CHAPTER 3

FINANCING OF LOCAL GOVERNMENT

Introduction

Governments exist to provide valuable services that business or individuals are unwilling or unable to provide independently. According to Musgrave (1959: 330) there are three economic values that can be secured from the existence of government. The first, *stabilisation and growth*, involves the prevention of unemployment and inflation and provision for increases in the standard of living for the citizenry. The second, *distribution*, is the correction of perceived injustices in the distribution of wealth in society, presumably to improve the conditions faced by the less well-to-do. The third, *allocation*, represents the provision of public or collective goods. These are goods or services that are socially desirable but which ordinary business firms (the market) cannot be expected to provide in desirable amounts.

Local Councils, as earlier noted, are agents of central government in the provision of public services. In order to provide services local Councils like any other institutions require finances. Local government financial management may be regarded as the sound planning and application of all the financial resources of a local authority with a view to ensuring that all possible income is collected and all expenditures are aimed at securing value for the money. Local government finance should be geared towards generating finances and promoting economic development of the local community. Every local authority, therefore, must conduct its affairs in an effective, economic and efficient manner with a view to optimising resources in meeting its objectives (Ismail et al, 1997: 77). There are several ways through which local finances can be generated and we elaborate on this with special reference to Zambia in the next paragraph. Local government expenditures, however, can be classified into two distinct categories namely capital and operating expenditures. Capital expenditure is expenditure that is incurred in the acquisition of a durable asset or in the extension of the useful life of such a durable asset. Examples of such expenditure include building of a house or office block; and the purchase of motor vehicles, plant and equipment. Generally, and as a rule of thumb, for
an asset to be included in a capital budget it should have a life span of three years or more. Operating expenditure, on the other hand, refers to the day-to-day expenditure of a local authority that includes salaries and wages, and general expenses such as stationery, conferences and advertising.

In Zambia, the major sources of local revenue are Government grants and loans, borrowing from the money market, property rates; personal levy, rent, fees and levies. Property rates are taxes payable to a local Council by owners whose property is listed on the Council’s Valuation Roll. The amount payable to the Council as property rates is calculated on the basis of the value of the property as listed in the particular Council’s Valuation Roll. According to the Rating Act, rates are due twice every year- on 1st January for the first half and on 1st July for the second half of the year. Personal levy is a local authority tax levied on employees whether in the formal or informal employment. It is administered through the Personal levy Act Cap 329 of the Laws of Zambia. Councils normally advertise in the local press at the beginning of every year its intention to collect levy from those eligible. Assessment and Demand forms are then sent to employers and eligible persons in both formal and informal sectors. This levy is collectable in two instalments with the first instalment being due in March and the second one in June of every year. By law, personal levy should be paid in full by September 30, every year. According to the Personal Levy (Amendment) Act of 1994 a total of K15,000 is the maximum any eligible person can pay in a year as personal levy.

A rent is a charge imposed and collected by Councils for the use of Council buildings, such as offices, shops, market stall, and residential housing. Councils have the responsibility of maintaining the buildings that are being rented out. Fees and levies may be classified into two categories: those imposed and collected by the Councils through their own by-laws (for example, dog licenses, grain, fish, cattle, charcoal, domestic bird levies, and the hire of Council equipment); and those imposed by the national government but collected and retained by the Councils, such as trading licenses. Local Councils also collect Development Assessment Fees. These are generally recovery costs from users or developers of land serviced by the Council. These fees cover the cost of administration, materials, loan redemption, and the construction of infrastructure such as roads, water supply systems, pipes and sewerage systems. Income from commercial
undertakings also constitutes a source of revenue for local authorities in Zambia. Such undertakings, among other things, include the manufacture and sale of school uniforms, public transport, motels, and rest houses. The law also allows local authorities to borrow such sums of money, from the local money market, as may be required for the purpose of discharging their functions. Local authorities are, however, not allowed to borrow or receive grant money from a foreign government or foreign organisation.

We argue that the period under review has witnessed many government policy changes, pronouncements, and political attitudes that have had a negative impact on the financial capacity of local authorities in the country, including those that constitute our case study. We tabulate below some of the notable policy changes and government pronouncements that have adversely affected financial capacity of local authorities with summaries of their attendant effects on local authorities in this introductory section of the chapter.

<table>
<thead>
<tr>
<th>POLICY/PRONOUNCEMENT</th>
<th>OBSERVATION/IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision to discontinue funding urban Councils (1992)</td>
<td>Although government erratically continued to fund these Councils, their claim for support from government has been weakened because of the awareness that officially government has stopped funding them.</td>
</tr>
<tr>
<td>Scrapping of the local sales tax share to all local Councils</td>
<td>Councils lost the 35% share from sales tax which resulted in a reduction in revenue (Chongwe, 1994): 136.</td>
</tr>
<tr>
<td>1992 Amendment No. 27 to the Local Authorities Superannuation Fund Act</td>
<td>Directed Councils to reduce staffing levels by retiring those that had served for 22 years and above. Councils lost experienced manpower, and the pressure to settle retirement packages adversely affected their capacity to deliver services.</td>
</tr>
<tr>
<td>Personal Levy Amendment Act of 1994</td>
<td>Fixed the minimum leviable amount to K300,000 and the maximum levy payable at K15,000 per annum. Councils do not have power to revise this type of levy.</td>
</tr>
<tr>
<td>Directive to sale Council houses to sitting tenants – Circular No. 2 of 1996</td>
<td>Councils lost a guaranteed source of local revenue. Very little was realised as houses were sold at give-away prices following government directives. In most instances the sale was merely a book transaction to reduce Council debts to their staff.</td>
</tr>
<tr>
<td>Rating Act No. 12 of 1997</td>
<td>Reduced categories of ratable properties – Exemptions were given to many institutions. Councils rarely received the grants in lieu of such rates as indicated by the legislation – their revenue reduced.</td>
</tr>
</tbody>
</table>

Sources: Local Authorities Superannuation Fund Amendment Act No. 27 (1992); Personal Levy Amendment Act (1994); Cabinet Circular No. 2 of 1996; Rating Act No. 12 of 1997
The net effect of the tabulated policy changes and pronouncements has been a reduction in the revenue base of the local authorities. These policy changes, and many other factors discussed in our thesis, including the lack of an explicit policy for funding local authorities, have negatively affected the capacity of local authorities to deliver adequate quality services to the communities they serve. Section 45 of the local Government Act of 1991 provides that: “The Minister may, on such terms and conditions as he may determine, make constituency grants or loans of money to a Council for the purposes of the discharge by the Council of any of its functions”. This provision does not state the amounts due to Councils and the regularity with which such financial disbursements will be provided. Under the circumstances, financial planning by local authorities, for budgetary purposes, is adversely affected. This ‘policy’ of financing local authorities does not provide the rationale for the differences in the disbursed amounts between local authorities.

Because of their incapacity to pay retrenchment or retirement packages, following the 1992 amendment No. 27 to the Local Authorities Superannuation Fund Act, Councils have continued to keep the would-be retirees on the pay roll. Apart from losing some of the experienced staff, among the few that Councils have been able to retire, the loss of motivation and morale to work, among those that are waiting to be retired or retrenched, has a negative impact on the performance of the local authorities. The fixed leviable amount for personal levy means that successive increments in the emoluments of those in formal employment do not translate into increased revenue for the local authorities. Increased operational costs for local authorities, resulting from economic changes, do not benefit from such a fixed personal levy system. The nature of activity in the informal sector and sometimes their widespread location makes the effective registration of these entities very difficult. Consequently local authorities are not able to ensure the efficient and effective collection of personal levy associated with the informal sector. The informal sector problem can be well appreciated given that formal employment opportunities have reduced over the years while informal activities have proliferated. The directives to local authorities to sale their housing stock has denied them of guaranteed income. Because Councils did not get much from such sales it has been very difficult to build new houses for rent. As noted in table 3.1 these sales mostly
constituted book transactions to offset what local authorities owed to their employees rather than the receipt of payment.

The failure of central government to disburse grants in lieu of rates, following the enactment of the Rating Act No. 12 of 1997, has contributed to the financial woes of local authorities. This Act prohibits local authorities to charge rates on many exempted properties including religious and educational institutions; premises on which buildings, plant and machinery for mining or mineral processing, power generation, and telecommunications are located; agricultural land and buildings; and premises used for sport and recreation, race course, parks and gardens. The inexplicit policy for funding local authorities in effect means that local authorities have no legal recourse to ensure the receipt of adequate financial assistance from central government on a regular basis. Consequently local authorities depend on the ‘good will’ of the government. Local authorities are owed huge sums of money which, if collected, would make significant improvements to service delivery. In part this problem is due to the inability of the Councils to collect what belongs to them. Council are not making effective use of relevant by-laws to facilitate effective collection of revenue from defaulters (Times of Zambia, February 7, 2001).

