved by me.

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ASSOCIATE PROF. WILLIAM MUHUMUZA (PhD)	DATE
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DEDICATION

To the memory of my dear grandmother Caroline Nazziwa Zinabala and my father Edward Kanya for the tireless contribution towards my social and academic development.

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LIST OF ACRONYMS

ACAO	- Assistant Chief Administrative Officer
CAO	- Chief Administrative Officer
CBO	- Community Based Organisations
CFO	- Chief Finance Officer
DFO	- Division Finance Officer
FY	- Financial Year
GoU	- Government of Uganda
IMF	- International Monetary Fund
KCC	- Kampala City Council
LG	- Local Government
LGA	- Local Government Act
LGDP	- Local Government Development Programme
MoLG	- Ministry of Local Government
MoFPED	- Ministry of Finance Planning and Economic Development
MP	- Member of Parliament
NGO	- Non-Government Organisation
NRM	- National Resistance Movement
PPDPA	- Public Procurement and Disposal of Public Assets
RDC	- Resident District Commissioner
URA	- Uganda Revenue Authority
UPPC	- Uganda Printing and Publishing Corporation
UTODA	- Uganda Taxi Operators and Drivers' Association
WB	- World Bank

ABSTRACT

In 1993, the National Resistance Movement (NRM) government adopted a decentralised system of administration. As such, decentralisation is central to Uganda's mode of governance as spelt out in the 1995 Constitution and the 1997 Local Governments Act (LGA). This was aimed at increasing local governments' (LGs) autonomy, widening local participation in decision making and streamlining fiscal transfer modalities to Local governments in order to increase their efficiency and effectiveness so as to achieve good governance within a transparent and accountable framework. As a result, the system underwent several reforms in order to realize the set goals. Among the many reforms was the adoption of the public-private partnership in the collection of local government revenues and the delivery of other services in lower governments under the privatization form of decentralisation. These reforms were recommended and implemented in 2001 and 2003 respectively on the assumption that public-private partnership would help to improve on the previous systems of revenue collection, improve local government revenue performance and reduce LG dependence on conditional grants from the Central Government (CG) and the donor community. The study, therefore, sought to find out how privatization had impacted on revenue collection.

The study was undertaken in Makindye division, Kampala district. It involved a sample size of eighty respondents drawn from the Ministry of Local Government (MoLG), the district, the division, the parishes and the villages or zones that constitute the division. These respondents were selected using both random and non-random sampling techniques. The required data was collected using a combination of tools including: - in-depth interviews,

questionnaires, observation and review of relevant documents. Qualitative data was analysed using thematic analysis, while quantitative data was analysed using descriptive statistics that included percentages, frequencies and charts.

The results showed that there were several reasons that instigated the need to privatize revenue collection. Among the many reasons was the need to control corruption and adopt a more cost effective method of revenue collection and donor influence. The results further revealed that the implementation of privatization of revenue collection followed a well-streamlined method of contracting and tendering the responsibilities where all LGs took up responsibility of overseeing and supervising the work done by private firms. Hence, the two parties work in a partnership. The findings showed that there were several pre-conditions set before the identification of the right firms to be awarded contracts. The results indicated a general improvement in LG revenue collection under the public - private sector partnership arrangement even though this was more pronounced during the initial stages of implementation.

The findings further revealed challenges related to the following:- the newness of the concept of the Public - Private Sector Partnership in Makindye division, policy, administration, capacity, financial, and conflict of interest challenges. The most pressing challenges were related to political influence in form of uncoordinated political pronouncements, which eventually affect the work of the private firms and the Division in the collection of revenues.

Owing to the multiplicity of challenges to the effective implementation of private sector partnerships in Makindye Division, the study made several recommendations. Among these was the need for capacity building in order to make people aware of the concept of public private sector partnerships and to have people's attitudes changed positively towards revenue collection. There is also need to control the influence of politicians from higher levels from

interfering with the work of the LGs. There is need for the CG to ensure that the divisions have more autonomy in deciding the destiny of their localities other than being dictated upon on how to operate.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

An academic survey of the perceptions applied to decentralisation shows that is a broad concept with divergent interpretations. For instance Rondinelli, et al (1981) specifically defines decentralisation as the transfer of the responsibility for planning, management, and resource raising and allocation from the central government to: field units of central government ministries or agencies; subordinate units or levels of government; semi-autonomous public authorities or corporations; area-wide regional or functional authorities; or Non Government Organisations. On the other hand, Anwar (2006) defines it as the formulation and execution of collective action at the local level. It encompasses the direct and indirect roles of institutions of Local Government (LG) and government hierarchy as well as the roles of informal norms, networks, community organizations, and neighbourhood associations in pursuing collective action by defining the framework for citizen-citizen-state interactions, collective decision-making, and delivery of local public services.

Central to all definitions is that the process involves transfer of decision-making and implementation responsibilities from the centre to lower administrative units. Decentralization is of four forms namely; deconcentration, delegation, devolution and privatization. The first three forms describe the process whereby central government shifts responsibility to a greater or lesser degree to sub-national levels. Privatization, on the other hand, is the involvement of the private sector in service provision. It includes giving the responsibility of running services previously performed by the public to the private sector. Alternatively, what is more common now is forming a partnership between the public and the private sector for the same cause of providing services to the people also called the public-

private sector partnership. These are arrangements between the government and the private sector for the purpose of providing public infrastructure, community facilities and services in general. It is also looked at as a contractual agreement between a public agency, local government and a profit or non-profit organisation (MoLG, 2003).

The global surge for decentralization is due to the assumption that the policy comprehensively facilitates the realization of democratic objectives, equitable distribution of resources among and within lower levels to reduce global poverty levels and improvement in local service delivery (Crook and Manor, 1998). Consequently, decentralisation is a dominant policy direction in many developing countries and has been strongly encouraged by international donor agencies (Hansen, 1999). According to Opolot (2001), the global attitude towards decentralisation is often driven by demands from the public, national reconstruction programmes and donors, especially in Africa. At the same time, the policy is assumed to guarantee a more effective and accountable local infrastructure, service delivery and guaranteeing good governance. Boadway et al (1994) looks at good governance as the ability to ensure political transparency, citizen participation in decisions making, providing effective public services efficiently and ensuring absence of corruption tendencies in public administration.

In Uganda, the colonial masters briefly introduced decentralisation. The independence government, which inherited the colonial structures under the 1962 Constitution, devolved significant powers and responsibilities to deliver services efficiently and effectively. However, this arrangement was short-lived and the 1967 Republican Constitution reversed all responsibilities of decentralisation and replaced it with centralization. This marked the demise of decentralized governance in Uganda from 1967 to 1985. As a result, there was absence of direct accountability to the electorate, service provision declined and at times was

completely ignored, corruption and diversion of public revenue increased. This adversely affected efficiency, effectiveness and good governance (Ddungu, 1994).

Renewed interest in the philosophy of decentralisation is closely related to the National Resistance Movement (NRM) which had by early 1980s designed the “Ten Point Programme” that aimed at empowering communities “to take charge” of their destiny through local institutions of self governance and resource mobilisation under the Resistance Council System (Opolot, 2001). Consequently, in 1992 the decentralisation process was launched, followed by the enactment of the Resistance Councils and Committees Statute in 1993, the Constitution of the Republic of Uganda 1995 and the Local Governments Act of 1997. The objectives of the policy were to: transfer real power to local governments, bring up political and administrative control over services to the point of delivery so as to improve accountability and efficiency; and to free local managers from central constraints. However, Hansen, (1999) observes that beyond the above concerns, the other primary impetus for decentralisation relates to the political conditional ties attached to aid by donors. All these served to strengthen the policy makers’ commitment to the policy.

The privatization form of decentralisation was effected in Uganda in different ways. In some places it took the form of subcontracting, whereby a public agency that previously conducted the activity now subcontracts its execution to a private party. At times, it is done in form of leasing state-owned enterprises, equipment of assets, including lease and operate or affermage contracts in the infrastructure sectors (Guisalin 1997). The most popular form of privatization especially for service provision on behalf of local governments in Uganda is contracting. Here, among others; the collection of revenue from markets, graduated tax and other taxes were contracted out to private firms. The criteria in contracting varied in a number of dimensions across district administrations (Wilson, 2002). For instance,

widespread revenue bases were tendered out on the basis of a 'reserve price', derived from an estimate of the revenue potential of individual markets or sites.

Privatisation replaced the traditional bureaucratic system in which the collection of revenue was carried out by civil servants. Under this system, the parish chiefs and sub-county chiefs were responsible for the collection of revenue. They, in addition, carried out assessments, identified potential payers and they were supposed to make follow ups on the whole process. However, this system was marred with inefficiency and ineffectiveness plus poor or non-accountability for the revenues collected. Collectors and payers connived for lesser payments and at times, the little that was paid did not reach the treasury. Besides laxity of the collectors, corruption, high administration costs and lack of cooperation accounted for the poor local government revenue performance. Consequently, in 2003 the policy of privatizing revenue collection was implemented and it was expected to improve local government revenue performance and create fiscal effectiveness. However, ever since this reform was implemented, not much study has been carried out to establish its effectiveness. The study therefore aimed at examining the effectiveness of the Public private sector partnership in Uganda using revenue collection in Makindye division as a case study.

1.2 Statement of the Problem

The adoption of decentralisation in Uganda was on the basis that the policy enhances service delivery. As a result, substantial powers, functions, responsibilities and services were devolved to local governments. To enable them achieve the intended objective of effective service delivery, local governments were mandated to generate their own revenue from local taxes to be supplemented with the central government's grants. Initial efforts to collect these revenues followed traditional bureaucratic systems, where local governments directly collected the taxes through sub-county and parish chiefs. This system however, was

associated with several challenges including; high administrative costs; collection, monitoring and management technical hitches. The system also proved detrimental because it promoted poor and unfair tax assessments, conniving between taxpayers and collectors for exemption or less pay, and it was closely linked to corruption and all kinds of negligence at the collection points.

As a result, a recommendation was made in 2002 to privatize revenue collection and implemented in 2003. Under the new arrangement, Local governments agreed to work in partnership with private firms in the collection of revenue on a temporary contractual basis. This was based on the belief that the private partners in revenue collection not only have a greater personal stake in controlling collectors, but also effectively penalise under-performing collectors. It was also believed that the desire for profits would make the private firms more cost effective while competition with other firms would ensure effectiveness. This would eventually lead to efficiency, effectiveness and accountability in revenue collection. However, since the implementation of these reforms in 2003, not much is known about the effectiveness of these financial innovations. This study thus, aimed at empirically establishing whether public private sector partnership has improved LG revenue collection in Makindye division.

1.3 Objectives of the Study

1.3.1 Main objective

To find out whether privatisation has improved revenue collection in Makindye division.

1.3.2 Specific objectives

- (i) To find out the reasons why there is need to abandon the previous methods of revenue collection.

- (ii) To find out how the privatisation of revenue collection is effected in Makindye division.
- (iii) To find out the impact of privatisation on revenue collection in Makindye division.
- (iv) To establish the challenges facing the privatisation of revenue collection in Makindye division.

1.4 Scope of the Study

The study assessed the local government revenue collection performance in Makindye division of Kampala district, focusing on the adoption of the public-private sector partnership as a tool that had been opted for with an intention of improving the revenue collection process. More emphasis was put on establishing the reasons why there was need to abandon the previous bureaucratic method of revenue collection, the ways in which the reform was implemented, its impact on revenue collection, and the challenges faced in implementing the policy or reform. The study covered a period between 2003 and 2007 because this was a time when the private sector partnership was implemented in Makindye division. So, it was hoped to give a good basis for evaluation.

1.5 Significance of the Study

The study was done on privatisation of revenue collection which is one of the policy reforms operational in Uganda, thus, the study explored and it highlighted the weaknesses and strength of using private firms in collecting revenues. The study findings also contribute to theoretical debates on the subject of privatisation of revenue collection and service delivery as well as a way forward to the improvement of the policy/reform.

The study also benefits all stakeholders who include central government, local governments, private revenue collecting firms and the general public. This is done by providing them with

insights on how to cooperate and improve efficiency and effectiveness in revenue collection, and how to ensure effective accountability for the collected public revenues. While for the academicians, the findings of the study will be a point of reference and a basis for further research in the same field.

1.6 Theoretical Model

The study on public-private sector partnership in revenue collection was conceptualized in within the theory of public choice. Thus, the starting point in this section was to sketch out the historical overview of privatisation of revenue collection in relation to the theory of public choice.

Prior to the emergence of public choice theory, many economists tended to consider the government as an agent outside the scope of economic theory, whose actions depended on different considerations than those driving economic agents. The public sector remained the main actor in the development process of most countries both developed and developing. The sector was the main actor in production and distribution of goods and services in most economies; especially those that embraced centrally planned economic policies (Nkya, 2000). The commanding heights of these economies were directly owned and managed by the public sector. The development of public choice theory was accelerated with the formation of the Public Choice Society in the United States in 1965. It attempted to look at governments from the perspective of the bureaucrats and politicians who composed them, and made the assumption that they acted basing on Budget-Maximizing Model in a self-interested way for the purpose of maximizing their own economic benefits.

However, following the winds of change in the form of many and far-reaching social, political and economic reforms, the role of the public sector in the development process

substantially changed in many countries. This change guided by the public choice theory had its roots in Neo-liberalism.

Neo-liberalism, which was an extension of liberalism, had its original proponents in the rich western market democracies. Neo-liberalism attacked absolutism and feudal privileges, while advocating for constitutional and representative governance. (Heywood, 1997). The Neo-liberal theory and its subsequent proponents advocated for several reforms including: fiscal rectitude, competitive exchange rates, free trade, decentralisation, privatisation, and limited intervention among others to pave way for competition and public choice. The reforms were supported by the Washington based organisations like the International Monetary Fund (IMF), and the World Bank (WB). This was done basing on the assumption that the private sector would promote an efficient and effective economic development and growth. As a result, the role of the private sector in bringing about sustainable development in most economies had increasingly been recognised and acknowledged.

Public choice theory attempted to look at bureaucratic governments from the perspective of the business and made the assumption that they acted basing on budget-maximizing model in a self-interested way for the purpose of maximizing their own economic benefits. Thus, in the public choice theory, the optimal mechanism for allocating goods and making decisions was the market. Public bureaucracies and representative democracy were both seen as seriously flawed in comparison. In particular, public sector expenditure was seen as seriously flawed in comparison. In particular, public sector expenditure was seen as inherently prone to excessive growth. There was an in-built tendency to over-supply on the side of public bureaucracies. This in-built tendency to over-supply reflected weaknesses in representative democracy and the operation of public bureaucracies. Public choice theorists regarded existing democratic arrangements as very poor predictors of citizens' preferences. They thus,

proposed the application of the market notions in public managements. And because of its attachment to the market notion of trading and competition, the public choice theory was much related to the concept of power decentralisation as an opportunity to promote competitions among government agencies.

The public choice theory as seen in the neo-liberal perspective aptly explained Uganda's recent decentralisation policy reforms, where fiscal decentralisation was a major tool. In public choice, the partnership between the private and public sector was viewed as presenting opportunities to promote competition among government agencies and private firms respectively so that citizens can vote with their feet being able to move to the localities where the level and mix of services relative to the taxes they pay was closer to meeting their preferences. Indeed, considering the way in which private sector partnership was implemented, it was based on opening equal opportunities to all private firms to enter a partnership with the government on merit. This opened the sector to complete for reconsideration in case of another opportunity and the direct beneficiary was to be the public sector because then the services provided would be better. Thus, the successful conceptualisation of this theoretical discussion called for establishing whether the assumption that the partnerships in revenue collection would create their own conditions for success (Tote Meyer, 1994); and whether fiscal privatisation was the answer to all challenges of local government revenue collection performance.

Dwelling on the positive public choice theory, which focuses on the question of what government policies were likely to be implemented in a given political setting, in a state like Uganda where the Local governments continued to register low revenue turnovers and a lot of malpractices, it offered the option of engaging the private sector in the collection of local revenue. This was based on the assumption that the private sector-led economic growth and

development, was generally more efficient (both productive and allocative efficiencies) and effective (Buse and Walt 2002). The sector was more dynamic, resilient, creative, innovative and vibrant than the public one.

On the other hand, dwelling on normative public choice theory, which considers what policies would produce a desirable outcome if they were implemented. This was because despite the fact that good governance tends to be a pure public good for the mass of voters, there may be many interest groups that had strong incentives for lobbying the government to implement specific inefficient policies that would benefit them at the expense of the general public. This was the case when revenue collection was still under the Central Government, or other civil servants that minded less about the outcomes of their efforts especially if they were not to benefit the individual collectors, which increased the level of poor performance in revenue collection.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The concept of decentralization, presupposes a process or a system of administration in which political, financial and decision-making powers are transferred from the centre to the lower administrative units [local governments]. Under this arrangement, the local governments are given more powers and authority to manage their own affairs within a framework of unitary state (Nsibambi 1998:6). The autonomy and amount of powers, resources and functions that are devolved to local governments to manage their own affairs are determinants of the nature/form of decentralization. The forms of decentralization include devolution,

deconcentration, delegation and privatisation. The first three forms describe a process whereby the central government shifts responsibility to a greater or lesser degree to lower units or local governments. Privatisation is the private sector involvement in service provision, giving the responsibility over services previously performed by the public to the private sector. Local government(s) is that part of a government which is most accessible to the average citizen that closely touches him and presents the most opportunities for the public service.

The privatisation form of decentralization primarily refers to two things: on one hand, it refers to any shift of activities or functions from the state to the private sector and more especially any shift of the production of goods and services from the public to private (Starr, 1988). Starr's observation of the concept is comprehensive in explaining the ideal privatisation process. It covers a bit of terrain from contracting government with private providers of goods and services to hiring consultants, working with nongovernmental organisations in the delivery of government services, to the creation of management of government corporations. However, in the developing world, privatisation takes relatively a divergent course especially in line with the privatisation of services, where direct control of the services provided by the private agencies is profoundly observed. This is evident from the efforts of the government to establish a legal framework to regulate the social and economic activities of the private agencies, while at the same time financing services that are privately produced and consumed. The financing of privatized electricity provision in Uganda is a case in point.

According to Guislain (1997), privatisation may cover subcontracting and management contracts. In subcontracting, the public agency that previously conducted the activity now subcontracts its execution to a private party. Subcontracting can cover an entire public

service like revenue collection, trash collection, or only part of the activity like water or electricity meter reading or billing. In management contracts, it may or may not be performance-based in these cases. There is a temporary transfer of management responsibility without transfers of ownership or real transfer of control like markets.

2.2 Reasons for the adoption of privatisation of revenue collection

According to Ghura (1998), among the several reasons for the adoption of privatisation is that State Owned Enterprises (SOEs) have generally posted disappointing performances. The author notes that, although some of them function well, many others are notoriously inefficient. They manage to survive through tariff protection against competing imports, preferences in public procurement, exclusive rights, and preferential access to credit in state-owned banks, tax exemptions, and public subsidies. Thus, many State Owned Enterprises in fact help stifle the local private sector and foster economic stagnation. The contribution of the author was found relevant in line with the reasons behind the decline in nationalisation for privatisation in world economies. However, though related, the work creates an empirical gap because the focus for the authors is on weaknesses of SOEs and how they survive through protectionism. However, despite being unique in the nature of the study focusing on private enterprises in Uganda at the divisional level, which are not protected by the government, the study found the allegations largely applicable to reasons behind the abandoning of the bureaucratic revenue collection system. According to the MoLG (2003), the LGA 1997 was amended to provide the necessary legal and policy framework enabling Local governments to mobilise revenue for financing their functions and projects. However, the trend in LG revenue collections has been declining since 1998/9, which approves the observation in Ghura (1998) work sighted.