The 1980 local reforms, among other things, provided some opportunities for local authorities to raise adequate revenue for their operations. Momba (2002) has observed that these reforms were also an attempt to increase the councils’ power to raise revenue to finance council activities. The changes provided for these new structures to go beyond the traditional sources of funding for the councils which were levy, taxes, and grants from the Central Government and from borrowing. Instead the councils were now expected to undertake business ventures. The 1980 Local Administration Act also empowered local authorities to invest any monies not required for immediate use in various securities. In spite of these provisions, however, the financial position of local authorities did not improve. Local authorities failed to develop a business culture on which lucrative investments would be anchored. I addition, the 1980 decentralised system transferred many government services to local Councils without corresponding
resources.\textsuperscript{51} These inadequacies were carried over into the period under review (1991-2001). In his discussion regarding the extent, causes and impact of poor service delivery by local authorities, Momba noted that on top of the list of problems facing local authorities was the absence of funding required to deliver efficient services to the people. Instead the Councils do not even have enough funds to pay their workers. They have also incurred huge debts which they are under pressure to settle. Momba, for example, cites the revelation by the Permanent Secretary for Local Government and Housing, in 1999, that councils throughout the country owe various debtors a total of K54 billion with the Lusaka City Council debts amounting to K16 billion in the form of unpaid employees’ salaries, money owed to retirees, and other institutions including the Zambia Electricity Supply Corporation, Workmen’s Compensation Board (WCB), and Zambia Telecommunications Corporation. According to Momba financial problems facing local authorities are mainly due to:

- the reduction in the number of revenue collection activities that the councils were involved before the 1991 Local Government Act;
- some decisions taken by the Central Government most of which were taken without consulting councils, such as the transferring of the responsibility to collect revenue of motor vehicle road licences to central government, transfer water and sanitation assets to commercial utilities, and sale of Council houses;
- the fixing of the maximum personal levy that residents can pay;
- failure and/or erratic disbursement, by government, of grants in lieu of rates;
- failure by facility users to honour their financial obligations to the Councils;
- politicisation of revenue collection in markets and bus stops; and
- irregular external auditing of Council accounts.

The problems cited above, although based on the study of two local authorities (Lusaka and Chongwe), affect the delivery of services by Councils countrywide. The box below is an illustration of the fact that financial problems in local authorities are not only peculiar to the Councils in our study. Local Councils whether at the City, Municipal or District level are equally affected. This scenario is not surprising considering that all local authorities, without exception, are subjected to the same policy guidelines and directives.

which are clearly not supportive enough to guarantee effective performance in these institutions.

Box 3.1: Selected indicators of financial problems in selected local Councils

<table>
<thead>
<tr>
<th>No.</th>
<th>Council/Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Kabompo District Council needed more than K100 million to clear workers’ salaries and wages that had</td>
<td>accumulated for more than nine months (Times of Zambia, April 7, 1998).</td>
</tr>
<tr>
<td>2.</td>
<td>Isoka, Mpika, Chama, Kawambwa, and Kasempa – Government was forced to pay more that K300 million to</td>
<td>offset the payment of salaries and wages arrears for workers in these</td>
</tr>
<tr>
<td>3.</td>
<td>Kaputa District Council fails to recall its workers that had been sent on forced leave. A Senior</td>
<td>administrative officer appealed to the Ministry of Local Government and</td>
</tr>
<tr>
<td></td>
<td>housing to expedite its efforts in sourcing funds for the Council noting that the workers had not</td>
<td>received their salaries for nine months and the Council did not know</td>
</tr>
<tr>
<td></td>
<td>received their salaries for nine months and the Council did not know when it would settle the</td>
<td>if it would settle the arrears (Zambia Daily Mail November 30, 2000).</td>
</tr>
<tr>
<td>4.</td>
<td>Ndola City Council - Government disbursed K150 million to meet payments of workers’ salary arrears for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>six months (Times of Zambia June 20, 2000)</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Kasempa - Government took over the provision of essential services to residents following a strike by</td>
<td>Council workers who were demanding the payment of their salary arrears</td>
</tr>
<tr>
<td></td>
<td>Council workers who were demanding the payment of their salary arrears for 18 months (Times of Zambia,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>September 4, 2000).</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Chingola Municipal Council needs more than K650 million to pay retirees and suppliers, some of whom</td>
<td>took legal action to recover their funds (Times of Zambia, April 25,</td>
</tr>
<tr>
<td></td>
<td>took legal action to recover their funds (Times of Zambia, April 25, 2000).</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Kabwe Municipal Council to retrench over 180 workers to reduce on labour costs following the increase</td>
<td>in the wage bill from K81 million to K120 million per month resulting</td>
</tr>
<tr>
<td></td>
<td>in the wage bill from K81 million to K120 million per month resulting from the increment of unionised</td>
<td>from the increment of unionised workers’ salaries of K40,000 across the</td>
</tr>
<tr>
<td></td>
<td>workers’ salaries of K40,000 across the board (Times of Zambia, April 25, 2000).</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Speaking at the installation of the Mayor in Kabwe the Central Province Minister, among other things,</td>
<td>noted that government appreciates the poor financial state the Councils</td>
</tr>
<tr>
<td></td>
<td>noted that government appreciates the poor financial state the Councils are faced with. But government</td>
<td>are faced with. But government also regretted the poor debt collection</td>
</tr>
<tr>
<td></td>
<td>also regretted the poor debt collection noting that while Bailiffs were pouncing on Councils for failure</td>
<td>noting that while Bailiffs were pouncing on Councils for failure to settle</td>
</tr>
<tr>
<td></td>
<td>to settle bills Councils were not sending bailiffs to collect their monies on their behalf (Times of</td>
<td>bills Councils were not sending bailiffs to collect their monies on</td>
</tr>
</tbody>
</table>

9. Speaking at a symposium for financing local government in Zambia the Permanent Secretary for Local Government noted that Councils throughout the country owe various creditors at total of K54 billion. The PS noted, for example, that as at June 30, 1999 Councils owed Zambia Revenue Authority K5 billion; Workers’ Compensation Fund Control Board, K1.6 billion; Local Authorities Superannuation Fund, K15 billion; Zambia National Provident Fund, K94.1 million; unpaid salaries and wages to workers, K9.1 billion; unpaid terminal benefits to retirees, K3 billion; cost of legal cases, K1.6 billion; central government, K76.8 million; and Zambia Electricity Supply Cooperation, K17.8 billion.

Source: Desk research (Secondary data)

It is important to note that with regard to financial matters the 1991 Local government Act allows a local authority to invest any money not required for immediate use in securities, borrow money for purposes of discharging its functions through many
ways that include loans, issuance of stock or bonds, and mortgage. The 1992 amendment to the Act also allows a local authority to mobilise resources without seeking approval of the Minister. However, Momba (2002) has observed that the powers conferred on councils notwithstanding the Central Government through the Minister of Local Government and Housing enjoys extensive supervisory and other powers in the operations of councils. These extensive powers have, in practice, very much reduced even the limited areas of autonomy of the local authorities provided for in the Local Government Act.

In view of the above this Chapter examines the various sources of local revenue; central government support; and financial management in the three local Councils in our study.

Local sources of Funding

Choma Municipal Council

The sources of local revenue for the Choma Municipal Council include personal levy, rates on property, licences, levies, charges and fees. Licence fees are mainly associated with trading activities for retailers and wholesalers, manufacturers, opaque beer (chibuku) dealers, and market stalls. The by-laws in force permit the Council to collect levies on tobacco, cattle, donkeys, horses, goats, pigs, dogs, cotton, birds, and ZESCO’s electricity transmission poles. With regard to fees and charges the Council collects revenue from its three taverns (Kazembe, Singani and Mayuni); shops in Shampande area; an office block and rooms in Mbabala; sale of application forms; Bill Boards; acquisition of plots and the associated service charges; market fees; and contracts from ZESCO (way leave clearance).
Table 3.2: Summary of Estimates of Revenue and Expenditure for Choma Municipal (2001)

<table>
<thead>
<tr>
<th></th>
<th>2001 ESTIMATES</th>
<th>2001 ESTIMATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Taxes</td>
<td>515,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Charges</td>
<td>123,440,000.00</td>
<td></td>
</tr>
<tr>
<td>Other Receipts</td>
<td>31,300,000.00</td>
<td></td>
</tr>
<tr>
<td>National Support</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>669,740,000.00</strong></td>
<td><strong>669,740,000.00</strong></td>
</tr>
<tr>
<td>EXPENDITURE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Emolument</td>
<td>446,703,000.00</td>
<td></td>
</tr>
<tr>
<td>Premises</td>
<td>22,600,000.00</td>
<td></td>
</tr>
<tr>
<td>Vehicle/Plant/Equip</td>
<td>69,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Admin Expenses</td>
<td>20,100,000.00</td>
<td></td>
</tr>
<tr>
<td>Provision of Services</td>
<td>26,100,000.00</td>
<td></td>
</tr>
<tr>
<td>Other Expenses</td>
<td>65,237,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>669,740,000.00</strong></td>
<td><strong>669,740,000.00</strong></td>
</tr>
</tbody>
</table>

Source: Choma Municipal Council – Finance Department

Accept for 1993, 1995 and 1996 when charges contributed more to the budget, local taxes according to available estimates of income and expenditure documents, constitute the major source of revenue for the local authority. This is exemplified in the 2001 budget amounting to K669,740,000 where these taxes (K515,000,000) contributed 77 percent of the budget followed by charges (K123,440,000) contributed 18.4 percent and other receipts (K31,300,000) represented 4.6 percent of the budget. The 2001 budget did not get any support from central government. According to the Director of Finance Council this is not surprising as it ‘happens every once in a while’. Promised support from central government was K39,100,000 (1998 and 1999), and K812,504,100 (2000) but the local authority only received K4,630,046 in 1998 and nothing in 1999 and the year 2000. The bulk of the 2001 budget was spent on personal emoluments (66.7 percent) with only 4 percent going to the provision of services. Available estimates of income and expenditure documents, for 1992, 1993, 1995, 1996, and 2000 indicate that during the period under review (1991-2001) personal emoluments, on average take up more than half of the budget (54.8 percent) with the highest being 70 percent of the budget in the year 2000. This is in sharp contrast with the allocation to service provision that stands at
between 7 and 10 percent of the budget during the fiscal years noted above and reiterated by verbal local authority sources\textsuperscript{52}.

The Town clerk attributed the high budget allocation toward personal emoluments to the bloated workforce. As noted in the previous chapter the Council would like to shed off some of its employees but does not have the financial capacity to cover retrenchment costs. The Council Chairman noted that the local authority would be happy to allocate a minimum of say 30 percent of the budget to the provision of services. However, doing so would, among other problems, result in the failure to honour statutory obligations, like the payment of salaries and wages which is very critical to ensure continued operations of the Council. The Council chairman’s sentiments were echoed by other Council officials and Councillors.

It was disclosed that changes in government policy in addition to various pronouncements have also been blamed for the narrowing of the Council’s revenue base. The transfer of traditional local sources of income such as fuel levy and road licenses from local Councils to central government, the sale of Council houses, and the transfer of water and sanitation assets to Southern Water and Sewerage Company, in response to a government statutory instrument issued in 2000, has had a negative impact on local revenues. The Director of Finance noted that the local authority has lost revenue through the transfer of revenue sources to central government and the sale of Council houses in response to government directives in 1996. Revenues from the production and sale of opaque beer, motor vehicle licensing, and the receipt of the 35% share in the local sales tax, for example, made a significant contribution to the Council’s capacity to provide services. The Council has lost between 10 and 15 percent of its local revenue because of the sale of its housing stock. One of the reliable and almost guaranteed sources of local revenue is house rent. The significance of the loss of such revenue, whose contribution to the local budget is 10 percent or more, cannot be overemphasised.

Although the Council is the major shareholder of the Southern Water and Sewerage Company (SWSC) that took over the provision of water and sewerage activities in 2000 it has not received any dividends from this ‘investment’ as at December 2001. The loss of these sources of revenue has seriously affected service delivery in

\textsuperscript{52} Interviews with the Director of Finance (November 11, 2004)
terms of both quantity and quality. In the 2001 budget revenue collection declined from K367,000,000 in the 2000 budget to K123,440,000 in the 2001 budget largely reflecting the loss of revenue resulting from the transfer of water and sewerage services from the local authority to the newly created Southern Water and Sewerage Company (SWSC) towards the end of the year 2000. The local authority was no longer responsible for collecting charges related to water and sewerage and the SWSC had not started declaring dividends to the local authorities in the Southern Province, including Choma Municipal Council, who are its shareholders. The problem of default payments has also adversely affected the local authority’s revenue base. By the end of the year 2000 the local authority was owed close to K70 million. The reason for the failure to pay dividends, according to the Divisional Manager of SWSC is that the Company inherited a lot of problems that included rundown infrastructure, imperfect data base of the recipients of service, inadequate initial working capital, and low cash flows due to severe water losses through leakages. Because of these problems the company has not reached the stage where it can declare dividends to its shareholders. Although this explanation may be plausible, Council authorities maintain that the policy change has robbed the local authority of their source of income.

Council authorities lamented the difficulties associated with the collection of personal levy from the informal sector as well as the local authority’s inability to ensure that all property rates due to the Council are duly collected. Although the annually leviable amount for personal levy is considered too small to make a significant impact to the local budget both appointed officials and Councillors appreciated the fact that this is a stable source of local revenue. Property rates are considered to be the most lucrative source of local revenue. However, the local authority does not benefit, as much as it should, from this source of income, because of its failure to ensure an up-to-date Valuation Roll. As long as a local authority does not up-date the Valuation Roll it is illegal to collect rates from the owners of the new property. For any piece of property to attract rates such property must be valued and duly placed on the local authority’s Valuation Roll. The office of the Provincial Local Government Officer (PLGO) is expected to provide assistance associated with the valuation of properties located in the

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53 Interview with the Director of Finance (November 11, 2004)
Council area. However, this office does not have the necessary capacity to undertake this responsibility on a regular basis. Consequently the Council cannot benefit from new developments that attract property rates.

All Council officials and Councillors interviewed generally associated the financial problems of local authorities, including Choma Municipal Council, to the lack of an explicit policy to finance local Councils and the lukewarm attitude of central government with regard to the disbursement of grants. Of great concern also is the fact that central government retains the power of approval for the various, fees, rates and charges proposed by a local authority. Because of delays in approval and sometimes sheer resistance most levies, fees and charges have not been reviewed upwards to reflect the changed economic circumstances. This, according to Council authorities, is further contributing to their financial problems. There is a perception among many residents, however, that the local authority is not taking initiative to exploit potential sources of local revenue. The 250 residents subjected to the structured questionnaire were almost equally divided on the question of whether or not Choma district has potential resources that the local authority can exploit to improve its revenue base. While 123 (49.2 percent) of these residents thought that such resources do exist another 123 (49.2 percent) did not think so. The remaining 4 residents (1.6 percent) were not sure. However, the view that there are resources that the local authority is not exploiting with a view to enhancing its revenue base is supported by many of those that participated in the focus group discussions.

*Lusaka City Council*

The major sources of local revenue for the City Council are Property rates, and general revenue that comprise (i) Personal levy, (ii) Licenses, and (iii) Bill boards. Other sources include parking fees, market levies, ground rent, the manufacture and sale of school and industrial uniforms, bus station levies, and miscellaneous sources (meat inspections, plan scrutiny fees, lease of commercial properties etc.). Unlike the Choma and Luwingu Councils the Lusaka Council, by virtue of its location, has comparatively a much broader revenue base within most of the categories of local revenue sources. There are, for

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example more markets, a larger business community, and more property owners in Lusaka compared to Choma and Luwingu. For illustration purposes a summary of the budget estimates for 2001 are tabulated in Table 3.3 below to provide insights of the revenue and expenditure patterns of the Council.

Table 3.3: Summary of Estimates of Revenue and Expenditure for the Lusaka City Council (2001)

<table>
<thead>
<tr>
<th></th>
<th>2001 ESTIMATES</th>
<th>2001 ESTIMATES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Taxes</td>
<td>27,536,120,000</td>
<td></td>
</tr>
<tr>
<td>Charges</td>
<td>8,309,434,000</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>9,698,417,000</td>
<td></td>
</tr>
<tr>
<td>National Support</td>
<td>600,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>46,143,971,000</td>
<td></td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Emoluments</td>
<td>17,176,354,000</td>
<td>17,176,354,000</td>
</tr>
<tr>
<td>Provision of Services</td>
<td>8,778,034,000</td>
<td>8,778,034,000</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>20,189,583,000</td>
<td>20,189,583,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>46,143,971,000</td>
<td>46,143,971,000</td>
</tr>
</tbody>
</table>

Source: Lusaka City Council – Finance Department

Local taxes (levies, fees and charges) constitute the major source of local revenue contributing 59.7 percent to the 2001 budget. The government support of K600,000,000 constituted only 1.3 percent of the budget. More than one third (37.2 percent) of the budget was dedicated to personal emoluments compared to only 19 percent spent on the provision of services. According to the Director of Finance the Council, on average, spends between 40 and 52 percent of its budget on personal emoluments while service provision ordinarily takes up between 15 and 20 percent of the budget. It was noted that the level of expenditure on personal emoluments can be significantly reduced if the Council had resources to trim its staffing level through retrenchments and perhaps early retirements. Commenting on the policies of government a former Mayor noted that it had been a painful three years to sit in this Council and see the pain that policies have caused to the local authority. The Mayor disclosed that the Council has 2,300 employees out of which only 1,000 were being utilized while the rest were basically paid for nothing (The
Post, December 6, 2001). Almost a year later the local authority was in dire need of K5 billion to pay employees that had been earmarked for retrenchment. The Council’s Public Relations Manager disclosed that the local authority needed to retrench 1,200 workers and that only 1,000 employees would be retained. In effect this meant those earmarked for retrenchment were being paid for nothing. The savings accruing from such retrenchments would help to improve service delivery (National Mirror, August 24-30).