According to Schneider and Kiser (1994), some reforms designed to give government enterprises greater autonomy and expose them to stiffer competition, without privatizing their ownership, have produced encouraging results. The authors however, noted that in most cases, such reforms proved impossible to sustain and after initial improvements the situation of the public enterprises consequently deteriorates further. Thus, this creates a challenge of bringing about sustainable improvements in enterprise performance, and many governments today regard privatisation as the only means available to accomplish this. The observation revealed the reasons for privatisation as being the failure to sustain some innovations in the public sector. However, the author had not clearly pointed out such innovations because even privatisation was a new innovation aimed at improving local government fiscal performance. But the study findings from MoLG (2003) revealed these innovations including the public-private sector partnership and all its different forms. At the same time, the observation was based on studies made in Prussia, a country with a different level of development from that of Uganda, creating a geographical gap that had to be bridged in the work sighted. It was however, found out that despite the geographical difference, the goals for the adoption of the decentralisation and its forms like privatisation were the same especially in line with improving transparency, effectiveness and efficiency in revenue collection.

The need to privatize service delivery was due to the problem of the influence of the politicians in the operations of the public enterprises. Webber and Wildavsky (1986) observed that state owned enterprises often serve political objectives or purposes and consequently suffer frequent influence by government and bureaucrats. They further observed that in some countries state run enterprises had also contributed to income redistribution in favour of the relatively well off over the poor, who generally lacked access to both the jobs the public sector provides and their products. The contribution above was worth appreciating especially in line with the political problems limiting the success of state

run enterprises. However, the work was based on findings in a period before even effective implementation of decentralisation in Uganda, which gave birth to privatisation. At the same time, the work was based on the history of taxation and expenditure in the Western World; therefore, there was a need to fill both the geographical and empirical gaps in the sighted literature.

2.3 The implementation of private revenue collection

The implementation of the private revenue collection approach was among the fiscal reforms intended to improve the performance of local governments. In the preamble to his work, Smoke (1993) observed that local government social reform emerged clearly as a major development issue in the 1990s. As governments of developing countries cut back their budget growth in response to economic reality and donor pressure, many are attempting to tap the under-utilised potentials of the private sector and local authorities to help meet the rising service demand. This remark pointed out the major reasons behind the adoption of privatisation and these, among others, included the donor pressure and the increasing demand for effective and efficient services delivery. However, the authors' work was based on a case study of the local finance system in Kenya and not particularly in Uganda. Though it is imperative to note that both Uganda and Kenya were developing countries, their service provision strategies and efforts were expected to differ in one way or the other. Furthermore, the author had generalized all local governments whereas this study may be unique due to country differences, creating a need to find out what really transpired at the division level.

In Uganda, the implementation of fiscal decentralisation followed a legal framework embedded in the Local Governments act 1997 and the 1995 Constitution. The two legal documents outlined the possible sources of income for the local governments. According to Steffensen et al, (2002), Article 191(2) of the Uganda Constitution says that the fees and

taxes to be levied, charges collected and appropriated shall consist of rents, royalties, stamp duties, personal graduated tax, cess, fees on registration and licences and any other fees and taxes that parliament may prescribe. In the work sighted, the emphasis of the legal documents quoted by the author was on the sources of local government revenues but not on the ways in which the taxes were to be collected for effective service delivery, which was the focus of this study.

According to Bahiigwa et al (2006), the adoption of fiscal decentralisation in Uganda saw many local governments involved in the collection of taxes using public servants. However, they further observed that due to the increasing appetite for tax base expansions and outsourcing of tax collection, private tax collection or tax farming was adopted as an innovation. This private tax collection or tax farming is what Stella (1993) defines as a system wherein 'the right to collect certain taxes owned by the state is auctioned off to the highest bidder. The author observed that tax farming was practiced in Mesopotamia around 1750 B.C.; in England from the late Tudor period until the Civil War, by the Mughals in Northern India in the early 18th century; and by France, China, Russia and Spain at other historical junctures. The contribution of the author was worth of appreciation especially in line with the history of the system of tax collection. However, this contribution was based on a historical time range, which predates the structural adjustment programs, which came up with the most of the fiscal reforms including tax farming. Thus, the literature had a time gap that had to be filled with the findings from the study.

According to Kiser (1994), this private revenue system is done on the contract basis and it favours the highest bidding firm in contracting out operation rights. The assumption is that the highest bidder has more abilities to collect revenue and will have bigger stance in fulfilling the contracted responsibility. However, this points at a risk of more challenges and

distortion of the whole arrangement especially in the effort of the bidder trying attempting to recover the high amounts to be paid. Thus, this, left questions as to whether private revenue collectors would not perform to the expectations of the state, while at the same time increasing the risks of overzealous collection and overcharging in addition to mismanagement of revenues. However, the author's work was based on the contractual theory of the principle and agent where the two parties are more involved in offering particular services to the people as opposed to the neo-liberal theory, which looks at competition and creating alternatives as the reason for privatisation, thus, the literature sighted created a theoretical gap to be filled with research findings.

2.4 The impact of privatisation on revenue collection in Makindye division

As one of the strategies to increase local government revenue, Uganda adopted the use of private firms for this purpose. This was one of the popular strategies to remedy problems of revenue mismanagement in local governments. The end result would be to improve revenue collection efficiency, effectiveness and accountability. Fjeldstad and Tungodden (2003) support this argument saying that privatisation of government services was rapidly becoming a key feature in the management of revenues in developing countries. They observed that the present enthusiasm for private tax collection among bureaucrats, and other participants in the policy debate on local government finances was echoed as increasing efficiency and effectiveness. The contribution of the authors was appreciated especially in line with the reasons for the adoption of the policy. However, the authors left aside the need for privatisation in Uganda and also being related partly to the response to the pressure of structure adjustment programs as endorsed by the big donor countries. Thus, much as fiscal difficulties were responsible for the adoption of the policy, external pressure was also partly responsible. This raised an empirical gap to find validity in such an observation.

Private revenue collection or tax farming was expected to facilitate the promotion of efficiency and effectiveness in tax collection and management. According to Azabou and Nugent (1988), tax farmers not only have a greater personal stake in controlling collectors, but may also more effectively penalise under performing collectors. They thus provided the key arguments for contracting out the collection of market fees and other taxes. The observations of the authors above deserve high-level appreciation. It is, however, of essence to note that the work presented looks at the effectiveness of the private revenue collection system but does not consider service delivery as it is off shot. It also leaves out the possible effects created by the efforts invested by the private firms in trying to achieve this objective through penalising ineffective performers, private revenue collection firms risk to promote overzealous collection, thus, the results may be achieved at the expense of the credibility of the government, leaving an empirical gap to be filled.

According to Webber and Wildavsky, (1986), private revenue collection is credited for its direct advantage of reducing operation and administrative costs that would otherwise be spent on revenue collectors and the whole collection process. They observe that tax farming presents administratively weak governments with two main advantages. Firstly, the opportunity to save on costs of tax administration by shifting the costs of collection onto the private sector. Secondly, it creates the opportunity to remedy corruption at collection points by offering superior mechanisms for penalising poor collector performance. Indeed, as observed by the authors, private revenue collection promotes revenue saving on behalf of the governments. What has to be observed however is that their work was based on studies carried out in New York, a city in a developed country, not in developing countries. Thus, their work was different from the Ugandan situation where ineffectiveness, inefficiency and mismanagement of public revenues continued to lead to revenue losses and poor service delivery, creating a need to search for the relevance of their information.

Similarly, Kiser (1994) observes that there is a dilemma in monitoring the process of private revenue collection. This is attributed to the limited resources and skills needed in the process of revenue collection. This creates a challenge where the unskilled private revenue assistants fail to make proper estimates on the revenues and revenue potentials of some revenue sources. The scholar further notes that the uncertainty about the size of the tax base represents a key aspect of this monitoring problem. Stable revenue bases reduce the difficulty of the monitoring problem and enable the drawing of more accurately predictable revenue flows. Indeed as observed by the author, it is worthy appreciating especially in relation to the challenges related to poor technical skills in revenue collection firms. However, the work of the author was based on the contractual theory where the principle and the agent may have divergent approaches especially due to the fact that the theory does not embrace democratic principles as in the public choice, which seeks to involve the majority in implementation. This creates a theoretical gap that had to be filled in the sighted literature with the study findings.

2.5 Challenges of privatizing revenue collection

Just like in any other policies being introduced, the introduction of the private revenue collection scheme is expected to face several challenges. According to Toma, (1993) privatisation illustrates two core challenges namely corruption at collection point and the scope for ascertaining the tax base of activity-sensitive taxes. He observes that corruption is usually based at the top hierarchy of the local government officials. This claim though relevant in explaining the fact that inefficiency and ineffectiveness of private revenue collection, it contradicted the works of other scholars that credit the scheme as being responsible for improving revenue collection. At the same time, other scholars have testified that private revenue collection is a basis for curbing all revenue collection weaknesses. This

created the need to find out the validity of the two claims. It is also important to note that the author was writing a positive bias of the bureaucratic revenue collection system over the use of private firms for the same responsibility.

Additionally, Svensson (2003), looks at private revenue collection as associated with the challenge of monitoring especially with the intention of curbing all the associated inefficiencies. The author further observed that vulnerability to corruption and tax evasion were common features of all tax systems in developing countries and this intensified the burden for monitoring. The empirical foci being on problems of accountability and leakages within private agencies, and the massive inefficiencies uncovered in the administration duties. According to the author, the uncertainty about the size of the tax base represents a key aspect of this monitoring problem. However, the observations as made above are generalizations about all tax collection systems in Africa and not tax farming in particular. Besides, the observations contradicted the objectives of tax farming which were based on the assumption that privatisation, relieved the governments administrative and monitoring costs and challenges. This created the need to find out whether the author's bias was valid or not.

According to Stella (1993), there is also a widespread claim that privatisation of revenue collection leads to overzealous collection. Tracing the background of the system, the author said that historical records are replete with evidence of over zealotness in private revenue collection. The author gave the cases in the Dutch Republic, where the excess of private collection led to 'the most significant riots in the Republic's history'. In France, it prompted the execution of the so-called Farmers-general during the Revolution. The author observed that, while providing timely caveats about the potential damage private tax collection could worsen state-citizen relations. However, these historical excesses were insufficient for dismissing private collection altogether. The author made a wonderful observation that the main problem with the system was the concentration of economic power in the hands of a

few tax farmers. However, the time scope of the observations presented as the problems created by tax farming created time gaps that had to be filled from the field findings. This is because despite the fact that private revenue collection may lead to overzealous collection, there was also a need to observe the fact that private revenue collection had gone through several reforms and several mistakes of the past would not easily be found in the system. Besides, the observations were based on the facts that took place before the implementation of the structural adjustment programs, which were not in the implementation and evaluation stage. This created a time gap in the sighted literature that had to be filled with study findings.

Kiser (1994), noted that the primary obstacles of private revenue collection were that, information sources are scattered and in some cases non-traditional revenue rarely accounted for. Furthermore, local government officials tended to understate the scale of non-conventional local revenue. At the same time, some forms of non-traditional revenue (contributions by associations and local figures) are less frequent in rural areas. The author further observes that non-traditional revenue was also harder to detect in an urban area, where information about such revenue was harder to obtain. The observation as made by the scholar was appreciated. However, the difference in time and scope of operation created time and empirical gaps that had to be filled with findings from the field. The different contractors to the effect that the adoption of private revenue collection was based on the assumption that it would ease administration due to the relatively smaller units handled.

Conclusion

In conclusion, the assessment of the effectiveness of public private sector partnerships in promoting local government revenue performance was not detailed by the different studies reviewed especially the practical operations and limitations to the objectives of the

privatisation of revenue collection. The available literature on fiscal decentralisation reforms was too general in nature especially with regard to the reasons for privatisation of revenue collection, the way it was implemented, its impact and limitations. At the same time, the available literature was parochial in scope and mostly published by government. Thus, the study intended to try to address these precincts through the findings.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section covers the research design, study area and population, sampling procedure, data collection techniques and methods of data analysis.

3.2 Research design

The study used a case study research design. A case study design is a design that uses specific subjects with common characteristics enough to represent the rest other than studying the entire population (Patton, 2001). Issues related to revenue collection apply to a wider scope that could not be effectively studied in the limited time range making the case study design the best option. The design was used because it enabled the researcher to dwell on the information from Makindye division for deductions and generalisations over revenue collection in Uganda wider than the studied scope. Besides, the design facilitated the

acquisition of in-depth analysis of revenue collection methods in Makindye division because it engulfs the use of a variety of techniques for the same purpose.

The design, therefore, facilitated the acquisition of the most required in-depth information that aided the analysis of the performance of the policy reform that saw Makindye division enter partnerships with the private sector in the collection of revenue. At the same time, it helped to save time because Makindye division worked as a case study that was used to understand the effectiveness of public private sector partnerships in improving Local Government revenue performance.

The study also used a historical research design. A historical research design is one that uses historical facts and backgrounds relating them to the situation at hand in order to deduce or to predict the future. The collection of revenue in Uganda has been revised in various ways from the traditional bureaucratic system of revenue collection. Thus, the researcher was guided by the historical research design to analyse the local revenue collection methods before and after privatisation. Under this method, both primary and secondary evidence was used especially in line with local revenue collection under the different systems and local governments' efficiency and effectiveness. In the same way, the historical design was used to logically analyse and double-check historical records about the collection of revenue before privatisation, its benefits and challenges and the general revenue performance during this period. This enabled the researcher to make comparisons for a logical assessment. In the same way, the historical records helped in cross-checking for the approval or disapproval of the findings because they provided reports on the turnover and reasons for the increase or decrease in revenue collection at the time. This helped to examine the validity and reliability of the conclusions, a quality needed in this study for reliable references and generalisations.

3.3 Study area

The study was carried out in Makindye division located in Kampala district (Appendix 7). Prior to the fieldwork, the researcher conducted an extensive literature search about the five divisions of Kampala district. The researcher mainly focused on the socio-economic status of the population and whether Private-Public Partnerships in service provision had been established in these Divisions. It was discovered that all the five divisions had some form of partnerships in service provision. However, the decision of engaging Makindye was based on the following reasons:

It was in Makindye Division that a pilot project that was aimed at testing the feasibility of Public-Private Partnerships in revenue collection in Kampala was first tried. This made Makindye the first division among the five, in Kampala to have experienced such changes of decentralization. It is for such reasons that made the divisions outstandingly relevance to the study. Additionally, information gathered from Kampala district profile (2000) shows that in Kampala District, Makindye division is administratively bigger than the rest of other divisions with as many as twenty one (21) parishes. Besides, the division's main sources of income, apart from government grants, are numerous. These include; property rates, taxi park dues, trading licences, market dues, ground rent, whose collection is dictated by the division. These characteristics made Makindye the most suitable division for this study.

3.4 Study population

The population covered by the study included; Ministry of Local Government (MoLG) officials, Area Member of Parliament, district officials, division administrators and technical staff, private revenue collection firms, parish leaders, zone leaders, opinion leaders, tax payers and the ordinary citizens of Makindye division. Generally, all respondents had some knowledge of management, collection or payment of revenue in Makindye division.

3.5 Sample size

A sample size of eighty (80) respondents was used for this study. This sample size covered thirty-three (33) key informants and forty-seven (47) other respondents with ample knowledge on revenue issues in Makindye division. This sample size was representative since both the key informants in revenue management and payment were considered. The eighty (80) respondents were selected according to a pattern represented in the table below;

Table 1: Categories of respondents

Category of respondents	Number targeted	Percentage
Kampala City Town Clerk	1	1.25
Area Resident District Commissioner	1	1.25
Area Member of Parliament	1	1.25
Makindye Division Chairman	1	1.25
Makindye Division Principal Town Clerk	1	1.25
Representative from the Ministry of Local Government	1	1.25
Makindye Division Finance Officer	1	1.25
Private Tax Collectors/Contractors	8	10.0
Opinion Leaders	6	7.50
Parish Chiefs/Chairmen	9	11.25
Councillors	9	11.25
Zone Leaders (LC1)	9	11.25
Tax payers	16	20.00
Makindye Division ordinary citizens	16	20.00
Total	80	100

3.6 Sampling techniques

The study combined a number of sampling techniques. It included the purposive sampling and probability sampling techniques. The researcher used the lottery sampling method to identify the 9 parishes and zones in which the study was carried out (see the list of selected parishes and zones in appendix 6). Under this technique, all parishes in the division were written on different pieces of papers. Then all papers were put into a box from which the researcher picked nine papers one at a time and these were the studied parishes. The same technique was applied in the selection of the zones in which the study was carried out. However, in the selection of the zones, each parish was treated differently. Under this process, the zones in a particular parish were written on different pieces of papers, which were put in a different box designed especially for each parish. From each box, one zone was

selected and the process was repeated in the selection of all the 9 zones from the selected parishes (see list in appendix 6). This sampling technique was used because it helped in avoiding biases based on convenience and prior experience.

The distinct key informants or title key informants were purposively selected. The key informants in this category included: one representative from the MoLG, Kampala City Town Clerk, area member of parliament, Makindye division chairman, Makindye Principal Town Clerk, Area Resident District Commissioner and the Division's Finance Officer. This technique was used because it helped the researcher to select only those respondents with ample technical knowledge of the subject so as to access technically required information. However, the selection of other key informants including the zone leaders, parish leaders and councillors followed different sampling techniques. In particular, the selection of the councillors combined the random sampling technique and the convenience sampling technique. The process involved a random selection of the studied parishes from which parishes one councillor was conveniently selected. This technique was used especially on some of the councillors who alleged to be pre-occupied with other programs among other reasons for failure to participating in the study. The selection of the parish leaders however, was purposive. This followed a random selection of the parishes in which the study was conducted. This meant that the parish leaders of all the selected parishes qualified for the participation in the study and since the parishes were nine, equal to the number of the required parish leaders, one leader was selected from each parish. The selected parish leaders then helped to direct the researcher to the leaders of the selected zones in their respective parishes. This was due to the fact that from each of the selected parishes, one zone was selected randomly for the study. Thus, the parish leaders who knew the lower leaders in their parishes were used to direct the researcher to the different leaders in their jurisdictions. This helped the researcher to easily access the zone leaders because it was easy to reach them and

access them because the parish leaders were used to help convince them to participate in the study.

On the other hand however, the opinion leaders and taxpayers were selected using the snowball sampling technique in which after identifying a respondent, the same person would direct the researcher to another opinion leader or taxpayer of the same qualities as required in this research. This sampling methodology was used because of its comparative advantage in establishing the hard to find respondents with not easily observable physical qualities of opinion leaders.

The simple random sampling technique was also used in the selection of the representatives of private revenue collection firms and the ordinary citizens. Under this technique, respondents in each category had their names obtained from the administrative units of the different categories, including the LC voter's registers and the staff list from the different private revenue collection firms. All names in a particular category were put in a box and a systematic number (2) for the respective categories was selected and from each, such a number was considered till the required number was obtained. This technique was used because it had advantages of creating equal chances for all respondents to be selected and to avoid biases (Winter, 2000).

3.7 Data collection

The study used a triangulation method in which different methods were combined. Data was collected using both qualitative and quantitative methods. According to Sarantakos (2003), the quantitative methodology involves the use of structured techniques of data collection that allow quantification, measurement and operationalisation using quantitative methods of analysis like statistics. On the other hand, the qualitative method is based on theoretical and

methodological principles of symbolic interactions. Thus, the study combined aspects of both the qualitative and quantitative methods.

The qualitative method mainly used group discussions, face-to-face interviews, observation and review of available documents in line with revenue collection and management. The researcher had targeted two focus group discussions (FGDs) with the division councillors and revenue collection firm representatives. But only one focus group discussion was held with the councillors in the division conference hall because the representatives of private revenue collection firms had different time preference for the study. The discussions helped the researcher to explore the councillors' ideas and attitudes towards revenue collection in Makindye division. The FGD also allowed flexibility and free exposure of information about the challenges in revenue collection and local government revenue performance. However, instead of the second FGD with the representatives of private revenue collection firms, one on one interviews were conducted at the time of their preference. The same technique applied to other key informants in other categories with similar problems and as a result, individual face-to-face interviews were held and the information given was backed up with documentary evidence from the secondary data sources obtained from the MoLG, KCC headquarters and from Makindye division. This was accompanied with observation of the facial expressions of respondents to study the subjective elements including the attitudes of the people towards a reform like the use of private firms in the collection of revenue.

The interviews guided by interview guides were conducted with key informants including the KCC Town Clerk, the Division Vice Chairman, the area Member of Parliament (MP) and Resident District Commissioner (RDC), the Division Finance Officer (DFO), the Senior Principle Town Clerk (SPTC) and a representative from the Ministry of Local Government. Most interviews were conducted during the weekdays for those who were not working far

away from their homes. For those who were not at home during the week, I had to conduct the interview over the weekend. The advantage with this type of interviewing was that it allowed the questioning to be guided as the researcher wanted, because I was able to clarify on some unclear questions that the respondents were finding hard to interpret for instance. I also had chances of probing deeper in such circumstances where the responses were not clear. The information gathered with the interview guides was used to cover up information gaps that existed in the quantitative generated information.

On the other hand, the quantitative method mainly used data generated by close-ended questionnaires, which were used to collect data from the opinion, parish and zone leaders together with the ordinary citizens and taxpayers. The questionnaires were read to the respondents and the responses were recorded forthwith. This enabled the researcher to be as flexible as possible in explaining and rephrasing hard questions for the respondents. The two methods helped to develop a rapport with the respondents who later felt part of the study and willingly contributed to the good of the study.

3.8 Data analysis

The researcher analysed the data using an interpretative approach through which he relied on patterns, categories and themes of responses that each question generated. These then formed the foundation of the analysis. Qualitative data was analysed thematically basing on the variables identified in the research objectives. While quantitative data was analysed using descriptive statistics including percentages, frequencies tables and graphs.

3.9 Ethical considerations

Because of the nature of the study being based on the assessment of the performance of institutions like local governments, it was so sensitive because in one way or the other, it

assessed the personnel mandated to run such institutions. However, the researcher followed all the professional guidelines of researchers including: acquisition of an introductory letter from Faculty of Social Sciences Makerere University and the Senior Principle Town Clerk (Appendices 9 and 10) asking for permission to conduct research in Makindye division. At the same time, before engaging a particular respondent, the researcher sought an oral consent. This involved explaining the study objectives to the respondents. The respondents were also notified about the possible risks and benefits of participating in the study, emphasizing the aspect of confidentiality with which the findings would be treated. The respondents were also assured of their free will to participate in the study and those that were not interested in the study were given chance not to participate in the study.

3.10 Constraints encountered

Because of the nature of the study that was intended to assess the performance of institutions (local governments), the researcher encountered a problem of falsification of information especially from office bearers with the intention of concealing their ineffective performance. Some of the officers, especially from the revenue collection firms, were tempted to do so in fear of due consequences of the accurate disclosure of such information. However, the researcher assured all the respondents of the high level of confidentiality that was to be exercised. This assurance worked so much to convince such respondents to reveal the hidden information. At the same time, reference to documents from the division, Kampala City Council headquarters worked so much to rectify the problems related to falsification of information. The researcher was also faced with the problem of uncooperative respondents especially the taxpayers who expected material gains from the study. Several respondents wanted to be given some finances before they could respond to some of the questions. However, the researcher successfully convinced them by explaining the social benefit of the study to the people of Makindye division and they eventually responded to the questions.

CHAPTER FOUR

PRESENTATION ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

The government of Uganda adapted the decentralisation system of governance in 1993, incorporated it in Chapter II of the 1995 Constitution and operationalised it in the Local Governments Act (LGA) of 1997. This policy was designed to achieve among other things: the transfer of real power to local governments and reduce the load of work on remote and under resourced central officials; to bring political and administrative control over services to the point of delivery in order to improve accountability and effectiveness, promoting peoples' feeling of ownership of programmes and projects executed in their districts; freeing local managers from central constraints and improving financial accountability and responsibility by establishing a clear link between the payment of taxes and provision of services.

The LGA (1997) among other things devolved substantial powers, functions and responsibilities and services to LGs. This transfer of responsibilities was matched with a corresponding transfer of resources from the centre to enable the local governments function

efficiently. It gave local governments powers to raise revenue. Section 81(1) mandated local governments to levy charges and collect fees and taxes including rates, rents royalties, stamp duties, personnel tax, registration and license fees and taxes. In addition, the Act provided for private sector participation in the provision of services by contracting them out.

Before the reformation of the revenue collection system in Makindye division, the exercise of revenue collection was done traditionally under the bureaucratic system that was controlled by the central government. However, the system had a number of weaknesses and the division's revenue performance recurrently declined under this system. As a result, the year 2002 witnessed the revision in the system of revenue collection and in 2003, the system of public-private partnership in revenue collection was implemented in many LGs. The system was therefore adopted in Uganda on the assumption that it would provide a lasting solution to the mounting challenges of revenue collection. Makindye division is one of the local governments in Kampala district that implemented the new policy.

This chapter presents the research findings on the public-private sector partnership in Uganda with special reference to revenue collection in Makindye division. The study was aimed at examining the effect of privatisation on revenue collection in LGs. It therefore dwelt on establishing the reasons why the old traditional bureaucratic method of revenue collection was abandoned for privatisation; the ways in which the new system was implemented; its impact on revenue collection; and the challenges facing the privatisation of revenue collection in Makindye division.

4.1 Reasons for abandoning the bureaucratic revenue collection system in Makindye division

Local governments used the traditional bureaucratic method of revenue collection prior to the implementation of reforms that involved the privatisation of revenue collection. The study,

therefore, compared the traditional and privatisation modes in order to establish why there was need to abandon the bureaucratic method. Focus was not only put on how these methods worked, but also on the revenue collected. In addition, external pressure from donors was also examined to establish whether it had an input in changing the method of revenue collection. The researcher gathered information from key informants, focus group discussions, secondary sources and questionnaires.

4.1.1 The bureaucratic method of revenue collection

This sub theme examined how revenue was collected under the bureaucratic system of revenue collection and whether the system had any observable weaknesses. The parent law governing local government revenue collection is embedded in the 1995 Constitution of the Republic of Uganda where Article 191 of the Constitution allows local governments to levy, charge, collect and appropriate fees and taxes in accordance with any laws enacted by parliament by virtue of Article 152. Chapter 243 of the 1997 Local Governments Act allows relevant administrative units to collect taxes by identifying an effective but fair method of collection with approval from relevant authorities. Thus, until recently in 2003 when the privatisation of revenue collection was implemented in Makindye division, the collection of revenue followed the traditional bureaucratic principles.

Under this system, the collection of revenue was solely a responsibility of the central government coordinated and implemented by civil servants following the traditional public service structure. The public servants involved in this task included, among others, the Town Clerk, the Chief Finance Officer, as well as the Sub-county, Division and Parish Chiefs at the local level. These civil servants were principally responsible for the establishment of revenue structures, sensitisation of the taxpayers, enumeration, identification and listing of potential taxpayers, valuation and inspection of all temporary and permanent public servants involved

in the collection of revenue. At the division level, the city treasurer who is now the director for finance directly appointed all these civil servants whose powers of operation was hierarchical from top down to the parish chiefs. At the local level, the collection of revenue was the responsibility of the cash officers in every parish and they were all responsible to the chief cashier at the division or Sub County. From the field research findings, the key informants revealed the practice of using civil servants in the collection of revenue under the traditional system. For example, the commissioner in charge of inspections in the MoLG disclosed that,

Revenue collection under the bureaucratic system was an obligation of the civil servants including the Town Clerk, finance officers, sub-county chiefs and parish chiefs. These civil servants carried out the mobilisation, coordination and management of revenue collection in their jurisdictions and they reported to the central government treasury directly. (Interviewed at the MoLG in November 2007)

The Senior Principle Town Clerk also described the chronological flow of power between the civil servants under the traditional system of revenue collection saying that,

Traditionally revenue collection was a financial obligation of the director for finance below which office lay other smaller offices including the chief cashiers and their assistants, while the sub-county and parish chiefs coordinated the ground work and they would directly report to the higher offices in the same protocol. Its management thus followed a chronological flow of power. (Interviewed in October 2007 at the division headquarters)

The role of civil servants in the collection of revenue was further confirmed by official government documents. For example, the Local Government Finance Commission (LGFC) (2003) indicated that:

The law mandated the office of the CAO (originally the DC), the Town Clerk or the Chief Finance Officers (CFO) to collect and manage local revenues. These officers were responsible for the establishment of revenue structures and to assign tasks in their jurisdictions; sensitisation of tax payers and the general public; enumeration, identification and listing of potential taxpayers; overseeing the valuation exercise and inspecting all civil servants involved in the tax collection and management exercise.

It can therefore be deduced from the interviews held with the key informants that the collection of revenue under the traditional system was a responsibility of the central government. There is thus no doubt that the central government bore an upper hand in the collection and management of revenue at all levels of government. The civil servants as functionaries of the central government carried out the overall supervisory and management roles from the central treasury at the ministerial level to the parish and village or zonal level. This system of operation fits Kiser's (1994) observation that the public sector has been the main actor in the development process of most countries in Africa that embraced centrally planned economic policies like Uganda.

Both primary and secondary information sources confirmed that revenue collection was collected using the traditional bureaucratic method in Makindye division up to 2003 when the system was reformed. However, all key informants reported that the division consistently faced problems in meeting its revenue targets under this system. The division occasionally registered under collection from most of the revenue portfolios. The poor revenue performance can be traced in occasional reports of corruption and lack of transparency in the collection process. The recurrent revenue under performance during the traditional system according to the key informants was due to the weaknesses of the system. For example the KCC Town Clerk observed that:

The division's recurrent poor revenue performance during the traditional system was due to diverse weaknesses of the system including high operational costs; susceptibility to manipulation by the evaders; and corruption. These weaknesses regularly resulted into under collection in most of the revenue portfolios in all divisions of Kampala and at times countrywide. (Interviewed at the City Hall in November 2007).

The division Vice Chairman however attributed manipulation and corruption to the lack of motivation among the civil servants and the high level of bureaucracy that characterized the system relating it to the occasional low revenue returns in the division. He recounted that,

Revenue collectors were not motivated and because of this, they were corrupt and misappropriated the collected revenue only to remit small portions of the whole sum. This also instigated tendencies of collusion between taxpayers and collectors for less pay at the cost of the local government revenue. (Interviewed at Makindye division headquarters in November 2007)

The findings of the focus group discussion held with the nine selected division councillors at the division headquarters in the conference hall supported the above observations by identifying the weaknesses of the system as shown in Table 2:

Table 2: Responses on the weak spots in the bureaucratic revenue collection system

Weaknesses	Frequenc y	Percentage
It promoted corruption because of lack of transparency and concealment of taxpayers abilities	3	33.3
Administratively costly to the government	3	33.3
Tax evasion was easy because of poor monitoring skills among the collectors	3	33.3
Total	9	99.9

Source: Table compiled from field data

Table 2 exposes the weaknesses of the previous system of revenue collection. The results show that 33.3 percent of councillors said that the bureaucratic method of revenue collection promoted corruption because of lack of transparency and concealment of taxpayers' incomes and abilities. The same number of respondents (33.3 percent) said that the system was too costly to administer. And another 33.3 percent said that the bureaucratic revenue collection system created room for tax evasion through collusions between the collectors and taxpayers.

The results in Table 2 indeed reveal that the traditional system was weak, making it easy to manipulate. According to the findings, 33.3 percent of councillors said that the system was infested with corruption. All the other key informants (100 percent) attributed this corruption in the system to the persistent lack of transparency and regular concealment of information about taxpayers' potentials. This made the problem of corruption hard to avoid because accountability for the collected revenues was hard in such a disorganized system of operation. Specifically the councillor for Nsambya Railway observed that:

The traditional method of revenue collection encouraged corruption in many ways. First, the collectors were not accountable for under remitting. Secondly, there was not time for spot-checking to find out the validity of the reports. These and other weaknesses favoured corruption, which affected the division's revenue performance. (Focus group discussion held at the division headquarters in October 2007)

Furthermore, the division finance officer noted that cases of accepting bribes by civil servants in the bureaucratic system were very common. In such cases, concealing taxpayers' abilities to pay taxes were common. The division Vice Chairman supported this argument with an example of the former Senior Principle Town Clerk of Makindye division saying that,

In 2003, Mukwano industries paid ground rate worth 58 million but when the political leadership of the division checked with the office of the division Town Clerk, it was found out that the money had not been received. Further investigation on Mukwano however

showed that they had been issued with an outdated receipt that was no longer in use. When the office of the division Town Clerk was put to task, it accepted having received that money to the dismay of the division executive. (Interviewed at the division headquarters in October 2007)

The severity of the problem of corruption under the old system of revenue collection was further exposed through the different forms of corruption that were reported as having prevailed in the system. For example the area Member of Parliament agreed with the Makindye II parish leader's observation on the different forms of corruption in the system who noted that:

Corruption under the traditional system of revenue collection took the form of: collusion between tax collectors and payers to conceal liability or to reduce amounts payable, direct stealing of revenue receipts by the revenue collectors; Cancelling taxpayers from registration records with the intention of embezzling receipts from the concealed taxpayers, and Using collected revenue for personal purposes for some time. (Interviewed at his division offices in November 2007)

Furthermore, the deputy RDC in charge of Makindye division observed that the act of deregistering some of the potential payers after an agreement with the collectors to the benefit of the later was a form of corruption,

In some cases, the taxpayer would not be registered in the tax registers, but privately paid a lower amount to tax collectors and not to the council treasury. All these however were a result of a weak system. (Interviewed at the RDC's Division office in October 2007)

The indicators and effects of corruption under the traditional revenue collection system in KCC were further echoed in the Auditor General's report (2006) where it was reported that KCC had lost over twenty-eight billion (28) in revenue corruption and other malpractices

between 2000 and 2005. The report implicated the offices of the Mayor, the Town Clerk and other civil servants for failing to collect the money and embezzling the collected revenue.

However, opinion leaders from Zone 5 Lukuli who held an informal interaction with the researcher attributed this indecent behaviour to the initiatives of the taxpayers to compromise the civil servants involved in the management and collection of revenue. To them, the game involved the taxpayers paying some money to the tax collectors in order to be left out when collecting revenue and such revenue was never remitted or even reported in the division's treasury.

It is evident from these testimonies that the bureaucratic revenue collection system was vulnerable to corruption and tax evasion. All forms of corruption were reported as having prevailed in this system. Common among the identified forms of corruption were collusion and conniving between taxpayers and collectors. These bad practices resulted into informal tax exemption, deliberate reduction of tax amounts due or deletion of potential taxpayers from the tax register list. This accounted for the regular loss of revenue by the division and persistent decline in revenue returns. The findings are supported by facts from the division's budget reports for the Financial Years (FY) 2000/2001 and 2001/2002 before the system was reformed. Whereas the division had budgeted to collect 1,401,000,000/= in the FY 2000/2001 and 1,168,500,000/= in the FY 2001/2002, but the division treasury registered only 973,286,000/= which is 69% of the expected revenue performance in the whole FY, and 400,776,000/= which is 34.2% for the whole FY.

This trend of returns revealed a recurrent decline in the revenue turnover trends of the division attributing such undesirable results to the malpractices like corruption in the collection and management of local revenue. The findings are in line with Ghura, (1998),

Fjeldstand and Tungodem, (2003), and Svensson (2003) who sighted the vulnerability of all bureaucratic operations to all forms of corruption and other malpractices in developing countries. This local corruption together with that from the tax administrators and managers affected both the valuation and collection processes. Hence, the need for an alternative collection mechanism that would be easier to control.

The study findings further showed that the bureaucratic system of revenue collection was administratively costly. The costs of revenue collection under the bureaucratic system were high because of the remuneration of a big number of personnel required, the costs of acquiring and maintaining the required equipment, and sustaining the temporary and permanent staff. In agreement with the findings in Table 3, thirty-three percent of the councillors said that the system was indeed costly. All the other key informants held the same view. For example, the division finance officer and the deputy RDC agreed with the view of the area Member of Parliament that:

The use of civil servants in the traditional system of revenue collection was too costly to the division because it involved the use of many permanent employees that were entitled to employee benefits. It also involved the maintenance of permanent and pensionable valuers, tax administrators and the payment of allowances for revenue law enforcement teams.
(Interviewed at his division offices in November 2007)

The Senior Principle Town Clerk and the Vice Chairman of Makindye division also attributed the high administrative costs to the high annual operation costs of the equipment used in the collection of revenue then. They observed that:

The system required the acquisition and maintenance of equipment like cars for transporting the field officers and supervision; and the acquisition and maintenance of collectors' uniforms and other requirements for effective revenue collection. All these were costs that affected the

gross revenue turnover vis-à-vis the expected revenues. (Interviewed at the division headquarters in October 2007)

The findings thus revealed that the costs of collecting revenue under the bureaucratic system were not only high but the turnover was also occasionally lower than the money invested in the collection process. This was disclosed by the division finance officer saying that:

The revenues predicted were always high, but the real amount remitted was occasionally low. The money spent on fuel and allowances for spot-checks and making follow-ups on defaulters was regularly higher than the collected revenue. This accounted for the accumulating revenue arrears year after year under the traditional system. (Interviewed at Makindye division headquarters in November 2007)

The parish chief Luwafu used the example of the collection of graduated tax under the bureaucratic system to illustrate the extra costs involved in the traditional collection of revenue. He said that:

The costs of collecting graduated tax under the traditional system involved the costs of maintaining the collectors and the defaulters. The collectors and defaulters had to be transported from the field to the division cells especially in places distant from the division. In addition, allowances were given to the enforcement department for dealing with the defaulters, yet the turnover was never predictable. (Interviewed at the division headquarters in October 2007)

The above responses were corroborated with division's budget facts for the year 1998/1999 to confirm how costly the system was for the division. In Table 3, the division's revenue and expenditure budget 1999/2000 exposes some of the expenses the division covered on all the management and support staff services including the revenue collectors.