It was disclosed that central government on many occasions does not honour its obligation in terms of paying the level of government support which the Council had been advised to include in the budget estimates. The Council either receives an amount far less than what was promised or does not receive anything at all. For example, promised central government support in 1995 was K1.5 billion but received only K1,022,271,000 while in 2001 the Council received K600,000,000 instead of the promised K3.5 billion. This is a continuing trend as exemplified in 2004 when the Council received a budgetary support of K62,667,000 instead of the originally approved K3,962,602,000.\textsuperscript{55} In this respect it was disclosed, for example, that the Ministry of Local Government and Housing (MLGH) occupies one of the biggest Council properties in terms of office accommodation along Church road but this facility is not regularly paid for. Ordinarily the Council is supposed to receive K21 million per month from this office block but to no avail. Consequently the Council is owed a lot of money by government for the use of this facility. Initially the government had no explanation for the irregular payments towards the use of the office block. However, after the expansion of the same block of offices, without express permission from the city Council, government asked the Council to remove K1.3 billion from what MLGH owes it, as grants in lieu of rates, to defray the cost of construction. Ironically expenditure records associated with the construction were not availed to the Council, making it difficult for the Council to understand the basis on which the K1.3 billion was arrived at.

Apart from the erratic and inadequate support from central government the local authority has difficulties collecting what belongs to it for various reasons. Resistance from the residents and the failure to regularly update the Valuation Roll were considered to constitute the major constraints associated with revenue collection. There are 25 peri-

\textsuperscript{55} Estimates of Income and Expenditure
urban areas in the city from where the Council collects ground rent. These are Site and Service and upgraded areas that include areas such as George compound, Garden, Marapodi, Lilanda site 5, Chibolya, Bauleni, Jack extension, and Kamanga compound. There are site offices in these areas to facilitate the collection of these rates in addition to the main Revenue Hall at the Civic centre. However, most residents argue that the Council is not performing to their expectations and, therefore, does not deserve to be paid. The Director of Finance considers this a faulty argument because it denies the local authority the opportunity to improve its capacity to deliver services. By the end of 1999 the Lusaka Council had a shortfall of K14 billion from its estimated K24 billion revenue collection and in February 2000 a spokesman for the Lusaka City council announced that the City council was owed over K3 billion in unremit ted ground rent and rates. By the end of 2001 the Council was owed a total of K21 billion by property owners.

Failure to up-date the Valuation Roll on a regular basis is also impacting negatively on the local authority’s capacity to raise local revenue from property owners. The last update was done in 1995 and yet a lot of construction of residential, industrial and other business structures has taken place since this last valuation. In effect it means that the Council is not able to increase its local revenue as a result of these new developments.

The Town clerk disclosed that by December 2000, for example, there were only 25,000 properties on the Valuation Roll while 30,000 more properties did not pay to the Council because of not having been valued. Without valuation the Director of Finance could not estimate the actual monetary loss since the properties vary not only in their physical size but also the intended use. However, the revenue loss resulting from this problem and its adverse impact on service delivery cannot be under estimated. Workers went on strike over delayed salaries following the local authority’s inability to raise the deficit of K204 million caused by salary increments that increased the wage bill from K494 million to K698 million. Salaries had been increased by K40,000 across the board but because of the government’s failure to meet the 50 percent towards the K40,000 increment the local authority could not be able to honour its obligation (Times of Zambia, June 6, 2000).

57. Reported by the Times of Zambia, March 19, 2001 and confirmed in the interview with the Director of Finance (April 8, 2005)
Like in the Choma case, Lusaka city Council also associates its inability to raise adequate finances from local sources on government’s change of policy relating to the transfer of traditional sources of local income from Councils to central government, the directive to sell Council houses, the scrapping of the share of the Local Sales Tax, and the 100 percent transfer of its water and sanitation assets to the Lusaka Water and Sewerage Company (LWSC). The Council has, for example, foregone revenue from fuel levy, road licenses, and rent from the houses it sold. According to the Director of Finance the sale of Council houses has translated into a financial loss of nearly 35 percent of the Council’s local revenue. In the 1991 and 1992 years the local authority received K269,506,000 and K336,882,000, respectively amounting to almost 39 percent (1991) and 36 percent (1992) of the budgets. It should be noted that in these fiscal years the share of local sales tax was the major source of income for the local authority.\textsuperscript{58} Dividends from the LWSC are also erratic amid claims that the company was making losses. These erratic payments, on what was once considered a significant source of local revenue, are reported to have put a lot of pressure on the Council’s financial resources.

The politicisation of activities in markets and bus stations is also blamed for the poor revenue collection from these sources. All Council management officials interviewed made reference to this problem noting that political party cadres, especially from the ruling Movement for Multiparty Democracy (MMD), are causing confusion in these areas by also collecting some form of fees and yet this is a sole responsibility of the local authority. These activities have resulted in high levels of resentment among bus operators and marketers who feel that they are being harassed and over charged. In 1996, for example, the Council estimated to collect K400,000 but was able to collect only K114,110 while market fees, in the same year were estimated at K500,000 but only K366,620 was collected.\textsuperscript{59} Although such reductions in revenue collection may be due to other factors, the possible contribution of politicisation, as envisaged by Council management cannot be dismissed. The collection of payments from market stalls, for example, is adversely affected because some marketers deliberately fail to pay their dues on time. This is because the collection of levies and charged from bus stops and markets

\textsuperscript{58} See Estimates of Income and Expenditure for the Lusaka City Council (1991 and 1992).
\textsuperscript{59} Estimates of Income and Expenditure
is generally viewed with suspicion. Marketers and bus operators would like to see structural improvements and enhanced cleanliness in markets and bus stops but this confusion in revenue collection and the marked absence of the desired improvements is negatively affecting compliance with regard to paying such levies. Local authorities have the power to repossess market stalls from occupants who fail to pay regularly as required by regulations. The Council can also ensure that unscrupulous or unauthorised individuals, including party cadres, collecting levies and charges from unsuspecting bus drivers and marketers are arrested. However, political interference is making it very difficult for the local authority to take such legitimate action making the Council look as though it is not capable of enforcing laws.

The Concerns of Council management, with regard to financial problems caused by government policy and directives, is equally shared by all the Councillors interviewed and even some members of the public. Speaking amidst approval from his colleagues a Kabwata marketer wondered why government decided to sale Council houses and especially at give-away prices. The concerned marketer noted that the Councils did not realise enough money from the sale of their houses to enable them rebuild new ones which they could put on rent, adding that:  

"The whole thing was political. I think someone just wanted to make a name for himself at the expense of reducing the Councils’ revenue base. This kind of selfishness should be checked once detected in the future".

The lack of an explicit policy for financing local authorities is a source of concern for many stakeholders in the city. Without such a policy government has no obligation to ensure the regular disbursement of adequate financial resources to local authorities. The general perception on this policy oversight was well captured by a senior official in the Public Service who, among other things, noted that:  

"...In effect Councils simply depend on the good will of the powers that be to give them something. This is not correct. Local Councils are very

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60 The contribution of a Kabwata Marketer (Mr. Christopher Musongo) in a focus group discussion comprising 6 marketers (April 14, 2005)

61 Interview with a Director in the Ministry of Education (May 5, 2005)
important institutions created to deliver public services on behalf of
government. The lack of a policy for financing these institutions is,
therefore, a very serious omission. And the government seems to be taking
advantage of this omission”

Similar sentiments were expressed by all the Councillors interviewed (including the
Mayor) who noted that good government at the local level in many ways reflects good
government at the national level and the opposite is also the case. According to this view,
central government’s desire to see the efficient and effective delivery of services to the
local communities must be supported by an appropriate environment for conducting
public business. To the contrary central government over the years has instead continued
getting back revenue sources from Councils, directing Councils to sell their housing
stock, and taking other measures whose impact has been a reduction in the revenue base
of local authorities. We are in no doubt that the Council is committed to do better for the
community but the lack of adequate finances is proving to be a very serious constraint.
Various government pronouncements and directives are, to a large extent, responsible for
the poor performance of the local authority. We recognise the fact that other factors also
have contributed to the poor performance as discussed in the previous chapter and in the
next chapters of our thesis. The failure to exploit potential revenue sources, by the local
authority, was also noted by Lusaka residents. Out of the 600 residents subjected to the
structured questionnaire, 379 (63.2 percent) noted that Lusaka district has potential
resources that can be tapped to improve local revenue while 206 (34.3 percent) did not
think so. The remaining 15 (2.5 percent) were not sure.