Table 3: The division's expenses on all the management and support staff services in the F/Y 1999/2000

Item	Estimates 1999/2000	Projection 2000/2001	2001/2002
Salaries	3,671,784	27,000,000	31,050,000
Housing allowance	4,320,000	-	-
Overtime	3,999,000	4,598,850	5,288,670
N.S.S.F. Contribution	367,178	2,700,000	3,105,000
Staff welfare	3,999,000	4,598,850	5,288,670
Break tea	1,500,000	1,725,000	1,983,750
Staff health costs	2,000,000	2,300,000	2,645,000
Transport allowance	3,790,800	-	-
Lunch allowance	6,336,000	-	-
Stationery	8,322,800	10,460,000	12,700,000
Hire of transport	1,000,000	1,000,000	1,500,000
Total	39,306,562	54,382,700	63,561,090

Source: Makindye division revenue and expenditure budget 2002/2003

Table 3 reveals some of the expenses of the division on the permanent and casual employees. The findings reveal that the division's estimates on management and support staff services in the F/Y 1999/2000 stood at 39,306,562 shillings. In the F/Y 2000/2001, the projections rose to 54,382,700 shillings, while in the F/Y 2001/2002 they rose to 63,561,090 shillings. It should however be noted that these expenses were increasing annually and they were not only for the revenue collectors, but that all the staff in the revenue collection department were entitled to such benefits. This meant that a change in the system of collection would relieve the division of these expenses.

From the above findings, it can be deduced that indeed, the traditional revenue collection system was costly. The administrative costs included remuneration for personnel, the acquisition and maintenance of the necessary equipment, and maintenance of defaulters in the cells. The costs on the personnel included salaries and wages, operation allowances and mileage for the senior revenue management officers among other benefits. This is in line with the observation of Webber and Wildavsky (1986) which maintains that historically, the bureaucratic system of revenue collection presented local governments with one major challenge of denying them the chance to save on costs of administration and collection because there was no room for shifting collection costs to the private individuals. Thus, in a bid to control this challenge, the MoLG (2003)'s hand book on local revenue mobilisation recommended all local governments to identify a method of revenue collection that effectively uses the available scarce resources to enhance tax administration in a manner that reduces costs of compliance and maximize the revenue collected. Thus, the need to privatize revenue collection in Makindye was aimed at reducing collection and management costs while at the same time increasing revenue performance in the division.

Additionally, the bureaucratic system was associated with poor monitoring, which encouraged high rates of evasion. Ideally, monitoring would ensure effective and efficient revenue collection processes, but this is what was lacking in the revenue collection process under the system according to the responses of 33.3 percent of the councillors in Table 2. Consequently, the system allowed the existence of all kinds of malpractices in revenue collection and management in Makindye division including under remitting, collusion between taxpayers and collectors, deliberate exemption of potential payers among other wrong practices. All the key informants (100 percent) attributed these practices to the ineffective monitoring of the system and they identified some of the causes of this weakness in the system. For example, the Senior Principal Town Clerk was of the same view with the KCC Town Clerk and commissioner in charge of local government inspections that:

Generally, the system lacked effective monitoring and evaluation mechanisms mainly due to the low level of motivation among the public revenue collectors. This was risky to the division as the collectors were bribed by the taxpayers to favour them at the expense of the division and there was no one to monitor such practices. (Interviewed at the division headquarters in November 2007)

This poor monitoring mechanism partly accounted for the under remittances by civil servants because they had all reasons to justify their poor results. This was because there was no office particularly responsible for proving the validity and reliability of their reports. No spot checks were carried out for this purpose and for this reason, the tax collectors remitted whatever they wished in addition to being relaxed towards their obligations as they were after all sure of getting their salaries.

This was further reported by one of the opinion leaders from Nsambya II parish who related poor monitoring to the laxity of civil servants. He observed that because civil servants did

not aim at targets set by their superiors, they had to monitor and evaluate themselves. This problem of poor monitoring affected a number of revenue portfolios in Makindye division and elsewhere. While the parish leader Makindye II noted that some portfolios were left to the mercy of the collectors and there were no questions or penalties relating to poor performance and malpractices by the civil servants.

On the other hand, the RDC looked at poor monitoring as a habit in the division during the traditional bureaucratic system. He observed that:

The problem of poor monitoring in revenue collection was habitual under the former system. None of the portfolios performed to the expectations of the division save for those in which special operations were organised to monitor the collection of revenue, which operations began in the later days of the system. (Interviewed at Makindye division RDC's in November 2007)

The Vice Chairman illustrated the problem of weak monitoring mechanisms with the recurrent poor performance in the portfolio in building plans in Makindye division. He noted that this was one of the portfolios that were not privatized, however, the public servants responsible for collecting this revenue reported that the whole division had received money from only 20 buildings in 2006. But, following an operation organised by the politicians in the division, the turnover from this portfolio almost tripled to 187 million shillings before the end of that very FY.

The area Member of Parliament and the Senior Principle Town Clerk attributed this problem to lack of the capacity to effectively handle monitoring of the revenue collection under the bureaucratic system since the system used civil servants committed to a diversity of tasks at the same time. He observed that:

The institutions responsible for revenue collection lacked the capacity to manage taxpayers and collectors adequately. Often the terms of operation had gaps in their provisions and

consequently the interests of the division were not well catered for. The capacity to monitor and supervise the collectors was also weak because the Town Clerks were not only responsible for revenue management but also the management of all the civil servants under their jurisdiction. (Interviewed at the division headquarters in October 2007)

The RDC, on the other hand, said that there was a big operation gap between the revenue collection monitors and the collectors, which hindered effective monitoring of revenue collection under the previous system. He noted that:

There was a big reporting hierarchy between the revenue collection administrators from the central finance department and collectors of revenue at the ground level under the previous revenue collection system. This kind of reporting was too far away from the ground for effective monitoring. The parish cashiers would keep cash at their disposal anytime from which heads of departments could borrow and it would take one year or so to find out such malpractices because of poor monitoring. (Interviewed at the RDC's office in October 2007)

All the above findings confirmed that in Makindye division, the traditional method of revenue collection was affected by poor monitoring methods, which resulted into poor collections. This lack of effective monitoring mechanisms instigated the occurrence of all forms of malpractices among the revenue collectors in Makindye division. This is confirmed by Azabou and Nuget (1988) who assert that private tax collectors are more effective in monitoring the collection process because they have a greater personal stake both in controlling collectors and ineffectively penalising under performers.

Thus, according to all the key informants, the division's revenue turnover declined year after year because of the poor monitoring systems. In particular, the national commissioner in charge of LG inspections revealed that:

The amount of revenue collected continued to decline especially towards the time revenue collection was privatized from 1997 – 2001/2002. In many Local Governments, the revenue turnover was declining year after year. (Interviewed at the MoLG in November 2007)

While at the district level, the KCC Town Clerk also observed that:

The amount of revenue was generally low as seen from the fact that all the five traditional divisions of Kampala were not financially independent. They depended on donor finances and conditional grants from the central government. Yet the adoption of decentralization was to ensure fiscal independence of all LGs. However, they did not because of under collection attributed to the weak collectors and tranquil supervisors. (Interviewed at City Hall in November 2007)

At the division level, the division finance officer also noted that:

Most of the portfolios registered lower revenues than budgeted for under the traditional system of revenue collection. The division's revenues were never predictable because it was just on rare occasions that the public tax collectors remitted the budgeted revenues. (Interviewed at the division headquarters in October 2007)

The above findings were confirmed by the information from the division documents. For example, the Makindye division budget reveals the actual revenues of the division for the FYs 1996/1997 – 2001/2002 as follows:

Table 4: The division's revenue turnover under the traditional system of revenue collection

Revenue Category	1996/97	1997/98	1998/99	1999/2000		2000/01		1001/02	
	Actual (000)	Actual (000)	Actual (000)	Budget (000)	Actual (000)	Budget (000)	Actual (000)	Budget (000)	Actual (000)
G.T.	123,491	198,651	352,508	420,000	346,109	604,000	325,254	328,000	152,558
Rates	9,355	101,286	175,254	560,000	274,086	560,000	383,655	520,000	97,676
Plans	-	24,667	31,651	40,000	36,556	52,000	44,767	45,000	60,584
Licences	49,301	110,618	114,900	150,000	174,418	210,000	195,581	285,000	125,892
Markets	9,866	15,371	10,982	23,538	16,537	18,040	38,412	35,000	11,395
Total	192,013	450,593	685,295	1,203,538	847,706	1,444,040	987,669	1,213,000	448,105

Source: Compiled from the Makindye division revenue and expenditure budget 2000/2001

The information in table 4 shows that the division's revenue under the bureaucratic system was never stable. In the FY 1996/1997 the division collected 192,013,000/= which was lower than the collection of the FY 1997/1998 where the division collected 450,593,000/=. The division also registered a revenue increase in the FY 1998/1999 where 685,295,000/= was collected. It should however be observed that available data did not reveal the budgeted amount from the FYs 1996/1997 to 1998/1999 and therefore limiting a logical annual analysis. However, in the FY 1999/2000, the division had budgeted to get 1,203,538,000/= but it collected 847,706,000/= representing a revenue collection performance of 70.4 percent. In the FY 2000/2001 the division had budgeted for 1,444,040,000/= and it collected 987,669,000/= representing a revenue collection performance of 68.3 percent, which was a decline compared to the 70.4 percent revenue turnover of the previous FY. In the FY 2001/2002, the division budgeted to collect 1,213,000,000/= but it collected 448,105,000/= representing a revenue collection performance of 36.9 percent and this was the last blow towards the bureaucratic system of revenue collection.

The findings from Table 4 indicate that the division's revenue turnover trend was declining towards 2001/2002 when the reform was recommended in Makindye division. The poor revenue performance of the division revealed the existence of a link between the weaknesses of the system and the revenue collection outturn. The weaknesses as disclosed by the study findings included corruption, inefficiency, poor monitoring and the high operation costs that directly affected the net revenue turnover annually.

These findings are in line with some ministerial documents. For example, the LGFC report (2000) revealed that local governments consistently faced a problem in meeting collection targets. As a result, the trend in local government revenue turnover declined especially from 1998 and 2001, where revenue performance declined in twenty seven districts, slightly increased in fifteen and remained static in five according to a ministerial research on local government revenue performance results, under the previous system of revenue collection. In such a situation, privatisation was assumed to offer a more reliable alternative. This position was in agreement with Ghura (1998)'s observation that, among the several reasons for the adoption of privatisation, state owned enterprises had generally posted disappointing performances and were notoriously inefficient and ineffective in financial management.

All in all, it can be argued that the weaknesses of the bureaucratic system of revenue collection including its susceptibility to corruption, poor monitoring and high operation costs necessitated the need to reform the system. Thus, there was generally a need to switch to a more reliable tax collection mechanism from the centrally-controlled bureaucratic system to partnering with the private sector in the collection of local revenue in Makindye division consequent upon its numerous advantages.

4.1.2 The merits of privatisation over the bureaucratic system of revenue collection

Following the persistent local government revenue collection challenges under the traditional system of revenue collection, an investigation for better practices in revenue mobilisation was set in motion as early as 1998. The investigation results recommended the adoption of a number of best practices in revenue collection among which was privatisation of this responsibility to private firms. Thus, according to the MoLG annual report (2003), the most effective way of collecting revenue was the adoption of public private sector partnerships. It emphasised that the private sector was more efficient and effective than the public sector in matters of financial mobilisation and management.

In Makindye division, the privatisation of revenue collection involved contracting out all the rights of collecting local revenue from different revenue portfolios to private firms. Thus, all the collectors of revenue under this system were supposed to be members of the contracted private firm. The private partner was responsible for the recruitment of employees, remuneration of the collection staff, and coordinating with the technical and administrative sections of the division for an effective performance. The role of the local government or division in this case was to monitor, supervise and coordinate between the taxpayers, private firm and the district finance department. This system was believed to be more effective and efficient in revenue mobilisation and management compared to the traditional system. Thus, in this section, the study sought to examine the advantages of the privatisation of revenue collection over the bureaucratic system and whether privatisation could provide a solution to the challenges of revenue collection that had cropped out as a result of the weaknesses in traditional system of revenue collection.

Thus, when asked whether privatisation had more observable advantages over the traditional system of revenue collection, all the key informants (100%) credited the new system for its

advantages over the traditional system and that it would provide a solution to many of the challenges of revenue collection that had emanated from the weaknesses of the traditional system of revenue collection. In particular, the commissioner in charge of inspections in the MoLG noted that:

Privatisation was generally more efficient and effective. The sector has a more dynamic, resilient, creative, innovative and vibrant approach to social responsibilities like revenue collection than the public sector approach. (Interviewed November 2007 at the MoLG headquarters)

The findings also credited the private revenue collectors for being more strict and for using more dedicated approaches towards monitoring revenue collection in order to maximize profits a practice that reduces revenue losses. This was revealed by the KCC Town Clerk who said:

Since the private sector is purely profit-oriented, it embraces competition among service providers; more efforts are directed towards efficient and effective performances so as to win public approval. While at the same time in a bid to ensure profitability, more strict measures are applied to control revenue losses. (Interviewed October 2007 at City Hall)

The above observation justifies the view that the system also provided tentative and long-term solutions to corruption and loss of revenue in uncoordinated malpractices like conniving between collectors and payers because the private firms owners and collectors were more committed. In this respect, the Senior Principle Town Clerk and the division Vice Chairman commended the system for promoting accountability in their observation that:

Privatisation helped to promote accountability not only for the revenues collected but also for poor performance. In case of under remitting, the division's administration and the department of the finance we obliged to query the reasons for such a performance, thus,

regularly the collectors are asked to account for the amount and performance (Interviewed November 2007 at the Division headquarters)

The public relations officer Transmedia Ltd further affirmed the relationship between privatisation and effective control of corruption and other related malpractices. He said that:

Even the individual collectors (employees) were held accountable for their performance because the loss they made had a direct impact on the company's commission at the end of the agreed period. Therefore, regular under performers and culprits of any malpractice had their services terminated. (Interviewed in October 2007 at Transmedia offices)

This level of strictness improves the operations of the private firms and the personnel they use to the benefit of the division. These findings can be confirmed with the findings from the parish, Opinion and zone leaders who also commended privatisation for its numerous advantages over the traditional system as they revealed them in Table 5.

Table 5: Advantages of privatisation over the bureaucratic system of revenue collection

Advantages	Opinion leaders	Zone leaders	Parish leaders	Total	%age
Effective accountability	3	4	3	10	41.6
Cheap to effect	2	3	3	8	33.3
Effective monitoring	1	2	3	6	25
Total	6	9	9	24	99.9

Source: Compiled from field data

It is, therefore, clear that the private system of revenue collection has more advantages than the public bureaucratic system. This was evidenced from the numerous advantages identified by the respondents. The results from the majority questionnaire respondents (41.6 percent) identified promotion of effective accountability as the main advantage of privatisation over

the bureaucratic systems of revenue collection. On the other hand however, 33.3 percent said that the system was cheap when compared to the bureaucratic system of revenue collection. 25 percent of respondents found effective monitoring as the key advantage of privatisation. Effective monitoring, as one of the challenges of the previous system of revenue collection ensures efficiency and effectiveness in operation. Elements of transparency, accountability, effectiveness and efficiency were believed to be the advantages of effective monitoring approaches in revenue mobilisation and management and in all social activities. In the same way, in Makindye division, effective monitoring was aimed at increasing the revenue collection yields that would be gradually seen in higher remittances to the realisation of 100% results in all the privatized portfolios. The results of 25% of the questionnaire respondents in Table 5 credited the private revenue collection system for promoting effective monitoring. This was further supported by findings from other respondents. For example the area Member of Parliament reported that:

Private revenue collection encourages effective monitoring due to the high level of self-motivation among individuals collectors to the advantage of the division. This saves the division the risk of some collectors conniving with the payers to favour the latter in anyway for personal gains.

Furthermore, the division finance officer looked at the role of private firms in revenue mobilisation as an added advantage of the system in checking poor performers, saying that:

Privatisation saved the division the challenges related to weak monitoring approaches. Effective monitoring and supervision was a great challenge in the traditional system of revenue collection that resulted into loss of revenue. Revenue was collected but out of the 100 million collected only 70 million would be banked in the KCC accounts. It could take one year or so to find out such poor performances, which cannot happen now due to effective monitoring. (Interviewed at the division headquarters in October 2007)

It is, therefore, clear from the findings that private revenue collection solved the problem of monitoring. The private system of revenue collection set up a procedural criterion which ensures that private contractors accomplish the set tasks. This reduced the impact of corruption and other malpractices in the collection of revenue in the division. Effective monitoring was of great importance to the division for balanced evaluation of the performance of the private partnership sector in this task. This is in line with the recommendations of the MoLG (2003) handbook on revenue mobilisation that there was need for regular reconciliation of all revenue receipts in the division and the demand notes issued as a way of monitoring the performance of the private firms and writing periodical operation reports for effective evaluation. The findings are further in agreement with Webber and Wildavsky (1986) that private tax collection presents weak governments with the opportunity to remedy corruption at collection points by offering superior monitoring mechanisms for effectively penalizing poor tax collectors. All the advantages as identified by the study results benefited the division because revenue yields increased.

The findings also showed that private revenue collection helps in saving some costs for the division. One of the challenges of the previous system of revenue collection was high administrative costs that resulted from the maintenance of permanent employees who were entitled to benefits in addition to the expenditure on equipment. In Table 5 however, 33.3 percent of the questionnaire respondents said that private revenue collection was cheaper compared to the bureaucratic method of revenue collection. The same view was held by some of the key informants. For example, the councillor Nsambya Railway noted that:

The use of private revenue collectors is cheap and cost effective because you do not have to pay salaries and what you get is more compared to what we used to get under the bureaucratic system because the operational costs are less because the system uses less personnel and equipment.

The vice chairman and senior principal Town Clerk also praised private revenue collection for being effective in saving the money that would otherwise be spent on personnel sustainability and equipment acquisition and maintenance. They noted that:

The private firms do provide all the necessary regular annual expenses on the welfare of the revenue collection staff, the training of the field officers, the rent for the premises, and employer terminal benefits. This saves all the division expenses in these fields and other requirements.

Thus, the findings above reveal that the privatisation of revenue collection was more cost effective compared to the traditional system. An analysis of the findings points to the fact that private partners were responsible for payment of the employees, and in most cases, they proved their abilities before the contracts committee by revealing the equipment and experience in the field of work. However, the division did not spend on all these under the private system. At the same time, since private collectors were profit oriented, they tried as much as possible to reduce unnecessary expenditures. The reduced costs of operation automatically increased the net revenue turnover because the operation costs were ignored. The findings are in line with Webber and Wildavsky (1986) who argued that the system is credited for its advantage of reducing operational and administrative costs that would otherwise be spent on revenue collectors and the whole collection process.

In the same trend, the findings revealed that privatisation of revenue collection promoted effective accountability for the collected revenue to curb corruption and to increase revenue turnover. According to the MoLG annual report (2003), under the traditional system of revenue collection, there was poor financial reporting with lack of standardization and consistency in reporting for a long time; delay or non-remission of revenues and non-accountability. This was revealed by 41.6 percent of the questionnaire respondents. The key informants held the view that privatisation promotes accountability. The respondents revealed

that accountability and transparency in the new system of revenue collection were a legal obligation of the private revenue collection firms. The Senior Principle Town Clerk to the division disclosed this in his observation that:

The division and the private revenue collection firms were encouraged to account for all the collected revenue to the KCC. They were encouraged to do so in order to ensure that all the funds collected as local revenue are protected from misuse and indeed, this controlled corruption and fraud at the collection points. (Interviewed at City Hall in November 2007).

In addition, the division finance officer observed that:

Under the current system with the recommendations of the World Bank, all local revenues and LGDP funds have to be publicly accounted for. It involves posting all received revenue on a public notice board in adoption to regularly reporting and presenting quarterly revenue reports for auditing so as to control corruption.

These findings are further in line with LGFC report (2000) that local governments are professionally duty bound to thoroughly understand and fully implement the Financial and Accounting Regulations. If these were adhered to carefully and strictly, then many aspects of monitoring, accountability and transparency would automatically follow, producing greater trust and as a result, improve revenue collection yields for the local governments.

Therefore, the study findings confirmed that in Makindye division, the privatisation of revenue collection was aimed at reaping from the benefits of privatisation including monitoring, accountability, efficiency and reduced costs of operation. All these benefits that lacked in the previous system of revenue collection accounted for the under remittances in the division especially by the civil servants. Thus, the new reforms dealt with all sorts of corruption under the traditional system of revenue collection, as it had been initially believed by the policy implementers. As noted earlier, the privatisation of revenue collection in Makindye division was a response to the recommendation for the adoption of a more

effective practice in revenue mobilisation. This was in line with the MoLG (2000) report that the privatisation of revenue collection in Makindye division was a result of the need to implement a better practice in revenue collection that would minimise the existing revenue collection mistakes and maximize revenue returns in local governments. The findings were also in agreement with Fjlestand and Tongodem (2003) that privatizing revenue collection improves accountability, effectiveness and efficiency. Thus, the enthusiasm for private tax collection in the policy debate in Makindye division was expected to improve efficiency and effectiveness in the collection of revenue.

In general, the results presented in this section revealed a number of advantages of the privatisation of revenue collection over the traditional bureaucratic system. The advantages revealed include, among others, reduction of collection costs, the promotion of accountability and transparency and effective monitoring. All these advantages of the system ensured effective and efficient revenue collection that would eventually result into increased revenue outturn in Makindye division after privatisation not forgetting other external factors playing a part as well.

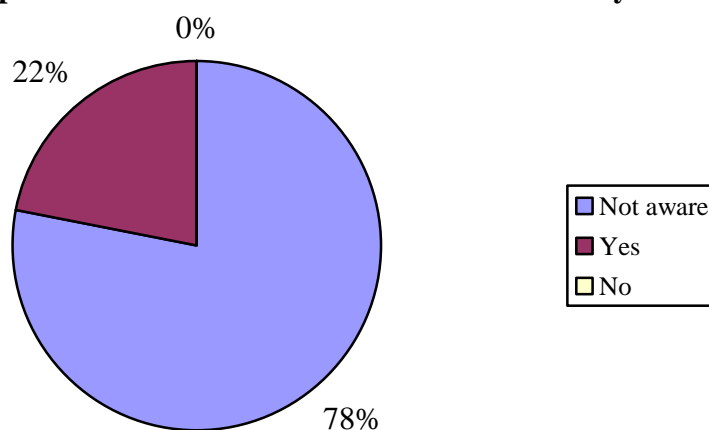
4.1.3 Donor pressure and the privatisation of revenue collection in Makindye

The link between privatisation and the donor community relates to the fact that privatisation as a form of decentralisation was recommended by the donors as a way of promoting fiscal effectiveness in LGs. The donor community is made up of developed countries and international agencies like the IMF and World Bank that offer financial assistance to developing countries. However, at times, this assistance has conditions attached in line with the interests of the donor. The conditions are strict and failure to follow any or if not all of them may limit the recipient's accessibility to the funds. Consequently, all developing countries are pressurized to fulfill these conditions in order to access funding. In the same

way, though Uganda is a politically sovereign state, it still succumbs to these conditions before accessing donor aid.

The link between decentralisation and donor interests presupposed a great relationship between the privatisation of revenue collection in LGs that access donor aid and the privatisation of revenue collection. These conditions are a catalyst to force the recipient countries to adhere to the recommendations of the donors. So, in one way or the other, the form of force or pressure in this context is referred to as donor pressure. In this section therefore, the study aimed at examining whether the donor community had influence in the privatisation of revenue collection in Makindye division and how this could have led to a policy reform. Thus, the councillors who participated in a focus group discussion held at the division headquarters were asked whether donor pressure had a hand in the privatisation of revenue collection in Makindye division and they responded as shown in Chart.

Chart 1: Councillor's opinions on whether donor pressure contributed to the privatization of revenue collection in Makindye division



Source: Compiled from field data

Chart I shows that 78 percent of the councillors said that indeed donor pressure contributed to the privatization of revenue collection in Makindye division. On the other hand however,

none of the councillors said that donor pressure did not contribute to the privatisation of revenue collection in Makindye division. 22 percent of councillors said they were not aware whether donor pressure contributed to the privatisation of revenue collection in Makindye division. Thus, going by the above statistics, majority of the councillors held the view that the privatisation of revenue collection in Makindye division was greatly due to donor pressure. This position was further supported by other key informants like, the commissioner in charge of local government inspections in the MoLG who revealed that:

Indeed, the privatisation of revenue collection in Makindye division and elsewhere in the country was instigated by the pressure from the donors as a condition for accessing aid for Local Government projects like LGDP from the World Bank and other agencies.
(Interviewed in November 2007 at the MoLG).

The Senior Principal Town Clerk also held the same perception. He noted that,

Donor pressure is in every area where donors have a hand. In Kampala district, they directed KCC to put in place a revenue collection mechanism that would enable the generation to set local revenue targets required for accessing aid and privatisation was the only option.
(Interviewed in November 2007 at the division headquarters)

The key informants attributed this proposal from the donors to the view that it would provide a solution to the challenges of LG fiscal inefficiency in the division. This was disclosed by the division Vice Chairman saying that, the reform got support from the donors because it provided practical solutions to poor local government revenue performances. This was directly in line with the objectives of decentralisation that aimed at ensuring fiscal efficiency in all LGs, since they could not generate enough revenue from local sources. It should be observed that decentralisation policy had been aimed at ensuring LG independence that could only be achieved through establishing a well structured and effective revenue source to facilitate independent service provision. At the same time, the revenue collection system

before privatisation had been proved ineffective owing to the under remittances occasionally registered in the division.

From the above findings, it can be argued that the donor pressure had a hand in the privatisation of revenue collection in Makindye division. The basis of this argument is related to the invaluable contribution of the donors to the implementation of a number of developmental programs in Makindye. Thus, the global attitude towards the privatisation form of decentralisation was driven by demands from the public, national reconstruction programs and donor agencies, especially in Africa (Opolot 2001). According to the MoLG first quarter report (2005), the donor communities fund more than 90 percent of most local government budgets through programs like Local Government Development Program and most of their grants are basically conditional. Donor pressure had an upper hand in the privatisation of revenue collection in Makindye because of the significance that they attached to the system. This observation is shared by Smoke (1993), when he notes that in the recent years, multilateral and bilateral donors have also been broadly supportive of initiatives in Africa and throughout the developing world. Many donors share common objectives of linking enhanced service and infrastructure provision to the promotion of decentralisation and fiscal efficiency. They have therefore linked their support to the decentralisation process and privatisation reform that match their institutional strength. The contribution of the conditions of the donors is also revealed by Hansen (1999), that beyond other concerns, the other primary impetus for decentralisation relates to the political conditional ties attached to aid by donors.

In a nutshell, it is true to argue that the privatisation of revenue collection in Makindye division was partly a result of the pressure from the donors as a means of improving the division's revenue performance just like it was in other LGs in the country. This was related

to the conditions that came along with the funds from the donors. It should however, be noted that by the time this donor recommendation was made, the division's revenue performance was so poor that it called for the need for a better collection alternative. Therefore, the recommendation of the donors came at a time when it was more required in the division.

4.2 How the privatisation of revenue collection was implemented in Makindye Division

4.2.1 Introduction

In this section, the researcher attempted to examine the ways in which the privatisation of revenue collection was implemented in Makindye division. The study was limited to the period the reform was implemented in the division; the different types of revenues privatized and the private firms involved. It also evaluated how private revenue collection firms were identified and the terms that governed that relationship. The study also established the mechanisms used to control tax defaulters as well as the challenges of the privatisation process. The MoLG annual report (2003) observes that the participation of private firms in the collection of revenue had been widely recognised as a good practice in effective revenue mobilisation. Consequently, throughout the country, the privatisation of revenue was recommended in 2001. However, the time of implementation varied from one local government to the other. Thus, in order to establish when the system was implemented in Makindye division, the key informants were asked when the private firms started participating in revenue collection in Makindye and all of them (100 percent) held that it was in 2003 though with different explanations. For example, the commissioner in charge of local government inspections agreed with the KCC Town Clerk's observation that:

On the contrary, however, the division finance officer mentioned the same period but differed from the KCC Town Clerk and the commissioner in regard to the reason for the privatisation of revenue collection in Makindye division. He noted that:

The privatisation of revenue collection in Makindye was copied from other parts of Kampala district where it had started before and spread like a wild bushfire. But in Makindye division, it was implemented in 2003 as copied from the other divisions where it had succeeded.

(Interviewed in October 2007 at the division headquarters)

This, therefore nullifies the view that the reform was initiated in the division in 2003 as a pilot project because according to the findings from the division finance officer, it had been implemented in other divisions of Kampala where it was copied by Makindye division. The above findings thus point to two significant deductions. Firstly, that the implementation of the policy reform in Makindye was done in 2003, but in other places, it had been implemented before since it had been recommended in 2001. Secondly, it points to the fact that the implementation of the reform was in stages and it was not an abrupt intervention. This position was in agreement with the secondary data, which indicate that the MoLG recommended the privatisation of revenue collection in 2001 but was fully implemented in 2003. This was echoed in the MoLG (2003) periodical report that all local governments that had not privatized revenue collection had to be encouraged to do so as soon as possible before the end of 2003. Thus, Makindye division was also implementing the same directive in 2003 as observed hereafter. This was attributed to the belief that there was effectiveness in the private sector in local government service delivery and in revenue mobilisation and management. Fjeldstad and Tungodden (2003) also agrees with this view saying that, privatisation of government services rapidly became a key feature in the management of revenues in developing countries in 2001, fully supported by the developed world. Thus, just like in some other local governments countrywide, the privatisation of revenue collection in Makindye division was implemented in 2003, as private firms gradually partnered with the division.

4.2.2 The private firms partnering with Makindye division in the collection of revenue

The MoLG civil society organisations and public/private sector partnerships hand book for higher local governments (2003) advised local governments to carefully select partners from the private sector with a well established moral and financial background for an effective public-private sector partnership in the provision of local governments services. The main objective behind this recommendation was to ensure that only firms with a better performance record were identified to compliment the public sector in this task. However, due to the diversity of revenue portfolios in Makindye division, different portfolios were privatized to different firms at different times. This section aims at establishing the different private firms partnering with Makindye division in the collection of revenue as well as the privatized revenue portfolios. In order to establish the privatized portfolios and the private firms involved in the process, the councillors who participated in the focus group discussion held at the division headquarters were asked about the different privatized revenue portfolios and the private firms partnering with Makindye division in the collection of revenue.

The councillors identified four privatized portfolios in Makindye division. These included the collection of trading licence which was privatized to RUSERU Enterprises Limited, the collection of taxi park revenues to Uganda Taxi Operators and Drivers' Association (UTODA), the privatisation of property tax to Transmedia Uganda, the collection of *Bodaboda* fees to KOBOKA Uganda Limited.

The key informants, including the commissioner in charge of LG inspections to MoLG's observation agreed with that of the area Member of Parliament in confirmation of these findings by saying:

Following the directive from higher authorities and the guidance by the technocrats, the division had to form partnerships with different firms because the portfolios were many. But

in Makindye, there is RUSERU Enterprises for licences and Transmedia Limited for property rates as the most serious revenue collection firms. (Interviewed at the MoLG in November 2007)

The division Vice Chairman gave a relatively more current version of the situation in line with the privatized portfolios and the private firms currently complimenting the division in the collection of local revenue saying that:

Currently the division has only three privatized portfolios; of property rates privatized to Transmedia Uganda Limited; tax parking privatized to UTODA, and trading licenses privatized to RUSERU Enterprises. While KOBOKA no longer exists because of the ban on the collection of such taxes. (Interviewed in October 2007 at the division headquarters)

The Senior Principle Town Clerk and the division finance officer gave the background of the privatisation process in the collection of revenue in the division explaining why some of the firms identified by the councillors were not commonly referred to by some of the key informants. He reported that:

The privatisation of tax collection in Makindye initially involved in the collection of property rates to Transmedia, trading licenses to RUSERU Enterprises, public phone tax, Bodaboda tax to KOBOKA Limited, vehicle parking to UTODA and so many markets were privatized to different firms. But some of them like Bodaboda tax and market dues were stopped following the presidential campaign in 2001. (Interviewed in October 2007 at the division headquarters)

One of the taxpayers from Juuko Zone also noted that the collection of trading licences was done by RUSERU Limited, but was not aware of the other companies. He however, noted that it was hard to identify the collectors by company because they introduced themselves as

KCC officials and even the receipts given were from KCC. You can only know them when you ask.

This was further affirmed by a citizen from Mubarak Zone who said that:

I personally know that it is KCC that is responsible for the collection of taxes in the whole district. Even the collectors at the division level represent KCC, I have not heard of any private firm collecting revenue on behalf of the division or KCC.

Basing on the above findings, it can be deduced that the collection of revenue in Makindye division was indeed privatized to a number of private firms though not well known to the lay people and some technical people. In the same way, the findings disclose a number of facts about revenue collection in the division. On one hand, the findings revealed that not all the portfolios were privatized but only the areas of trading license, ground rent and tax parks were seriously affected while others like building plans, bill boards were still in the hands of the public collectors. On the other hand, the findings point to the fact that the privatisation of revenue collection in the division was effected gradually with one portfolio privatized at a time. This therefore suggests that other portfolios were yet to be privatized. These findings corroborated with some division documents. For example, information from the 2002/2003 – 2005/2006 division development plan revealed that the inception of the privatisation of revenue collection in Makindye division was initially adopted with the award of the rates collection contract to M/s Transmedia Uganda and later that of trading licenses to M/s RUSERU Ltd. followed by others like *Boda Boda* and public phones, yet others were awaiting approval from the council to be privatized. Apparently, this was due to the persistent poor revenue performance in the division that precipitated the need to forge and promote a strong, efficient, effective, sustainable, dynamic and vibrant revenue collection method that climaxed in the adoption of the use of the private sector initially in form of

partnerships. This is in line with the Azabou Nuget's (1988) observation that the private sector is advantageous in the collection of revenue and provision of related services because of the efficiency and effectiveness it plants in the collectors and administrators.

In a nutshell, the results provided ample evidence that Makindye division had partnered with private firms to improve on revenue mobilisation in the division. This was done with a number of partners corresponding to the number of the privatized portfolios in the division.

4.2.3 The process of identifying rightful partners in the collection of revenue in Makindye

In this section, the study sought to find out how private firms that partner with the division in the collection of revenue were identified in Makindye. The privatisation of revenue collection supposedly follows the tendering and contracting principles embedded in the Public Procurement and Disposal of Public Assets act (PPDPA) (2003). Among the many guidelines therein are those related to the promotion of clarity and transparency in the contracting system. The PPDPA (2003) gives all such powers to the District Contracts Committees and the evaluation committee. This was aimed at putting in place an appropriate tendering and contracting system that would eliminate the inefficiencies that existed in the previous system of revenue collection. The Public Procurement and Disposal of Public assets Act (2003) (17) established a Contracts Committee responsible for approving the work of the evaluation committee and contracts documents as well as awarding contracts.

In order to establish the criteria used in this task, the key informants were asked as to how private firms that were contracted by the division in revenue collection were identified. All of them (100 percent) said that it was done through a contracting and tendering process. They said that the regulations followed were national though with varying views about how Makindye division did it. For example, the Town Clerk KCC lamented that:

Rightful firms are identified through public bidding and it begins with advertising the available opportunities through a public newspaper or national radio. In this system, when the need arises for a service like collection of revenue, the contracts committee advertises the available opportunities and all firms are given fair ground to compete, which enables the contracts committee to have a variety of service providers from which to choose. (Interviewed in November 2007 at City Hall)

The commissioner in charge of LG inspections in the MoLG confirmed the centrality of the Contracts Committee in the contracting process and relevance of the regulations as necessities for qualifications. He revealed this in the description of the process of privatisation saying that:

The process begins with the technical committee identifying a need for service. Then a report is sent to the Contracts Committee, which advertises the bids to the general public, but obviously with regulation and detailed descriptions of the qualifications required. However the District Contracts Committee reserves all the powers to award a tender to any firm that meets the requirements or not without questions. (Interviewed in November 2007 at the MoLG)

In conformity with the above findings when asked how their firm had got this responsibility, the public relations' officer Transmedia Uganda Ltd. reported that:

Kampala District Contracts Committee advertised in Newspapers for firms, which were able to collect property rates. Transmedia applied and we emerged as the highest bidder in 2003 and we were awarded a contract of collecting property rates for three years. (Interviewed at Transmedia offices in October 2007)

The Senior Principle Town Clerk confirmed this as part of the regulations contained in the PPDPA (2003). He observed that the process was legally based on regulations that guided contracting services in Uganda. His argument was in agreement with that of the councillor

for Lukuli on the significance of the regulations that were made known to the contractors ahead of time to avoid falsifications and other mistakes. He said that:

Firms interested in serving the division are served with a set of (requirements) regulations contained in the tender document. It includes instructions to the contractors, the form of contract, conditions of the contract, specifications and any other relevant information.

(Interviewed in October 2007 at the division headquarters)

The findings therefore showed that, principally the privatisation of revenue collection was supposed to follow a well-established framework in awarding contracts. The framework was guided by legal principles embedded in the LGA 1997, the PPDPA 2003 and 2006 among other guiding documents. The essence of these mechanisms was to significantly change the process of revenue collection as compared to the bureaucratic system and to ensure effectiveness and efficiency through all management level. The results of the study also showed that contracting of revenue collection was ideally done at the district in line with the LGA 1997 where the District Contracts Committee did contracting of services. The findings also agree with the PPDPA Acts (2003) that bidding, evaluation and awarding of contracts was done in favour of the highest bidder.

It should, however, be pointed out that although contracting revenue collection under privatisation was legally guided by legal documents, it still suffered some setbacks. In Makindye division, although the awarding of contracts was supposed to go through open national bidding, which according to regulation 36 of the PPDPA (2006) called for open bidding done through public advertisement in at least a national newspapers, some contracts were allegedly not awarded through the same process. For example, the vice chairman illustrated this with the contract awarded to UTODA saying that:

The contract awarded to UTODA, has never been publicly re-advertised yet the firm continued to operate despite the irregularities in operations. There was therefore no public

awareness in the contracts awarded to UTODA against the prescriptions of the law.

(Interviewed at the division headquarters in October, 2007)

Another scenario was revealed in a focus group discussion held with the councillor at the division headquarters, where the councillor Makindye II reported that:

M/s RUSERU Enterprises whose contract expired in 2006 December on top of having exhibited poor performance through abusing the local government regulations that required all private collectors of LG revenue to deposit it in KCC's account had its contract extended without public advertisement, which is against the law. (Interviewed at the division headquarters in October 2007)

The key informants however attributed such unethical and unlawful acts to the limited powers of the division in the contracting process only being limited to advising the Contracts Committee. According to the laws as embedded in the PPDPA 2003, all powers over the contractors were in the District Contracts Committee. Yet, the divisions of Kampala were not yet granted municipal council status to have their own Contracts Committees to help them handle such cases. This was further confirmed by the division finance officer thus:

The law provides for the independent powers of the District Contracts Committee and this holds the final decision in effecting privatisation at the district and lower levels. They are slow at acting even when the division expresses dissatisfaction over the performance of the contractors. The division has no powers over the private firms at all apart from fault finding recommending penalties to the Contracts Committee. All these setbacks limit the effectiveness of the reform of privatisation of revenue collection. (Interviewed in October 2007 at the division headquarters)

It can be deduced that the findings above revealed several facts about the process of privatisation in Makindye and other local governments in Uganda. In the first place, it points to the fact that the identification of rightful firms in the collection of revenue in Makindye

division was guided by the PPDPA (2003) and contracting was done at the district as observed by the LGA (1997). However, despite the existence of standard regulations, a number of setbacks hindered the effective utilisation and application of these laws, which in turn deterred transparency.