However, it is important to note that the local authority sometimes gets external
assistance to finance various projects including those related to water and sanitation, and
the construction and/or rehabilitation of roads. during the period under review the local
authority has been able to maintain some roads in the city through various projects
funded by foreign donors. Through a project known as ‘The Project for Improvement and
Maintenance of Lusaka City Roads’ funded by a Japanese Grant Aid with Shimizu
Corporation being the Contractor, the Council was able to maintain a total of 65
kilometres of roads in the city centre including Cairo road and Freedom way; bus routes
such as Chawama road, Los Angeles, and arterial rods such as Lumumba and Chilimbulu
in the project’s first phase. This was at a cost of US$ 20 million and covered the period 1996 to 1998. Phase two (stage 1) covered a total length of 29 kilometres of roads in the city centre such as Cairo and Cha Cha Cha, and roads in the Industrial and Commercial areas such as Kachidza, Shekisheki, and Mungwi. These roads were maintained at a cost of US$ 10 million during the period January to December 2001. The second stage of Phase two was implemented between January 2003 and March 2004, a period outside the scope of our study. Assistance to the local authority, in view of the inadequate equipment, also has on many occasions come from other organisations including International Air Radio (replacement of fused bulbs and street lighting fittings), and National Airports Corporation and Nitrogen Chemicals of Zambia (fire fighting services).

**Luwingu District Council**

Major sources of local revenue for Luwingu District Council include rates on properties, support from commercial undertakings, way leave clearance, märket levy, hire of transport, fish levy, and personal levy. Way leave clearance is the removal of shrubs and tall grass below the power lines for the Zambia Electricity Supply Corporation (ZESCO). With regard to commercial undertakings the Council has two rest houses (Chulungoma and Isandulula) within the central business district (CBD) and six chalets at Nsombo, 72 kilometres away from the CBD, on the shows of Lake Mbangweulu. For budgetary purposes revenue sources of the Council are divided into four categories namely *local taxes, charges, other receipts, and national support*. Again for illustration purposes the 2001 Summary of Revenue and Expenditure budget is shown in Table 3.4. This budget and the expenditure pattern as described below, to a large extent, typify the Council’s revenue and expenditure activities. Charges and other receipts are the two major categories of revenue that contributed 87.7 percent of the total income in 2001. The hire of Council transport (charges) and commercial undertakings (other receipts), for example are the two major sources of local revenue, in this category, whose combined contribution amounted to 58.8 percent of the total income in 2001. It is important to note that the K310,000,000 accounting for *other receipts* includes a sum of K896,296 being a grant in lieu of rates. Government support, in the form of general grants, was K31,045,556 constituting only 5.3 percent of the total budget.
Luwingu District Council spends the bulk of its finances on personal emoluments with service provision getting the least share. In 2001 Personal emoluments gobbled K286,424,972 (48.7 percent of the budget) with only K6,700,000 (1.1 percent of the budget) being allocated to service provision. A scrutiny of available estimates of income and expenditure documents, and confirmed through a discussion with the Treasurer, indicate that the provision of services has never been allocated more than 7 percent of the local budget during the period under review. According to the Council Secretary, the Council is not happy to be spending so much money on personal emoluments compared to the provision of services but the local authority’s staffing level is a bit on the high side. However, a precise determination of how much staff needs to be separated depends on a comprehensive and professionally done staff audit. The financial base of the Luwingu local authority, like the other two Councils, and the general grants from central government are inadequate. In order to maintain the services the local authority is able to provide, given the limited resources, the Council has to avoid industrial action by ensuring that salaries and wages are paid on time. The problem according to the Council Secretary, however, is that salaries and wages are being paid to some undeserving people.
Being a rural-based district Luwingu has very few people in formal employment and no industries. This means that the benefit from personal levy is very negligible and the Council does not get the various rates and charges associated with the existence of industrial activity. Financial constraints, emanating from a weak financial base and exacerbated by inadequate and irregular support from central government, are clearly a feature of local authorities countrywide, irrespective of their status in the local government hierarchy of Councils and whether or not they are rural, or urban-based. However, there is reason to argue for more attention towards rural-based local authorities with regard to central government support. The absence of industrial activity, insignificant construction works such as the building of houses by individuals, and the insignificance of the personal level, given the small number of people in formal employment, has a comparatively more adverse impact on the financial capacity of rural-based Councils. The ‘equal’ treatment being given to all local authorities, therefore, seems to be working against rural-based Councils such as the Luwingu local authority.

During the period under review (1991-2001) the Council is reported to have benefited from donor support in the form of projects. The Cooperation for District Development project (CDD) (1997-2000) cited in chapter one, for example, was worth 16 Million Norwegian Kroner, an equivalent of nearly 2 Million US dollars. The Council benefited in many ways including through the purchase of office equipment, retention of the project vehicle, and improved management capacity following the training of some members of staff. Water supply to the CBD, which is erratic and usually at low pressure due to several leakages, is a serious source of concern to the community. However, in 1999 the Development Cooperation Ireland, then Irish Aid, released a total sum of 70,000 US dollars towards the maintenance of water projects in the District. The Director of Works revealed that the Council faces resistance from rate payers who think that they do not really get what they pay for. This is especially with regard to the provision of water and sewerage services. The Council Treasurer noted that the Council still considers water as a significant source of revenue and is, therefore, not willing to transfer this responsibility to the Chambeshi Water and Sewerage Company. This unwillingness is in fact shared by some residents who support the idea of establishing a holding company within Luwingu to take care of water and sewerage services instead of transferring this
responsibility to the Chambeshi Water and Sewerage Company. One local businessman, for example, observed that once Chambeshi Water and Sewerage Company takes over this responsibility the local Council will, for some time, stop getting any revenue from this source until the company starts declaring dividends. This, according to the businessman, will have a negative impact on the Council that is already facing financial problems.

The Director of Finance also noted that the Chalets at Nsombo were not bringing in enough money as expected because they were underutilised. Although Nsombo, being on the shores of a lake is a good tourist attraction it has not been developed to a level where the Council can benefit from lucrative room rates of the chalets. Some Councillors were also reported to resist market fees and other levies to be revised upwards arguing that the people would not afford given the low levels of business activity in the district. This, coupled with the fact that revised fees and levies require the approval of central government, was perceived to have a negative impact on the Council’s capacity to raise funds from local sources. Like in the other two Councils, the policy changes that resulted in the transfer of some local sources of revenue from Councils to central government and the directive to sale Council houses were perceived, by Councillors and management officials, to have greatly undermined the local authority’s capacity to raise adequate revenue from local sources. There seems to be a clear understanding among Council officials and Councillors that Nsombo needs to be developed to reasonable tourist standards in order for the local authority to accrue any significant financial benefits. At the moment only a few fish mongers, mainly from the Copperbelt towns, utilise the Chalets at Nsombo while local fish mongers have their own temporary structures and would not be willing to pay for such accommodation. However, the Council does not have the necessary financial capacity to undertake development works at Nsombo with a view to turning the investment into a full-fledged tourist attraction.

The Director of Finance also disclosed that over the years the local authority has continued to face problems relating to the defaulting of payments. By December 1999, for example, the Council was owed a total of K40 million by residents in unpaid debts making it impossible to settle staff salaries. It was disclosed that at the time the Council’s wage bill was somewhat manageable but because of defaulting and the inadequate
government grants, that were rarely received, the Council faced serious difficulties in settling the bill for salaries and wages.\textsuperscript{62} The concerns raised by Council officials and Councillors with regard to policy problems, and other government directives perceived to have had a negative impact on local financing, are widely shared by a cross-section of the participants in our study. Representatives of NGOs, business people, and government officials condemned the transfer of some traditional sources of local revenue from Councils to central government and Commercial utilities like Water and Sewerage Companies. Most central government decisions and policy directives have not worked in the interest of local authorities but have instead negatively impacted on the capacity of these authorities to deliver adequate quality services to the community. Commenting, for example, on the sell of Council houses the information officer for the Anti-Voter Apathy Project, among other things, asked:\textsuperscript{63}

"...In whose interest were these Council houses sold? Since clearly it was not in the interest of the individual local authorities it means that it was not in the interest of service delivery. Councils got \textit{peanuts} from these houses meaning that they cannot build other houses for rent. What a total and unnecessary loss of revenue on the part of local authorities".

Luwingu District Council, like the Choma and Lusaka Councils, is experiencing financial problems a situation which, to a large extent, is blamed on poor government policies and directives, and what was generally described as the "lack of serious commitment" on the part of central government to adequately fund local authorities. Discussions with various participants in Luwingu basically underscored the need for central government to ensure that the delegation or devolution of responsibilities to local authorities is accompanied by matching financial resources. In other words government should not expect the delivery of quality public services at the local level when Councils are seriously under funded. However, many Luwingu residents hold the view that with a little more initiative their local authority can raise revenue from potential sources that were not being exploited. Out of the 150 residents subjected to the structured questionnaire, 101 (76.3 percent) of them thought that there were potential sources in the

\textsuperscript{62} Also see Times of Zambia, December 7, 1999

\textsuperscript{63} Interview with the Information Officer for the Anti-Voter Apathy Project (AVAP) – October 4, 2004.
district that the Council was not tapping while 47 (31.3 percent) held the view that there were no such resources. The remaining 2 respondents (1.3) were not sure such resources do exist.

In this section we have noted, among other things, the limited sources of local revenue resulting mainly from the transfer of traditional sources of local income from local authorities to central government and other statutory bodies such as the Water and Sewerage Companies. Limitations in sources of local revenue have also been associated with inadequacies in and the various changes to government policy (external factors), and in the ineffectiveness and lack of transparency and accountability in revenue collection and management (internal factors). In adequacy in government policy can, for example, be related to the personal levy. High unemployment levels mean that only very few adults that are in the formal employment pay Personal levy to the local Councils. In short the Personal levy is a very inadequate source of local revenue. Although this observation is especially the case for rural-based local authorities like Luwingu it is important to note that the contribution of this levy to the budget of even the Lusaka City Council (less than 3 percent) is not very significant given the low statutory threshold associated with the payment of the Personal levy. Inadequate cooperation from the users of services provided by local authorities, with regard to ensuring the regular payments of the various fees and charges, is another external factor that has reduced revenue collection. Internal factors on the other hand include the lack of accountability exacerbated by weak oversight mechanisms, and the lack of enthusiasm, among Council officials, to promote community participation in local authority operations with a view, among other things, to providing public oversight. These factors also include the lack of sufficient initiative to exploit potential and untapped sources of local revenue. However, we argue that the intervention of central government, as the creator of local authorities and the principal player in public service delivery is very critical to creating an environment in which Councils (agents) would be able to raise adequate revenue for their operations. It is in recognition of this critical role of central government that we examine, in the next section, the experiences of the local authorities in our study with regard to financial support from central government.
Central government Support

Inter-governmental relations and fiscal decentralisation are of significant importance to Local Government financing. The term ‘intergovernmental relations’ refers to the relationships between the various levels of government, i.e. national (or central), regional and local. In any form of government, unitary or federal, the national level remains the most important because it generates the bulk of national income and distributes it to the other levels. A core variable determining the success of the lower levels’ performance is the nature and impact of their relations with the national level (Godana and Mukwena, 2003: 86-87). Intergovernmental relations are influenced by many factors, the major one being the very establishment of local authorities by an Act of Parliament. The principle of “Agency” comes into play. Since Local Government performs or provides services to citizens on behalf of Central Government, it becomes imperative therefore that Central Government shares resources with Local Government. The sharing of national resources can take many forms including subsidies, grants-in-aid, and revenue sharing. Grants-in-aid are a form of assistance given to local authorities experiencing problems in meeting their obligations.

Governments that have attempted to decentralise have come to recognise and appreciate the fact that the real constraint for the effective performance of the deconcentrated or devolved functions has been lack of adequate financial resources to support policy implementation. It logically follows, therefore, that the successful deconcentration or devolution of powers, authority, functions and responsibilities from the centre to Local Government should go hand in hand with matching resources (Draft National Decentralization Policy –Zambia, 1997)

In Zambia, Section 45 of the Local Government Act of 1991 provides for the disbursement of constituency development grants or loans of money to a Council, by central government, for the purposes of the discharge by the Council of any of its functions. In this respect a local Council in receipt of such a grant or loan is free to decide the utilisation of such moneys. The grants or loans are paid out of moneys appropriated by Parliament for this purpose. Through government circulars individual Councils are advised on how much money should be included in their annual budget estimates as support from central government. Presumably this advance information is supposed to
assist Councils in their financial planning for a given fiscal year. Central government can also provide specific grants to a Council earmarked for expenditure on projects or programmes identified by central government in areas such as water and sanitation; health services; fire services; road services; police services; primary education; and agricultural services. Capital grants provided to local authorities by government fall in this category.

In addition Councils receive grants in lieu of rates. These grants are meant to cover rates on government owned building and property for exempted organisations such as church buildings (including houses for priests), schools (including private schools), and agricultural properties. It is, however, important to mention that the grants in lieu of rates cannot, in a strict sense, be described as government support because such rates are paid for Council property that the government uses, rates that would be paid by anyone else. Similarly, through bilateral cooperation between the Zambian government and foreign governments or their agencies local Council sometimes benefit from donor funding in the form of various projects and programmes. In most instances huge financial outlays or technical support from the country’s cooperating partners (donors) is channelled through the Department of Infrastructure and Support Services (DISS) at the Ministry of Local Government and Housing (MLGH).

In 1995 Parliament introduced a new strategy of financing development at the local level called the Constituency Development Fund (CDF). Through this fund all Constituencies receive funding annually under the control of the area Member of Parliament (MP). The MP is responsible for determining the utilisation of this fund supposedly in consultation with the constituents. Local authorities have no say over the utilisation of such funds and are, therefore, not factored into their budget plans. One would argue, therefore, that although the CDF was meant to promote development at the local level, the introduction, accountability, and utilisation of this fund underpins political considerations rather than anything else.

This section, therefore, provides a presentation on the experiences of the three local Councils with government support during the period under review excluding the CDF.
Choma Municipal Council

The subject of central government support is a very sensitive one among Council management officials Councillors. According to both parties government support to the local authority’s annual budgets is inadequate and does not commensurate with the responsibilities given to the Council as an agent of government in the area of public service provision. Apart from 1992 when the Council received a grant of K13,360,000 (comprising 32 percent of the local budget) central government support, whenever received, has ranged between 1 and 7 percent of the local authority’s annual budget. Examples of such meagre or the lack of financial support were cited for the fiscal years of 1996 when government support of K41,556,530 constituted 7 percent of the local budget; 1998 - K4,630,046 (1 percent); 1999 – K39,100,000 (5.3 percent); and in 2001 when the local authority did not receive any support at all. Although budget estimates for the other fiscal years could not be traced, mainly due to poor record keeping and the general loss of institutional memory, it was clear from the discussions with Council officials, Councillors, and other stakeholders that the picture would not change for the better even if such records were made available. In this respect the explanations provided by the Council officials and Councillors, underscored by the levels of government support in the cited fiscal years, clearly support this perception. It may be plausible to argue that because of the envisaged policy to stop giving grants to urban Councils central government ensured that its ‘last’ disbursement to the Choma Municipal Council, an urban Council, in the year in which the policy would be announced was significantly more than in the previous years. It might have been considered as a ‘bye bye’ bonus for the local authority.

The lack of an explicit policy for financing local authorities, as noted earlier, is a source of concern for Council management officials, Councillors, and other stakeholders interviewed in Choma. It is, in fact, perceived to be the main reason for central government’s reluctance to fund Councils adequately. The government policy in 1992, for example, to stop giving grants to urban local authorities, although not followed to the letter, had the effect of reducing local finances to the detriment of effective performance in such local authorities.64 However, the Council, and other stakeholders in Choma, find

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64 Government pronouncement in the 1992 National Budget
it difficult to understand that over the period under review (1991 -2001), several policy changes and government directives have been ‘targeted’ at reducing the Councils’ ability to operate efficiently and effectively and yet this was considered to be the period of addressing the development problems created by the one-party state. Local authorities in this respect are considered to be the ‘drivers’ of local and subsequently national development. According to this view government was expected to ‘recapitalise’ local authorities and assist them in every way possible with a view of resuscitating their operations that had basically ground to a halt. But such recapitalisation has not happened and consequently local authorities are not able to register any significant improvements in their ability to provide quality services to their communities.

In Choma, what has happened over the period under review, with respect to government policies and directives is not only difficult to comprehend but brings into question the government’s level of commitment to ensuring that its (government’s) agents, the local Councils, are in a position to perform their responsibilities as outlined in the Local Government Act of 1991. The level of contribution of the fixed personal levy to the Choma Municipal Council budget, like to any other local authority’s budget, does not take into account changes in taking place in the economy or people’s changing personal levy incomes. The revised estimates for 1998 indicate the contribution of personal levy amounting to K58,912,045 while those of the 1999 and 2000 show K61,253,080 and K64,869,646, respectively. These minimal increments reflect the presence of new employees in the Council area while upward changes in employee emoluments over the period are not taken into account. This situation reflects the unrealistic and insufficient contribution of personal levy to local authorities countrywide.

While all stakeholders in Choma, including Councillors and Council officials, appreciate the need for financial independence in local Councils they recognise that such independence must be built over time in order for it to be sustainable. The Town clerk noted that the failure of most, if not all Councils, to provide services is an indication that they suffer from similar problems which might have the same root cause. Council officials and most other stakeholders in Choma hold the view that the 1991 reforms have not helped to enhance the performance of not only the Choma Council but all Councils

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countrywide. The need for recapitalising local authorities is considered by many stakeholders in Choma as the starting point for enhanced service delivery by local authorities. The Director of Finance was especially emphatic when he noted that:

"...Funds should be found, at all cost, to ‘kick-start’ a process that will result in self-sustaining local authorities. Government can do it in phases if covering all the 72 local Councils at once is not financially feasible. There is not magic about this. Councils simply have no money and central government is fully aware of this problem”.