4.2.4 The process of improving transparency in revenue collection under privatisation

In this section, an attempt was made to examine how privatisation under contracting revenue collection ensured transparency in the revenue collection process. The study was limited to corruption, administrative efficiency and monitoring which were weaknesses of the bureaucratic system of revenue collection. The main objective of contracting of revenue collection was to ensure effective revenue performance through clear and objective contracting processes. Thus, in this section, the researcher presents findings on how transparency was promoted under the new revenue collection system. In order to establish the required information, the councillors who attended a focus group discussion held at the division offices were asked of what had been done and they identified the methods in Table 6 below as the ones applied by the concerned bodies to ensure clarity and to control irregularities in the collection system.

Table 6: The methods used to ensure clarity and efficiency in the contracting system

Strategy	Frequency	Percentage
Setting strict regulations	4	44.4
Strict coordination with the Contract Committee	3	33.3
Presetting the price to be remitted	2	22.2
Total	9	99.9

Source: Compiled from field data

The results in table 6 reveal some of the strategies set forth to ensure that transparency was followed in the contracting process. Majority of the councillors (44.4 percent) said that the division, KCC and the MoLG set strict regulations to guide the contracting system and the operations of the contractors. These were followed in number by 33.3 percent of the councillors who said that transparency in contracting was ensured through proper coordination between the division and the District Contracts Committee. On the other hand, 22.2 percent said transparency was ensured through presetting the price to be remitted regularly to the treasury by the contractors.

The other key informants further confirmed the focus group discussion results. In particular all the key informants (100%) said that in order to ensure transparency in revenue collection, the division, KCC, and the central government through the legislature and the MoLG sets strict regulations to control any malpractices. These regulations were accompanied with corresponding penalties for the culprits. The intention was to limit unlawful operations among the private revenue collectors, the contracts committee members, and the others involved in the contracting system. This was because of the vulnerability of the exercise to such practices as corruption and many others. This was revealed by the commissioner in charge of inspections MoLG that:

The process of tendering and contracting was one of the sensitive processes that would induce corruption and other evil practices if it was not seriously protected by the law. However, several restrictions and regulations are put in place to guide and protect governments' interest. (Interviewed in November 2007 at the MoLG)

The KCC Town Clerk also stressed the existence of these regulations contained in the public procurement and disposal of the public assets drafted in 2003 and 2006 and all the other legal documents including the LGA (1997). The regulations were strict and they prescribe the

responsible departments and the penalties for abuse of the regulations. The essence of the regulations was to ensure fairness, to curb corruption tendencies and to ensure transparency in the contracting system. They also served as a yardstick for regulating private partners.

Pointing to the relevance of the regulations, the division secretary in charge of women affairs and councillor Kibuye illustrated what the division had found out following the guidelines and regulations governing the use of private contractors in the collection of revenue. She noted that:

The division had identified a number of loop holes in the operations of M/s RUSERU Limited but it was denied a chance to terminate the services of the contractor. Following the guidelines, the division found out that the contractor was depositing the division's collected revenue on the company's accounts other than depositing it on the KCC account. The division was awaiting the district contracts committee to respond to the complaint. (Interviewed at the division headquarters in October 2007)

It was these guidelines, which were now known to all councillors that helped the division to find out such evil practice in the collection of revenue. The evil practice as revealed in the councillor's illustration reveal one of the ways through which the division lost its revenue under the previous system of revenue collection. Thus, the regulations played a big role for the division in controlling problems.

A simple deduction from the findings is that the regulations were serious and adhered to even where there was a loss to either party. Ideally, these guided the operations of the private firms and if fairly followed, they promoted effectiveness and efficiency in revenue collection. This was in line with the Fjeldstad and Tungodden (2003) argument that privatisation of government services was rapidly becoming a key feature in the management of revenues in developing countries. Thus, the present enthusiasm for private tax collection was echoed as

increasing efficiency and effectiveness in local revenue mobilisation. However, in Makindye division, some firms abused them which increased chances of revenue losses by the division. Sticking to the regulations meant that some evil practices were blocked, anyhow.

However, the findings also revealed that transparency in the contracting process was ensured through strict coordination between the division and the contracts committee. This was revealed by 33.3% of the councillors. Strict coordination between the division and other controlling offices ensured that all unethical practices were reported for reactions. This was to the effect that effective communication and reporting about the activities of the private collectors kept the contracts committee aware of whatever transpired in the process. The councillors revealed that the division was in constant contact with KCC and the contracts committee in controlling the works of the private contractors. Because the contracts committee was the sole body with terminating powers of the contractors' services, effective coordination was ensured. This was disclosed by the DFO thus:

The division ensured that KCC and the contracts committee were regularly informed about the operations of the private firms they sent to work in the divisions. This was because the contractors were accountable to the division but only regulated by the contracts committee. So, we wrote periodical reports to KCC about anything that transpired in the collection process. (Interviewed in October at the division headquarters)

The division chairman noted that this was made possible by the regular operations carried out by the division in supervising the activities of the private firms and reporting to the district thereafter for it to take remedial measures. The division finance officer confirmed this by saying:

The division normally carries out spot checks and other operations in the field to find out more about the operations of the revenue collectors and we normally write to KCC and the contracts committee about their operations. At times, they respond immediately though most

of the time it takes a longer period of time to respond but we notify them of any irregular practices or credits given to the firms. (Interviewed in October at the division headquarters)

However, the effectiveness of the coordination was doubted by some of the respondents. For example, one of the opinion leaders who doubted the effectiveness of the contracts committee and the division officials in handling the private firms reported that on several occasions, the division officials have been reporting cases to KCC and the contracts committee, but he had not heard of any action taken against the private collectors. This was either due to poor coordination or the ineffectiveness of KCC and the contracts committee; otherwise they would be taking regular actions against the ineffective collectors.

Similarly, one of the dissatisfied taxpayers from Madirisa Zone agreed with the opinion leader saying that the regulations only applied to the taxpayers but nothing regulated the operations of the collectors of revenue. He sighted regular complaints over the mistreatment of the taxpayers by the tax collectors who have never been disciplined by the division, KCC or the contracts committee. This, however, put questions to the effectiveness of the mechanism of coordination in Makindye.

The findings also revealed the mechanism of presetting the amount of revenue to be remitted to ensure transparency in revenue collection. In this process, an independent evaluation committee does the evaluation and it fixed the amount expected from a particular portfolio. A price was then preset for the contractors such that even before the collection began, the expected amount was known and given to the contractor as a collection target. It also served as a basis for monitoring and evaluating the performance of the private firm. It also determined the minimum and maximum commission to be earned by the contracted firms.

The key informants further confirmed this. For example, the area Member of Parliament emphasised the same thing saying that:

Normally if it was tax, the evaluation committee was sent to the field to carry out valuation and assessment. This was also called tax assessment. After valuing and listing all the potential sources of revenue, an average figure was set and put in the contract that would be signed by the private collector. This was aimed at revealing to the collector the awareness of the potential of the sources of revenue and it was very effective for accountability purposes.

(Interviewed in November at his division office)

The Senior Principle Town Clerk also identified the significance of the reserve price as being a basis for evaluating the performance of the collector and a foundation for arguments concerning over or under performance. Minus such a price, the monitors had no basis of evaluation and assessing the progress of tax collectors. The division finance officer supported the above idea saying that the preset price was very effective in taming misreporting by the private firms. He added that:

Aware that they were supposed to remit a fixed amount of money at the end of a certain period, the private collectors worked hard to meet the requirements. However, if you did not set it for them and you let them remit whatever they collected, they would take it for granted that they had to remit anything and you opened chances to all sorts of excuses. So it was a tool against under collection. (Interviewed in November at the district

headquarters)

All the above efforts were intended to promote transparency, fairness and effective revenue collection performance. This was seen from the efforts made to ensure clarity and transparency, which was key for effective performance as identified above. As a result of effective revenue collection monitoring through all the aforementioned tools, the division's revenue turnover was increased.

However, the effective implementation of the privatization process has according to all the key informants (100 percent), been met with a number of challenges. For example, the representatives of the private revenue collection firms visited complained of the poor and outdated records used in tax assessment and valuation. In particular for example, the head of field operations Transmedia Uganda limited observed that:

The data available about the potential taxpayers is out date. This has had a direct impact on the evaluation resulting into either over or under valuation, both of which are blamed on us and we are considered ineffective or cheats because of outdated data. (Interviewed in October, 2007 at the Transmedia offices)

The operations' manager Transmedia affirmed the above observation with an example of some 150 demolished premises in the former Nsambya estate where the American Embassy is, which were still on lists of payers and the money was annually budgeted for. As a result, the expectations of the division were kept high yet the actual revenue was lower than these expectations.

Additionally, the division finance officer observed that:

The lists were not regularly updated; they contained many names of firms that were no longer in existence while the eligible payers were left out of the lists. Some of the premises, which were previously residential now served as hotels or private schools, but lists still identified them as residential. This accounts for the recurrent under remitting but despite the complaints, the valuers and assessors did nothing about it. (Interviewed in October, 2007 at the Transmedia offices)

As a consequence of the use of wrong data, the private firms were held responsible for under remitting because they occasionally failed to meet the target computed basing on outdated data. At the same time, this gave them opportunity to manipulate the division's technical

section because, they alone had reliable information about the taxpayers. The findings were further supported by the Local Government Finance Commission (2000) where it was reported that; minimal effort had been made by local governments to correct and update data on various revenue sources in their jurisdictions. Consequently, local governments had no reasonable estimates of the potential income that could be obtained from the different sources and were earning far less than what was due from the source.

Furthermore, the private revenue collection firms (100 percent) identified the challenges of lack of sufficient funds to facilitate the collection of revenue. This was further supported by other key informants, like the senior Principal Town Clerk who observed that:

Some of the private firms were poorly funded; they only operated on expectations from the 10% commission they are supposed to get out of the total collection. As a result, they were unable to acquire facilities necessary for effective performance. For example, they needed strong cars to enable them supervise and reach payers in every part of the division. (Interviewed in November, 2007 at the division Headquarters)

The commissioner in charge of inspection MoLG supported the argument by saying:

Due to corruption and other malpractices in some local governments, some firms get contracts through back doors as a result of unrealistic factors before examining their financial potentials and these promote misdirection of funds especially by their unmotivated field officers. (Interviewed in November, 2007 at the MoLG)

It can, therefore, be deduced that private revenue collection was not free of challenges especially those related to finances despite the fact that it had to do work and that it controlled revenues in the division. This deduction can be based on the fact that majority of the respondents held the view that private tax collection was affected by this problem. The results were also supported by some of the divisions' documents such as KCC, Makindye

Division Council Three-year Development Plan 2004/2005-2006/2007, which was reported that, implementation of the 2002/05 Development proposal was constrained by the failure to realize the projected budget, where of the 3.8 billion anticipated, only 1.159 billion had been collected by march 2004. The findings are however, contradicting Kiser E, Baker K. (1994) who observed that private tax collection helped poor governments to save some funds as most of them were to be met by the private firms.

In conclusion, the above results reveal the fact that there was a problem with the funding of the collectors. The problem of poor facilitation originated from the fact that the contracts committee mainly considered the best technical and financial proposal. However, these did not normally reveal the true financial status of the firms. This was normally the source of conflicts between the technical evaluation committee and the contracts committee over who should take the tender. A certain impact of the private revenue was achieved in the consequence, however.

4.3 The impact of privatization on revenue collection in Makindye division

This section examines the impact of privatization on revenue collection in Makindye division. The analysis was based on the view that proper tendering and contracting of revenue collection improves LGs' revenue performance to create fiscal efficiency. This improvement in LG revenue performance would then increase the division's revenue turnover through an effective control of all the revenue collection malpractices of the previous system. Thus, in order to examine the impact of privatization, the study examined its effectiveness in controlling the weaknesses of the weaknesses of the former system of revenue collection. It also compared the division's revenue turn over before and after the reform for a logical assessment.

As revealed in section 4.1, one of the reasons for the privatization of revenue collection in Makindye division was the need to control the irregularities that existed in the traditional system of revenue collection. This was also revealed in a statement from the MoLG Handbook on LG Revenue Mobilization (2003), that, almost all local governments privatized the collection of revenue with the aim of increasing efficiency and revenue yields as well as curbing all possible opportunities for bribes. The irregularities referred to in this statement included among others; tax evasion, corruption, and high operational costs. Therefore, in order to establish the impact of privatization, the study investigated its effectiveness in controlling these challenges and in the process, the questionnaire respondents were asked whether the reform had provided a solution to these challenges that characterized revenue collection before the reform and all of them (100 percent) acknowledged the impact of the reform on some of these challenges.

In particular, one of the challenges of the traditional system of revenue collection was tax evasion. It involved playing a variety of tricks in order to avoid paying taxes. The weakness had a strong link with corruption in which the collectors would facilitate the evasion of taxes. Consequently, the division regularly lost revenue because potential payers would evade paying taxes resulting into recurrent under remittances. Thus, the privatization of revenue collection in Makindye division was aimed at creating a mechanism that would effectively control tax evasion. In order to find out whether the reform had effectively curbed tax evasion, the opinion, zone and parish leaders were asked of their view and they responded as shown in table 8 below.

Table 7: The views of opinion, zone and parish leaders on privatization and the control of tax evasion

Response	Parish leaders	Zone leaders	Opinion leaders	Total	Percentage
Yes	4	4	3	11	45.8
No	4	3	3	10	41.6
Not aware	1	2	0	3	12.5
Total	9	9	6	24	99.9

Source: Compiled from field data

It is clear from the findings in table 8 that the privatization of revenue has had an impact on tax evasion. According to the findings, majority of the respondents (45.8 percent) said that the reform had reduced tax evasion. On the contrary however, 41.6 percent of them said that the reform had not reduced tax evasion, while 12.5 percent of them were not aware of the impact of privatization on tax evasion. The results in table 8 indeed revealed an observable impact of the reform on revenue collection in Makindye division.

This position was also held by some of the key informants like the KCC Town Clerk who noted that:

Private firms have been successful in most of the divisions of Kampala in dealing with tax evaders. Though tax evasion still exists, at least it is minimal compared to how it was. I think the strategy has been effective. (Interviewed in November 2007 at City Hall)

In the same way, the area RDC observed that the privatized system of revenue collection left no room for such practices because it was more strict than traditional system of revenue collection.

He reiterates that:

Under the new system, it is hard to think of such practices because the private firms and collectors are strict. Both the payers that existed during the old system and the collectors are aware of the amount they are expecting from the payers in a given period, so tax evades are not safe at all. (Interviewed in October at the RDC's offices).

The same position was held by one of the tax payers the researcher interacted with in Nakinyuguzi zone who had this to say:

At least one will credit the current system of revenue collection in line with controlling tax evasion. Considering the different tricks applied by the collectors under the new system of revenue collection, majority of the payers have no way out but to meet their tax obligations. (Interviewed at RDC's offices in the Division, in October 2007)

Clear evidence concerning the effectiveness of the reform in controlling tax evasion, was observed from the portfolio of trading licenses. Accordingly, one of the observations made by the researcher was that most of the shops in the visited business areas like Kabalagala, Kibuye, Nsambya among others was that most of the shops had trading licenses hanged high up on the walls though there was no opportunity to check the FYs and the validity of the hanged licenses.

The division finance officer also concurred with the other respondents basing his evidence on the impact of privatization on the revenue returns from the privatized portfolios from the time the reform was affected in the division. He reported that:

The impact of privatization could be witnessed by a relative increase in the current turnover from the privatized portfolios vis-à-vis the others. This indeed points to many things but it also reveals that there was no room for revenue losses in such practices as tax evasion and others. (Interviewed at Division Headquarters, in October 2007).

This increment in the division's revenue turnover was further confirmed by the information gathered from the Division's Three-year Development Plan (2006/07-2008/09) with specific reference to property rates. It was that the collection of property rates was privatized to M/S Transmedia (U) Limited in the FY 2003/2004. There was a great improvement in the collections from this source leading to an increase from 250 million in 2001/2002 to 703 millions in the 2003/2004.

Apparently, this positive contribution of privatization was attributed to a number of reasons. The representatives of the private revenue collection firms revealed this in response to a question that sought information on the reasons for the current revenue performance trends as shown in Table 9.

Table 8: The reasons for the current revenue performance in Makindye Division

Reasons	Frequency	Percentage
Use of cost saving methods of revenue collection	4	50
Holding collectors accountable for their performance	2	25
Effective monitoring by the firm and the division	2	25
Total	8	100

Source: Compiled from field data

In Table 9, majority of the private revenue collection from representatives (50 percent) attributed this effectiveness to the reduction in collection costs. On the other hand, 25 percent of them credited it to accountability. In the same way, the same number of

respondents (25 percent) attributed the impact to effective monitoring. This response was further revealed through the individual observations of the representatives of the private firms. For example, according to the public relations officer M/S RUSERU enterprises;

The relative increase in the amount of revenue collected is partly a result of the use of cost effective strategies. For example, we employ few but effective collectors who at the same time require few equipments. The amounts we save on collection costs automatically increase the yields.

(Interviewed at RUSERU offices in October 2007).

The senior field supervisor M/S Transmedia Uganda Limited concurred with the above observation by saying that:

Indeed, most of the revenue that was collected under the previous system of revenue collection was lost in operation costs. Out of the 100 million collected, 50 million would be spent on collection costs and salaries. So, we try to reduce the costs of operation and the saved amount increases on the amount remitted. (Interviewed at Transmedia in October 2007 after the FGD).

According to the result, it can be observed that the reform reduced the costs of revenue collection in Makindye division. It should be noted that one of the challenges of the previous system of revenue collection had been the high cost of operation involving expenditures on remuneration and service provision, allowances and other benefits to the big numbers of the collection staff. Thus, when the private firms reduced expenses, the collections increased. This had been one of recommendations of the MoLG (2003) report that local governments adopt methods that facilitated the generation and mobilization of high revenues while at the same time using the available scarce resources. The solution to this problem was sought in the privatization of revenue collection in the division because it was cheaper than the traditional system. This comparative advantage of privatization versus the traditional system

is shared by Webber and Wildavsky, (1986) that private revenue collection was credited for its direct advantages of reducing operation and administrative costs. Indeed, the private firms employed less man-power hence reducing the costs of operation. It is therefore imperative to credit the privatization of revenue in the division. Traditionally, the law of incomes vis-à-vis expenditure dictates that less cost on increased revenue result into increased savings at the end of the operation as it was in Makindye after the privatization of revenue collection. This impact of the reform was to the advantage of the division.

On the other hand, 25 percent of the representatives of private firms attributed the impact of the reform to effective accountability. One of the reasons behind the division's poor revenue performance under the traditional system was ineffective accountability. There was no accountability for both the collected revenue and the operations of the collectors. However, with privatization, the private firms held individual collectors accountable for their performance at work. This was aimed at both protecting the collected revenue from being mismanaged and curbing individual under performance as it was before. Under individual accountability, the collectors were tasked to account for their performance on a regular basis and consistently the collectors were encouraged to account for any cases of increasing arrears. This eventually improved the performance of individual collectors further stressed this. For example, the chairman Gaba Trading Centre who also collects operation dues from the market and the landing site noted that:

Here, all collectors are held accountable for what they collected and remit. At the end the day, under collectors were advised to look for other things to do because this money was not needed by the division but also for the running of the market. (Interviewed at Gaba landing site management offices IN October 2007).