Due to limited finances the local authority is not doing much to enhance its ability to collect more revenue from local sources. The regular updating of the Valuation Roll to capture new rateable properties, carrying out of rehabilitation works at the rest houses in the Batoka and Mbabala areas, and the construction of a modern market in the CBD are projects and programmes that the Council would like to pursue in order to enhance their revenue base. However, these projects and programmes require huge financial outlays which the local authority does not have. The current level of central government funding to the local authority is too inadequate to support such initiatives. The failure by government to disburse the grants in lieu of rates has further reduced the local authority’s revenue base. For example, in 1995 rates and charges were the major source of income which contributed K244,2000,000 (57 percent) to the total budget of K426,338,700. In 1996, the year before government announced various exemptions to the payment of property rates, this source of income was again the major source which contributed K318,447,440 (54 percent) of the total budget of K585,300,000. In 1999 government did not pay the K2,800,000 as a grant in lieu of rates to the local authority. Similarly in the year 2000 such a grant amounting to K900,000 was not disbursed to the local authority.

There is a perception, among some Choma residents, that central government’s failure to disburse adequate finances to local authorities in general has to do with its (government’s) lack of trust and confidence in the ability of these institutions to manage such resources. A resident of Shampande compound (a Medium density residential area), who seemed to be somewhat well informed about the role of local authorities, noted the

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66 Interview with the Director of Finance (November 11, 2004)
lack of confidence, on the part of government, in local authorities, and bemoaned what he considered to be ‘the government’s anti-progressive attitude’ towards local Councils. According to this resident the government’s failure to trust Council management and Councillors with the handling of huge sums of money and the power to make important decisions greatly demoralised these people and helped to fuel the lack of integrity in Council operations. In his contribution to a group discussion the resident raised very critical issues that bring to the fore problems about and solutions to the principal-agent relations as well as the rationale for central government intervention in public service delivery vis-à-vis market failure. The resident noted that central government depends on local authorities to provide public services that would not ordinarily be provided by private business houses. The need for government to invest adequately in the activities of local authorities cannot, therefore, be overemphasised. Such investment must be accompanied by a culture of building confidence in those assigned with the agency responsibility, the local authority officials and Councillors.67

Lusaka City Council

The scrutiny of the Council’s available estimates of income and expenditure documents (1995, 1997, 1998, 2000, 2001), during the period under review, indicate that apart from 1992 when central government support amounted to 40 percent of the local budget the rest of the fiscal years where government support was made available, during the period under review, the Council received between 1.3 to 15 percent of the budget in the form of government support. Although no tangible reasons were advanced for government’s ‘generosity’ in the 1992 budget it was widely speculated, among Council officials, that the new government under the multiparty system wanted to ‘make a difference’ to the status quo. But most importantly, it may be argued, like in the Choma case, that government was saying ‘bye bye’ to the local authority with a happier note.

Record keeping seemed to be comparatively ‘better’ in that budget information for six fiscal years was made available compared to Choma where information was available for five fiscal years and Luwingu where only three fiscal years were covered. In

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67 Sentiments from a Group discussion in Shampande area but elaborated by a Mr. Albert Mwikisa (November 26, 2004)
1995 the Council received government support totalling K1,022, 271,000 representing 7 percent of the local budget; 1997 – K685,389,000 (3.5 percent); 1998 – K2,624,393,000 (15 percent); 2000 – K624,006,000 (2 percent); and 2001 – K600,000,000 (1.3 percent).

Council officials and Councillors interviewed were sensitive to the fact that the period under review coincided with the period when the government policy to discontinue funding urban Councils, announced during the 1992 national budget, was being implemented. Their general view, however, was that even if government had somewhat relaxed on the implementation of this policy the funding the Council was receiving was too low to make an impact on the local authority’s capacity to provide services. In effect it was noted that government’s relaxation on this policy was an indirect recognition of the fact that local Councils in the country, whether rural or urban-based, were facing financial problems and needed to be assisted. It is this level of ‘recognised’ assistance that the Lusaka ‘City fathers’ found extremely inadequate. As noted in the previous chapter the Council’s financial problems are, among other things, exemplified in its inability to procure adequate equipment, ensure the updating of its Valuation Roll, and its failure to implement the retrenchment exercise which would result in savings from personal emoluments. These are some of the issues of great concern, to both Councillors and appointed officials of the Council, that require central government intervention in order to improve the quality and level of public services provided by the local authority. Unfortunately, however, the government, according to the ‘City fathers, is literally standing aloof and instead continuing to make policies and passing directives whose impact is further diminishing the potential for enhanced serviced delivery.

The inexplicit policy on the financing of local authorities was duly cited as a major drawback which had the effect of making government relax and not fund Councils adequately. The provisions of the Local Government Act, with respect to the financing of local authorities, were seen to be too general and were not tailored to compel government to finance Councils adequately and regularly. The Act is silent on the regularity and the level of financial support that local Councils can expect from central government. In this case financial planning in local authorities, with regard to the budgetary process, is seriously compromised. The ‘City fathers’ view this as a serious obstacle to the provision of services and the general administration of local authorities and one which should be
recognised and corrected otherwise it would be very difficult to justify the existence of local authorities in the ‘eyes’ of the general public.

Growth in the city’s population and infrastructure as well as business activity has outstripped the local authority’s capacity to provide quality matching services in an effective and efficient manner. The failure by the local authority to pay-off people that have been retired and/or earmarked for retrenchment is continuing to ‘eat-up’ the local authority’s meagre financial capacity in the form of salaries and wages. These problems, according to the Town clerk, are a feature of all local authorities in the country that require renewed and serious government commitment adding that:68

“... Our financial records speak for themselves. The demand for services in the city has grown tremendously over the years but look at the level of financial assistance from government, 2, 3, 7, or 15 percent of the local budget! What can the Council do with this level of support given that houses were sold and the government has taken away most of the traditional sources of local income of the Council? Government needs to reconsider its position in as far as it relates to the financing of local Councils in the country....”

In all respects the views of the Town Clerk not only represent the views of the other officials and Councillors interviewed but also underscore their passion for what seems to be government’s negligence of the very important public institutions that have been created, under the Constitution, to provide public services, the local Councils.

It will be recalled that 60.5 percent of the Lusaka residents interviewed attributed the local authority’s poor performance to three major factors namely, ‘the lack of finances’; ‘lack of qualified manpower; and ‘the lack of equipment’. The lack of adequate finances, therefore, is a matter that is well recognised by members of the general public who are also not happy with the government’s lukewarm attitude toward local authorities with regard to funding. It has been observed that while central government is willing to spend huge sums of money to ensure a representative local government system there does not seem to be a commensurate willingness to ensure that these institutions perform to the expectations of both government and the communities they serve. According to the residents this is a contradiction which is counterproductive and only helps to fuel

68 Interview with the Town clerk. April 6, 2005
animosity between the residents on the one hand, and the local authority management and Councillors on the other.

There seems to be a deep-seated belief, among some of the well informed Lusaka residents, that government is not willing to relinquish substantial power and authority to local Councils and is consequently holding back support that perhaps has the potential to promote operational independence in local authorities. Such perceptions may underscore an indication that there is fear, on the part of central government, that adequate funding to Councils may create a runaway local government system, a situation that could diminish central control. Too much central control has been a feature of the central-local relations over the years and has consistently been used as one of the reasons for the repealing of Local Administration legislation. Different stakeholders subscribe to these views noting that the development of local democracy is being undermined. Building democracy should start from the lower levels of governance. Local Councils should have the power to make very important decisions that affect the well being of the local people and also be able to provide them with services. But without a Decentralisation policy that, among other things, states the nature of administrative authority and coordination at the district level and/or how local authorities will be financed, service provision by Councils cannot be effectively administered. There is a view that there seems to be a lack of trust, on the part of central government with regard to the capacity of local authorities to manage huge sums of money and that this, in part, explains why government is not keen on disbursing the necessary finances to the Councils. The local authority has not received grants specifically in lieu of rates mainly because government incurred an expense to expand the Ministry of Local Government and Housing building, the property of the Council, as noted in the previous section. However, adequate financial support from central government is very critical to the effective operations of local authorities, the Lusaka City Council included but, as noted by a Kabulonga resident, 69

"...it seems there are fears of the unknown in government circles to finance these institutions adequately and allow them to make important decisions for local governance. This, to me, is a very serious contradiction. It is a contradiction because central government has created these institutions to provide services to the

69 Interview with a Ms. Betty Chitembwe of Kabulonga – April 15, 2005
people. It is, therefore in the interest of government to make sure that these institutions are able to provide quality services in an effective and efficient manner. Government has a responsibility to ensure that this happens”.