The field supervisor RUSERU enterprises also stressed that:

Our firms were held accountable for their performances because our commission was determined by the amount we remitted. We therefore also have to hold our officers accountable for their performance. There was no essence in paying an under performer at a loss. So, if they under remit, they expect under payment at the end of the day. (Interviewed at RUSERU offices in October 2007 after the FCD)

The above results, therefore, attribute the positive impact of the reform to effective individual and institutional accountability. This accountability helped in promoting transparency and efficiency in revenue collection. This was because under the new arrangement, the collectors had to account for their performance forcing them to work harder than before and the institutional accountability itself helped to control the misuse of the collected revenue for personal gains. The laxity that existed among the civil servants under the traditional system of revenue collection had increased revenue losses in the division. However, after the implementation of the reform, private employees were forced to work harder as witnessed from the returns because of the effectiveness and efficiency, which had been promoted in the process. The effectiveness of privatization in encouraging hard work was also disclosed by Azabou and Nugent (1988) in their argument that, private firms have a greater personal stake in controlling collectors and were very effective in penalizing under performers. This eventually increased revenue out turn per privatized portfolio and the increase in the division's revenue turnover in the FY 2003/2004 to 90.2 percent from 37 percent in the FY 2001/2002 before privatization (Makindye Three year development role 2003/004-2006/07).

25 percent of the representatives of the private firms attributed the positive impact of the contracting process to effective monitoring by the private firms and the division. As noted earlier, poor monitoring regularly resulted into revenue losses in corruption and misuse of the collected revenue. However, according to the representatives of the private firms, the reform

promoted both internal and external monitoring and reporting. The private firms carried out internal monitoring, while at the same time the division and the MoLG carried out external monitoring to counter check the effectiveness of the operators. This was further supported by the division vice chairman's observation that:

In terms of monitoring, the division regularly carried out spot-checks on the operations of the private firms. Our teams regularly went to the field to ask licenses and revenue receipts and through this mechanism, we were able to find some of the firms that had been deliberately left out by some collectors and other defaulters then were able to recover that money. (Interviewed at the division HQTs in October 2007).

Supporting the same view, the division finance officer reported one of cases in which the private collectors were guilty of some unlawful practices, which were later discovered. He noted that:

Through monitoring, the division was able to investigate and discover facts that RUSERU enterprises was using a private account for keeping the division's revenue. In the same way, spot-checks helped the division to recover 80 million from plans and buildings in 2003 which portfolio had dropped to 4 million annually. (Interviewed at the division Headquarters in October 2007).

The significance of monitoring was further recommended as an effective tool in revenue collection in the MoLG (2003) report that, effective local governments revenue monitoring was supposed to be carried out by the division on regular basis through reconciling receipts and demand notes served. It also recommended presentation of revenue return's reports on weekly, monthly, quarterly and annual basis. It also demanded that local governments report to the headquarters on weekly basis so that remedial action could be taken immediately. However, none of the respondents mentioned this form of monitoring, so, it cannot be used to credit the reform. Nonetheless, the improvement in monitoring as revealed by the

respondents had a direct impact on the division's revenue and as mentioned by the representatives of the private firms and some of the key informants, this partly improved the division's revenue turnover after the reform.

However, despite the above positive impact of the reform on revenue collection in Makindye division, the results also revealed some negative effects and indicators of the existence of some of the weaknesses of the previous system of revenue collection. One of the negative effects of the reform was that it worsened the loss of revenue in cheating and fraud. This was revealed by some of the key informants. For example, the division chairman reported that:

Loss of revenue under the new system took a new trend involving deliberate exemption of some payers due to their relationships with the collectors. This was discovered when we carried out spot-checks and found some shops premises that operated without licenses, but the collectors had deliberately left them. (Interviewed at Division Headquarters, in October 2009).

The area RDC however, noted that the system was marred with cheating and theft. He reported that despite the relative effectiveness of the system, there were some cases of cheating and theft reported by the tax payers to his office. He observed that:

I received a number of cases of theft and cheating by the private collectors from our taxpayers. Several tax payers reported cases where the collectors issued them with receipts instead of the licenses. Some were issued with fake trading licenses from the private collectors, yet the division could not honour such licenses. (Interviewed at Division RDC offices, in October 2007).

In some areas, the privatization of revenue collection did not effectively affect the weaknesses of the traditional system of revenue collection. The study findings revealed that despite realizing a reasonable increase in the amount of revenue collected, the reform did not totally eliminate such irregularities such as corruption. This was revealed by the area Member of Parliament when he observed that;

The privatization of revenue collection did not control corruption in any of the divisions of Kampala. Both the administrative and technical personnel at the divisions promoted these practices so you could not expect a big change. The whole system was based on conniving between the administrators and the collectors. (Interviewed at his division offices in October 2007).

In addition, corruption was revealed at the assessment and valuation levels involving the under valuation or deliberate elimination of some of the taxpayers to the advantages of the private firms.

This was revealed by the division vice chairman that:

The division learnt that some of the private firms connived with the government valuers at the level of assessment and valuation so as to under estimate or under value the revenue sources so that at the end, when it comes to remitting the balance was shared. (Interviewed at his division offices in November 2007).

However, the Senior Principle Town Clerk also noted that, corruption under privatization was not only at the local levels, but also at the higher levels involving the tendering and contracting committees. He reported that some of the members of the contracts committee owned private firms that were awarded contracts to serve the division, which was against the law. This therefore, meant that the reform operated against the law in some cases especially where it favoured officers at a higher level.

In addition, the privatization of revenue collection in the division invited the undesirable interests and interference of politics in the collection and management of revenue. Accordingly, this would be an effective means of monitoring revenue collection if it was not causing more problems related to selfishness of the politicians. The key informants disclosed

this. In particular for example, the commissioner in charge of inspections in the MoLG observed that:

The privatization of revenue collection unfortunately evoked the involvement of the politicians with their uncoordinated utterances in the management of revenue at local levels. Since most of them aimed at winning public approval from the electorate, they had antagonized all the tax policies in Local Governments. For example, because of their uncoordinated communications some of the taxes like market dues, among others were no longer payable. (Interviewed at the MoLG, December 2007).

The KCC Town Clerk also said:

The conflicting interest and the political pronouncements have made the local governments lose a lot of revenue from taxes. For example, when the president was scraping off property tax from residential premises, the pronouncement made was so confusing that since then, many business property owners have declared them residential premises in order to evade taxes. As a result the portfolio now has a limited turnover. (Interviewed at City Hall, November 2007).

On the other hand, the area Member of Parliament considered the aspect of misuse of power by the politicians. He observed that:

Many LG officials and contractors working under the supervision of the politicians conform to the demands of the politicians as politicians were considered bosses even when they offered advice not based on technical wisdom. They in the end mislead the service providers and this has increased revenue losses not only in taxes but also in other ways. (Interviewed at Member of Parliament's area offices, November, 2007)

In the Local Government Finance Commission report (2002), it was reported that, political influence was the main single hindrance to revenue raising activities. Politicians have antagonized incidences like setting the reserve prices of contracts, in the awarding of contracts and in complying with the terms of the contracts. This was due to the fact that

some of the big wigs in the political circles disguisingly own the collection firms, while others were related to the taxpayers or owned businesses always had to work under contradicting directives. This resulted in sub-standard work, non-payment of dues by vendors and non-performance of contractors.

Thus, the findings above revealed that though the reform had improved revenue collection in the division, the impact was either minimal or low. This was because what transpired in revenue collection under privatization revealed a number of practices that were common under the traditional system. This was evidenced from the report that some private firms serving the division insisted on using company accounts for collecting the division's revenues as required by the terms of the contract. It was, therefore, impossible to assert that privatization had effectively dealt with these malpractices. At the same time, irregularities were evidenced among higher officers like the contracts committee members and that partly accounted for the laxity in dealing with the poor performing private firms like RUSERU enterprises.

Thus, much as the reform had a positive contribution to revenue collection, there were some weaknesses that existed after the reform, an indication that, to some extent, the reform either had a negative impact or it was indifferent towards some of the weaknesses. This contradicts the public choice theory assumption that fiscal privatization was the answer to all challenges of LG revenue collection.

4.3.1 Privatization and the Revenue turn over Makindye division

The main objective of privatizing/contracting revenue collection was to increase local government revenue turnover. The MoLG (2003) hand book on LG revenue mobilization observes that if contracting private partners is properly managed, it would lead to increased

revenue collection, lower costs involved in revenue collection and a more predictable cash flow in as much as the amount to be received was to be known together with its timing. Thus, all the interventions including the privatization of revenue collection itself were aimed at increasing the division's revenue turnover. This section was, therefore, aimed at establishing the impact of privatization on the division's revenue turnover. In order to acquire the required information, key informants, division's budgets and financial reports were consulted. Other informants were also used to generate the quantitative assessment from an observable point of view. The findings from reviewed documents of KCC, Makindye division budget (2002/2003) revealed that the privatization of revenue collection positively impacted on the divisions revenue turn over as compared to the situation before 2003. This observation has been made after comparing revenue collection performance of Makindye division before and after privatization and the general trend of revenue collection ever since private revenue collection was adopted in the division as indicated in the table 10 below.

Table 9: Makindye division's revenue turnover before and after privatization

Main sources	2000/001		2001/002		2003/004		2004/005		2005/006	2006/007
	Budgeted (000)	Actual (000)	Budgeted (000)	Actual (000)	Estimate (000)	Actual (000)	Estimate (000)	Actual (000)	Estimate (000)	Actual (000)
Graduated tax	604,000	325,354	328,000	152,558	551,720	543,681	634,478	534,478	550,512	561,202
Rates	560,000	383,655	520,000	97,676	357,569	385,084	1,065,510	415,890	1,554,598	165,517
Markets	27,000	38,412	35,000	11,395	50,103	35,658	46,356	46,356	48,673	52,567
Licenses	210,000	195,581	285,000	125,892	539,000	348,179	405,000	405,439	405,000	500,000
Plans	52,000	44,767	45,000	60,584	123,508	150,661	153,093	153,093	210,748	-
Total	1,453,000	987,669	1,213,000	448,105	1,621,901	1,463,263	1,014,060	1,555,256	2,769,531	1,113,769
Percentage outturn	68		37		90.2		79.4			

Source: Makindye Division council Three-development roles 2002/2003-2006/2007

The findings in table 10 clearly illustrate a change in division's revenue turnover. The financial years 2000/2001 and 2002/2002 represent the division's revenue performance before privatization. While the financial years 2003/2004 – 2006/2007 represents the division's performance after privatization. The findings indicate that in the financial year 2000/2001, out of the anticipated 1,453,000,000 shillings, the division was able to collect 987,669,000 shillings representing a percentage revenue outturn of 68 percent. However, the findings also show that in the financial year 2001/2002 out of the anticipated 1,213,000,000 shillings, the division collected 448,105,000 shillings representing a percentage revenue outturn of 37 percent. This was the revenue outturn before the privatization.

The findings on revenue turnover before privatization revealed a declining trend from 68% in the FY 2000/2001 to 37% in the FY 2001/2002. The poor revenue turnover under the previous system of revenue collection was attributed to the weaknesses in the system of revenue collection as discussed in the first sub-theme of chapter four. Among such weaknesses was corruption, high operation costs vis-à-vis the collected amounts and poor monitoring and accountability.

The findings not only reveal a poor revenue performance, but also a declining trend in revenue turnover before privatization. This was also held by the key informants for example, the entire division official agreed with the statement of the Senior Principal Town Clerk that, poor budgeted performance was the order of the day before the privatization of revenue collection in Makindye division. He observed that the problem of under remitting under the traditional bureaucratic system of revenue collection was habitual in the division because none of the portfolios performed to the expectation of the division.

However, after privatization in 2003/2004, revenue collection turnover increased and it almost tripled that of the FY 2001/2002 where the collection returns were recorded at 90.2 percent. Even the following FYs, the returns were higher than before. For example in the FY 2004/2005 the division had estimated to collect 1,014,060,000/= and it collected 1,555,256,000/= representing a percentage performance of 79.4%. These findings from the division's development plan review were further supported by the descriptive information from the key informants. Accordingly, all the key informants (100%) agreed that there was a positive change in the revenue turnover and attributed this improvement to the change of the whole system of revenue collection. For example, the commissioner in charge of LG inspection said that:

The use of private firms generally increased the revenue turnover wherever it was implemented mainly because the collectors were more accountable for all collection returns. Accountability alone made them work tirelessly because a higher revenue turnover was assurance for an increased commission (Interviewed at the MOLG in November 2007).

The same view was held by the KCC Town Clerk that:

Revenue collection had been able to realize a positive impact on the amount because of the improvement in the monitoring method. Now, revenue collectors are distinguished from operations and this has reduced weakness of conning between taxpayers and collectors.

The impact of the reform on the division's revenue turnover was further evidenced from the trend of returns in the portfolio of rates. This was revealed by the public relations officer Transmedia limited, who said that:

Before Transmedia took up the responsibility of collecting property rates on behalf of the division in 2002/2003, the division collected 230 million per a year. When we took up this responsibility,

the division's revenue from rates almost tripled because that FY, we collected 860 million and we never went below 700 million. (Interviewed at Transmedia offices in 2007 October).

The above findings revealed that the division's revenue performance generally improved with the reform. As revealed by both the statistical and descriptive findings above, the revenue outturn of the division increased after privatization. The findings in table 10 reveal that the revenue performance was low before the privatization of the exercise. However, following the reform, a reasonable amount of revenue was realized especially in quantity and as a percentage of what had been initially planned. This points to the effectiveness of the private sector in the implementation of the privatization process. This is in line with the observation of the Commonwealth (2003) that given the changing role of the public and private sector in the bid to bring about sustainable development in most countries, it was no longer sustainable for the public sector to continue to own, manage and operate the commanding heights of the economy. Efficient and effective production and distribution of goods and services should increasingly be left to the private sector.

However, the increase in revenue collection was short-lived as during the following FYs after privatization in 2004/2005, the performance declined from 90.2% to 79.4%, which was slightly lower than the revenue performance of the previous year FY by 10.2%. The key informants attributed this decline in revenue collection performance due to external and internal threats. According to the vice chairman:

The private firms effectively dealt with the evaders in the initial stages of implementing the policy before themselves became stakeholders without owning personal business and other interests in the area. But now, majorities have business and their relatives and friends do not pay taxes (Interviewed at his division offices in November 2007).

In support of this position, the division finance officer affirmed that, tax evasion under privatization had been observed despite the initial improvement in the process; the improvement in the collection was mainly registered during the first stages of the reform. This position was stressed by official government documents like the Makindye division 3 years rolling development plan 2005/2006 – 2007/2008 that reports:

The budget performance for the financial year 2005/2006 stands at only 66% at the close of the financial year compared to 67% achieved in 2004/2005 revealing under performance of 10%.

The revenue performance for 2005/2006 would have been far and above Ush 1.55 billion but because of the external threats and interval weakness, the performance dropped by 34% from the set targets.

The study findings, therefore, showed an increase in the division's revenue turnover especially in the initial stages of the reform in 2003/2004 as observed by the budgetary evidence compared to the situation under the bureaucratic system of revenue collection. However, as noted earlier, the reoccurrence of some of the weaknesses of the previous system of revenue collection partly explained the eventual decline of the results.

In conclusion, one can say that generally, the intervention had both positive and negative effects on revenue collection in the division. This accounted for the increased revenue turnover under the private system of revenue collection. It also had an impact on the weaknesses of the previous system of revenue collection, though again, the impact did not last long before some of such problems re-occurred though at this time, they were repackaged. All in all, however, one cannot under estimate the contribution of the reform.

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendation, based on the research findings. It is from these conclusions that specific recommendations were made to address these pertinent issues raised by the study.

5.2 Summary and conclusions

The study findings revealed that the privatization of revenue collection was primarily aimed at finding a more practical solution to the revenue collection challenges; improve the division's local revenue turnover, and to ensure local fiscal effectiveness. It was however, established that despite the interventions and increase in local revenue compared to the turnover before intervention, the division continued to experience revenue insufficiencies.

The study findings also revealed that the adoption of private revenue collection in Makindye division was aimed at controlling the unethical practices that characterized revenue collection before. These practices included corruption, and conniving between the tax collectors and payers. It was also a response to the recommendation of the donor community and the advantages associated with the privatization of revenue collection as a best practice in local government revenue mobilization and generation. Therefore, it was evident from the study findings that the adopting of Public-Private Sector Partnerships in Makindye division was not from a vacuum, but it was a result of several reasons as mentioned here earlier.

The study also examined the procedure followed in contracting revenue collection. The results showed that the process followed a well established framework that was legally guided by the LGA 1997 and the PPDPA 2003 among others. These legal documents gave the contracts committee final powers in the whole process. However, District Contracts Committee worked hand in hand with the Technical Evaluation Committee.

The study also sought to find out the impact of privatization on revenue collection in Makindye division. The results revealed both positive and negative impacts of the reform in the division. Among the changes the study findings revealed an increment in the division's revenue turnover. The results showed that as a result of the reform, some portfolios that were previously less considered as source of revenue had later been considered. Cases in this point include property rates, and revenue from building plans whose collection almost doubled immediately after the intervention. However, the turnover from some portfolios had slightly declined after some few years of success like, the trading licenses, which revealed partial ineffectiveness of the reform.

On the other hand, the results revealed that the reform did not totally eliminate the irregularities of the old system which among others included poor monitoring. The existence of such practices, coupled with political interferences later antagonized the revenue collection process and rendered the reform partly ineffective. This revealed that effective transformation is a gradual process, yet to be accomplished.

In conclusion therefore, it is imperative to observe that in the initial stages of the privatization of revenue collection, Makindye division realized most of its objectives including revenue turnover increase and improving fiscal effectiveness. However, these benefits did not stand the test of time as they failed to match with the vast awaited expectations associated with the policy / reform as the game players were polluted by the weaknesses of the time and lost vision.

5.3 Recommendations

The study findings revealed that privatizing revenue collection in Makindye had very good and reliable objectives. However, in order to fully realize these objectives, the following issues need to be addressed;

The study findings revealed that due to the fact that the divisions of Kampala have not been fully granted a municipal status, they do not have the powers (or independent contracts committees) to identify the best private firms to work with. This affected the performance of the division because at times, the firms identified by the District contracts committee were unable to effectively work with the division. Consequently, most of the productive time and other resources were wasted in solving conflicts and reporting cases to KCC, which normally did not get immediate redress. There is therefore a need to recognize or elevate the divisions to a municipal status in order to enable them effectively make independent decisions and work with the private firms, which are directly accountable to the divisions not to KCC.

The study findings also revealed the problem of conflict of interests especially between the division and the politicians. This denied the division the ability to realize the revenues budgeted because all potential sources of revenue were blocked by the politicians under the guise of protecting the masses from exploitation. There is, therefore, a need for the politicians to be consistent in all they say and do. At the same time, the political and technical departments of the division need to improve coordination in order to reduce contractions and conflicts that are a waste to the division's time and other resources.

It was noted that corruption still existed in both the division and at the district in the process of awarding contracts despite the legal process. This suggests that there are significant capacity problems in the LG to fight corruption. It is worth to note that corruption is not

caused by the technical incapacity of the anticorruption institutions. There is thus, need for serious moral questioning, which needs to be addressed through sensitization on professional ethics.

The aspect of supervision and monitoring by the division officials was found to be highly lacking. As a result, the field officers in the private firms operate in all ways they want. At the same time, in case of under remitting, the division had no basis of argument due to the lack of sufficient facts about the coverage and amounts collected per period of time. It is therefore imperative that a special department be instituted at the division with the sole responsibility of monitoring the performance of the private firms and approves or disapproves whatever was reported basing on an informed point of view.

There was also concern that the taxpayers in Makindye had a negative attitude towards the payment of taxes. According to the study findings, this negative attitude was related to the poor quality of services provided by the division. There is, therefore, need for the division to provide services to the people. This will enable taxpayers to relate the taxes they pay to the services they receive. It will also motivate taxpayers to pay taxes where there is tangible evidence of tax usage.

The study findings also showed that data used for tax assessment was outdated. The private firms allege that the available data excludes some of the potential taxpayers while on the other hand they included those that did not exist. There is, therefore, need for serious work by the division to update the available information, or if possible, compile new data.

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APPENDICES

Appendix I: Copy of interview guide for revenue collection firms

Reasons for revenue collection privatized

1. Are you aware of the ongoing privatization of revenue?
2. What was the process followed in the collection of revenue before the adoption of the current privatization?
3. What problems were associated with the previous system?
4. Has privatization provided a solution to these problems?
5. How much revenue was collected annually under this system?
6. Who proposed the idea of privatizing revenue collection?

Process

7. How did your firm get this responsibility of collecting revenue on behalf of the government?
8. How do you carry out this task of collecting revenue on behalf of the government and what are the terms of your service?
9. What mechanisms do you have in place to control defaulters?
10. How do you ensure transparency [avoid conflict of interest]?
11. How different are strategies of collection from the previous methods?

Impact

12. What has been the performance since the privatization of revenue collection?
13. What are the indicators of this performance?
14. What do you attribute this performance to?
15. What are the advantages of the current system over the former system of revenue collection?
16. What are the views held by the people about private revenue collection?

Challenges

17. What problems do you face in collecting revenue under this system?
18. How are you trying to solve these problems?
19. What suggestions do you think will improve the system?

Appendix 2: Copy of questionnaire for opinion, zone and parish leaders

I am a student of Makerere University on a Masters programme. I am currently out research on “*Public-Private Sector Partnership in Uganda’s Local Government: A case study of revenue collection in Makindye Division, Kampala*”. I kindly request you to respond to these questions put to you in this questionnaire. The information required is for academic purpose and it will be treated with utmost confidentiality.

Tick appropriately where necessary

a) Parish

b) Zone

c) Occupation

d) Category of respondent:

Zone leader ☐

Parish leader ☐

Opinion leader ☐

Reasons

1. Are you aware of the ongoing privatization of revenue collection?

Yes ☐

No ☐

2. When was this system of revenue collection adopted in Makindye division?

.....

3. How was revenue collected before the adoption of privatizing revenue collection?

.....

.....

4. Did this system have any observable weaknesses?

Yes ☐

No ☐

5. If your answer to the above question is yes, what were these weaknesses, and if no why do you think the government had to change to privatization?

.....
.....
.....

6. Has privatization of revenue collection provided a solution to these problems?

Yes ☐ No ☐

7. If yes, how has this been achieved? If no why do you think it has failed?

.....
.....
.....

8. Generally, why do you think revenue collection was privatized?

.....
.....

Process

9. Do you know any of the private revenue collection firms operating in your area on behalf of the division?

Yes ☐ No ☐

10. If yes what are some of these firms?

.....
.....

11. Do you know the process in which these firms are identified as fit for this task?

Yes ☐ No ☐

12. If yes, describe how?

.....
.....

13. Is there any difference between the methods of revenue collection used by the private firms and the former system?

Yes ☐ No ☐

14. If yes, what are these differences?

.....
.....
.....

15. What strategies do the private firms use to control defaulters and conniving between collectors and payers?

.....

16. What does the division and the private firms do to control late payments, ineffectiveness and inefficiency?

.....

.....

Impact

17. Are you aware of any observable changes in the revenue collection performance of Makindye division?

Yes ☐

No ☐

18. If yes, what are some of these changes?

.....

.....

19. Has privatization helped to curb tax evasion in Makindye division?

Yes ☐

No ☐

20. If yes how? And if no why do you think it has failed?

.....

.....

.....

.....

21. What is your response to the view that privatization of revenue collection has reduced the level of corruption in the field of revenue in Makindye division.

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly disagree ☐

22. For any of your responses above, what are the indicators?

.....

.....

23. What is your response to the view that privatization has improved accountability, efficiency and effectiveness in revenue collection in the division?

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly disagree ☐

24. For any of your responses above, what are the indicators?

.....
.....

25. What is your response to the view that privatization has increased the payers' willingness to meet their obligations in Makindye division.

Strongly Agree ☐ Agree ☐ Disagree ☐ Strongly disagree ☐

Challenges

26. What challenges do you think this system will pose to the private collectors?

.....
.....
.....

27. What challenges do you think this system will pose to the taxpayers?

.....
.....

28. What challenges do you think this system will pose to the division?

.....
.....

29. To all the above challenges, suggest possible solutions?

.....
.....
.....

Thank You So Much

Appendix 3: Copy of interview guide for the MP, division councillors and other officials

Reasons

1. When was the system of private revenue collection inaugurated in Makindye division?
2. Whose proposal was it to adopt this policy in Makindye division?
3. What were the weaknesses of the former system of revenue collection?
4. Was privatization of revenue collection thought to provide lasting solutions to these weaknesses? If yes how? And if no, why then was it adopted?

Process

5. What are some of the private firms helping the division in collecting revenue?
6. What is the system used in identifying rightful contractors? Is this system effective?
7. How does the division ensure that tendencies of corruption, inefficiency and diversion or mismanagement of revenues by the private firms are reduced?
8. What strategies are set forth by the contractors to ensure that they remit the amounts agreed upon in the contracts they sign?

Impact

9. How would you compare the revenue collection performance of Makindye division before and after privatization?
10. Has privatization helped to reduce corruption in revenue collection?
11. For any answer in the above option, what are the indicators?

12. What has been the trend of revenue collection ever since private revenue collection was adopted in Makindye division?

13. What has been the attitude of the taxpayers since this policy was adopted

Challenges

14. What challenges do you think this system will pose to the private collectors?

15. What challenges do you think this system will pose to the taxpayers?

16. What challenges do you think this system will pose to the division?

17. To all the above challenges, suggest possible solutions?

Thank You So Much

Appendix 4: Copy of questionnaire for opinion, zone and parish leaders

I am a student of Makerere University on a Masters programme. I am currently out research on *“Public-Private Sector Partnership in Uganda’s Local Governments; A case study of revenue collection in Makindye Division, Kampala.”* I kindly request you to respond to these questions put to you in this questionnaire. The information required is for academic purpose and it will be treated with utmost confidentiality.

a) Parish

b) Zone

c) Occupation

d) Category of respondent:

Zone leader ☐

Parish leader ☐

Opinion leader ☐

Reasons

1. Do you pay taxes?

Yes ☐

No ☐

2. If yes what taxes do you pay?

3. Are you aware of the ongoing privatization of revenue ?

Yes ☐

No ☐

4. If yes, why do you think the government decided to come up with a new reform?

.....
.....

5. Are you aware of some of the weaknesses of the previous system of revenue collection?

Yes ☐

No ☐

6. If your answer to the above question is yes, what were these weaknesses?

.....
.....

7. Do you think the new system of revenue collection will provide a solution to these problems?

Yes ☐

No ☐

8. If yes, how? If no, why?

.....
.....

Process

9. Have you noticed any difference between the current and the previous system of revenue collection?

Yes ☐

No ☐

10. If yes, what are these differences?

.....
.....
.....

11. Are you aware of the process in which these firms are identified?

Yes ☐

No ☐

12. If yes, describe how?

.....
.....

13. Are you aware of the strategies used by collectors to control defaulters and late payers?

.....
.....

14. If yes, how? If no, what are the likely effects?

.....
.....

Impact

15. Are you aware of any observable changes in the revenue collection performance of Makindye division?

Yes ☐

No ☐

16. If yes, has it changed for the better or for worse?

.....
.....

17. Has privatization helped to reduce corruption in Makindye division?

Yes ☐

No ☐

18. If yes how and if no, why?

.....
.....

19. What are the indicators of the option in 17 above?

.....
.....

Challenges

20. What challenges do you think this system will pose to the private collectors?

.....
.....

21. What challenges do you think this system will pose to the taxpayers?

.....
.....

22. What challenges do you think system will pose to the division?

.....
.....

23. To all the above challenges, suggest possible solutions?

.....

.....

Thank You So Much

Appendix 5: Copy of interview guide for the other key persons

Reasons

1. Has the privatization of revenue collection been effected in Makindye?
2. Whose proposal was it to adopt this policy?
3. What was the system used in the collection of revenue before?
4. What were the weaknesses of this system of revenue collection?
5. Was privatization thought to provide solutions to these weaknesses?

Process

6. When was the system of private revenue collection adopted?
7. What are the private firms partnering with the division in collecting revenue?
8. How are rightful contractors identified under the new system?
9. How do you ensure transparency in the new system?
10. What strategies are set forth to ensure that the contractors remit the agreed amounts?

Impact

11. How would you compare the revenue collection performance of Makindye division before and after privatization?
12. Has privatization helped to control the weaknesses of the previous system?
13. For any answer in the above option what are the indicators?
14. What has been the trend of revenue collection ever since private revenue collection was adopted in Makindye division?

Challenges

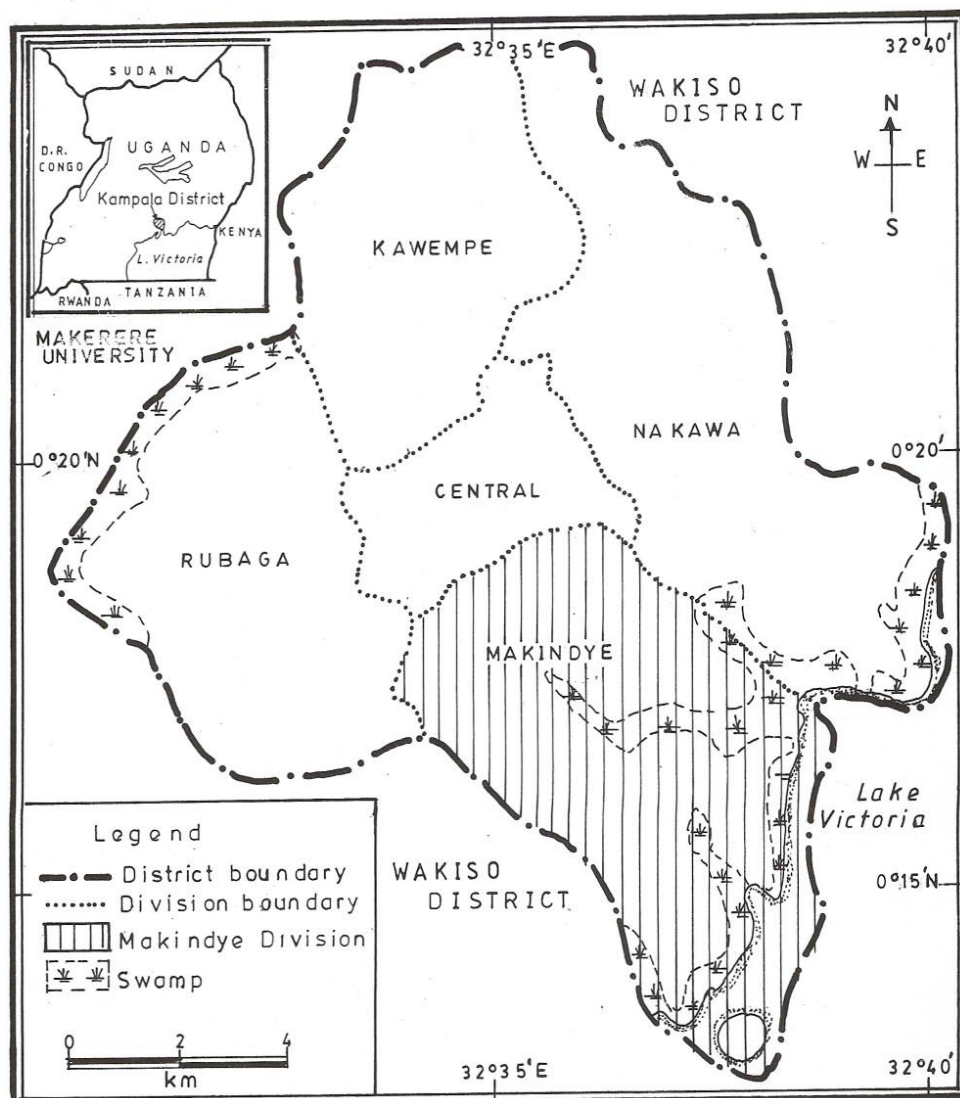
15. What challenges do you think this system will pose to the private collectors?
16. What challenges do you think this system will pose to the taxpayers?
17. What challenges do you think this system will pose to the division?
18. To all the above challenges, suggest possible solution?

Thank You So Much

Appendix 6: The selected parishes and zones for the study

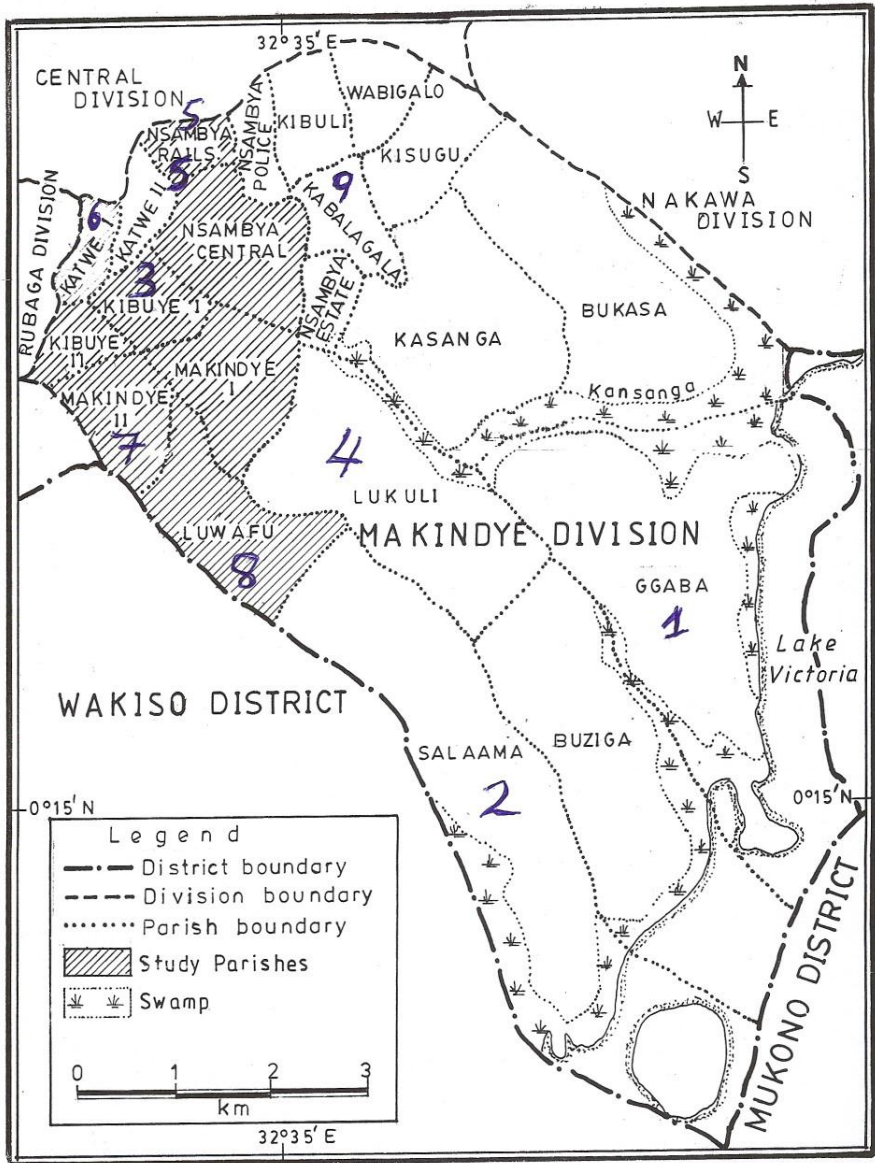
No.	Selected Parish	Zones in the selected Parish		Selected zones
1.	Gaba	1 2 3 4*** 5 6	Kalungu Kawuku Bunga Hill Bunga Trading Centre Gaba Mission Gaba Trading Centre	Bunga Trading Centre
2.	Kibuye I	1 2 3 4*** 5	Nkere Zone Nabisaalu Barracks Jjuuko Zone Wasswa	Jjuuko Zone
3.	Lukuli	1 2 3 4 5 6 7 8***	Kalule Water pump Tyaba Lower Konge Upper Konge Katimbo Zone Kizungu Zone 5	Zone 5
4.	Nsambya railway	1*** 2 3 4	Village 'A' Village 'B' Village 'C' Village 'D'	Village 'A'
5.	Katwe I	1*** 2	Lufula zone Kasule zone	Lufula zone
6.	Makindye II	1*** 2 3 4 5	Madiriza Klezia Kipamba Muswangali Dubai	Madirisa
7.	Luwafu	1 2*** 3	Kirudu Nakinyuguzi Bukejje	Bukejje
8.	Kabalagala	1*** 2 3 4 5 6 7 8 9 10 11	Central Muteesaasira Nabutiti Pepsicola Diplomate Kataabu Wheeling Church Kiwafu Ssebukiba Kiwafu estate	Central
9.	Salama	1*** 2 3 4	Nakinyuguzi Kyamula Buziga Mulungu	Nakinyuguzi

Map1. THE LOCATION OF MAKINDYE DIVISION IN KAMPALA DISTRICT.



Source : The 2002 Population and Housing Census

Map 2. LOCATION OF STUDY PARISHES IN MAKINDYE DIVISION



Source : The 2002 Population and Housing Census



City Council of Kampala

Makindye Division
P.O. Box 29528
KAMPALA

Our Ref:.....

Date.....

Your Ref:

23rd October 2007

TO WHOM IT MAY CONCERN.

I wish to introduce to you Mr. Sekiziyivu Richard to acquire information for his Masters Degree report / dissertation. He is looking for information on the topic: *"Public –Private Sector Partnership in Uganda: A case study of Revenue Collection in Makindye Division, Kampala"*.

Assist him with the necessary information to accomplish this task.


Higobero Stephen

SENIOR PRINCIPAL ASSISTANT TOWN CLERK – MAKINDYE DIVISION

c.c Chairman LCIII

MAKERERE

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UNIVERSITY

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DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC ADMINISTRATION

Your Ref:

Our Ref:

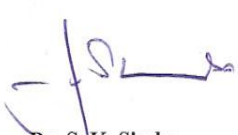
24/09/2007

To whom it may concern

I wish to introduce to you Mr. Ssekiziyivu Richard 2005/D14/3899U who is a Master of Arts (Public Administration and Management), Makerere University. He is seeking to do research at your organization. His research topic is: *"Public-Private Sector Partnership in Uganda: A Case study of Revenue Collection in Makindye Division, Kampala"*

Any assistance given to him will be highly appreciated

Yours sincerely


Dr. S.K. Simba
Coordinator, Graduate Programs



CC: Dr. Yasin Olum, Head, Department of Political Science and Public Administration, Makerere University.