Luwingu District Council

Luwingu District Council, like the other two Councils in the study, has its share of problems with respect to financial support from central government. Because of very poor record keeping only three budget documents (1999, 2000, and 2001) for the period under review, with the necessary information, were produced for scrutiny. The K24,000,000 government contribution in 1999 constituted 15 percent of the local budget. This level of support (15 percent) was replicated in the 2000 budget when the local authority received a grant of K31,045,556. Although in monetary terms the Council received the same amount (K31,045,556) in 2001 this was in fact a significant drop that translated to only 5.3 percent of the local budget for that fiscal year that stood at K588,449,752. The non-availability of the budget documents, according to the Council Treasurer, is a very ‘insignificant point, noting that the problem of insufficient central government support is unfortunately a ‘normal’ trend so much so that it is not difficult to remember it in percentage terms. Council Management officials, Councillors and other stakeholders expressed similar views, as noted in Choma and Lusaka, on the lack of a policy that explicitly stated the regularity and level of financing to local authorities. The Council Treasurer, among other things, observed that:

“....As far as I can remember the Council has never received a budgetary support in excess of 15 percent from central government for a long time. If and when we get it, the Council is ordinarily in receipt of between 5 to 10 percent government funding toward the budget sometimes even less. There are years when we do not get anything at all. This tells you the insignificant level of commitment on the part of government toward the financing of local authorities in the country”

The Luwingu Council does not get much from personal levy because there are very few people in formal employment in Luwingu district. Property rates and other charges are also not much given the lack of industrial activity and the exemption of various institutions from paying such rates. The district is basically agrarian. The construction
and effective maintenance of feeder roads is very essential to the promotion of agricultural activity. The local authority does not have capacity to ensure such construction and maintenance. Without enhanced agricultural activity, however, the Council cannot benefit from the various levies and charges associated with agricultural production. Adequate financial assistance from central government is, therefore, very critical to the effective operations of Luwingu District Council and other Councils that are rural based. The need for a policy that takes into account the disadvantages of rural based local authorities, with regard to the raising of local revenue, is very critical to their capacity to deliver services.

This lack of adequate financial support from central government is also recognised by members of the public. Although there was no specific question soliciting for perceptions on this issue, hence the lack of statistical quantification, many residents and representatives of various organisations (including government ministries) interviewed were very concerned about what was generally described by most of the participants of the focus group discussions as ‘the government’s lack of commitment toward the well-functioning of local Councils’. Specifically it was observed that government has the responsibility to create an environment that can enable people’s living standards to be enhanced. Local Councils were seen as the institutions of government that can be used to undertake this important responsibility. It is, therefore, ironic, according to this view, that central government is seen to be procrastinating on this very important duty. However, it is also the view of the local community, as expressed especially by those involved in the focus group discussions, that government should take long term measures that will enable local authorities countrywide to raise sufficient finances for their operations in a sustainable manner. Such measures would help in reducing the financial dependence of local authorities on central government support. Like in the other two districts, the need for central government to ensure that local authorities effectively discharge the responsibilities for which they were created is a hallmark of the concerns raised by the local community in Luwingu. Adequate central government support, with regard to finances and other factors of production, accompanied by a continuous capacity building programme especially in rural based local authorities, should be the basis for enhancing public service delivery by local Councils. However, the analysis of national budgetary
appropriations to the Ministry responsible for local government, as illustrated in the table below (Table 3.5), has shown that on average only 4.3 percent of the national budget, is allocated to the MLGH over the period covering 1991 to 2001. The highest allocation (5.9 percent) was in 1999 while the least (2.4 percent) was in 1991.

Table 3.5: Government Appropriations to the Ministry of Local Government and Housing (MLGH) by year in Zambian Kwacha

<table>
<thead>
<tr>
<th>Year</th>
<th>National Budget (NB)</th>
<th>Allocation to MLGH (Capital &amp; Recurrent)</th>
<th>% of NB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>52,311,874,077</td>
<td>1,265,165,009</td>
<td>2.4</td>
</tr>
<tr>
<td>1992</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1993</td>
<td>231,934,961,351</td>
<td>5,859,043,006</td>
<td>2.5</td>
</tr>
<tr>
<td>1994</td>
<td>686,805,757,119</td>
<td>25,693,316,009</td>
<td>3.7</td>
</tr>
<tr>
<td>1995</td>
<td>853,980,025,741</td>
<td>40,475,523,010</td>
<td>4.7</td>
</tr>
<tr>
<td>1996</td>
<td>1,161,647,975,693</td>
<td>44,860,493,018</td>
<td>3.9</td>
</tr>
<tr>
<td>1997</td>
<td>1,489,146,404,448</td>
<td>82,606,654,009</td>
<td>5.5</td>
</tr>
<tr>
<td>1998</td>
<td>1,818,338,775,144</td>
<td>97,367,894,019</td>
<td>5.4</td>
</tr>
<tr>
<td>1999</td>
<td>2,227,722,565,099</td>
<td>131,226,432,051</td>
<td>5.9</td>
</tr>
<tr>
<td>2000</td>
<td>2,956,989,935,617</td>
<td>107,875,478,099</td>
<td>3.6</td>
</tr>
<tr>
<td>2001</td>
<td>5,015,050,011,500</td>
<td>273,011,194,087</td>
<td>5.4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16,493,928,285,789</td>
<td>810,241,192,317</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Source: Government Yellow Books (Estimates of Revenue & Expenditure)

In this section we have noted insufficient and erratic financial support from central government as a contributing factor to the weak revenue base of local authorities. The fact that the disbursements are made through the parent Ministry (MLGH) rather than directly to the local authorities, and without any criteria for disbursement, may also have a negative impact on the adequacy of funds. This is in addition to the failure by government to ensure the regular disbursement of grants in lieu of rates to the local authorities, and the politicisation of local revenue sources such as markets and bus stops. Besides the irregularity with which grants in lieu of rates are disbursed, local authority officials in the three Councils of our study noted that these grants do not usually reflect

70 Data not available
the value of the properties on which such grants are supposed to be levied. In effect, therefore, the revenue base of the local authorities has been somewhat reduced by this arrangement of ‘receiving’ grants in lieu of rates.

However, we argue that in order for local authorities to deliver adequate and quality services, financial resources, whether scarce or abundant, need to be effectively managed. An organisation may have adequate resources, whether financial or otherwise, but these resources require to be properly managed if organisational objectives are to be realised. Pursuant to this observation, the next section examines issues related to financial management in the three local authorities of our study with a view to ascertaining how financial management or indeed mismanagement has contributed to the problems facing local authorities.

Financial Management
We would like to note, on the outset, that financial mismanagement is also a contributing factor to the dearth of local financing. It is our understanding that the process of service delivery in the Councils can register a significant improvement if the scarce financial resources at their disposal are well managed. Although effective financial management in the three local authorities may not facilitate the procurement of very expensive equipment, in desired quantities, such as graders and fire tenders its contribution is very critical to the process of service delivery. Dishonesty in the revenue collection process can result in less local revenue being accounted for while the failure to adhere to financial regulations can enforce the misapplication and outright theft of local authority finances thus reducing the financial capacity of a local authority. In other words the call for improved central government support must also be accompanied by effective financial management of the scarce resources characterised by transparency and accountability in order for such support to have a meaningful impact on service delivery.

Guidelines pertaining to financial management in local Councils are provided in Part VI of the Local Government Act of 1991 on Finance. One notable provision is the public scrutiny of a Council’s financial documents, such as the approved annual budget estimates of income and expenditure. Section 39 (5) of the Act provides that “The annual estimates of a Council shall, at all reasonable times, be open to the inspection of any
interested person”, while Section 43 (2) provides that “The accounts of a Council, together with all books, deeds, contracts, vouchers, receipts and other documents relating thereto, shall at all reasonable times, be open to the inspection of any Councillor and of any interested person” – 1991 Local Government Act. However, the local authorities are not under pressure to ensure effective financial management because most members of the public do not know of this provision while the few that are aware do not seem to be interested in utilising this opportunity. Momba (2002) observed that most Councils have not made any efforts to inform the public about some of these rights that they have. Even Councillors over the years have not been very active in this respect. The result has been that even though the law provides for some accountability and transparency over the years this avenue that the electorate have to ensure that the council is accountable to them is basically non-existent.

However, effective financial management should be able to provide financial advice to the Councillors to enable them make sound judgment of long-term projects, provide financial information to management in the most reliable and suitable form, and enhance routine control with a view to promoting transparency and accountability. Expenditure should be properly sanctioned and the collection of monies due to the local authority should be characterised by diligence and honesty. Financial management must also ensure regularity. In this respect it is important for relevant financial reports to be ready and availed to interested parties on regular basis and the collection of revenue and disbursement of payments conducted whenever they are due. These characteristics of effective financial management, if adhered to, enhance transparency and accountability in financial transactions. Their observance promotes the prudent utilisation of financial resources and consequently helps to build a culture of resource allocation based on organisational priorities. However, in financial management benchmarking there are some critical questions that arise with regard, among other things, to Payment Voucher preparation; Control of receipts; Cash books; General ledger; and Imprest management.

(a) Payment Voucher Preparation

✓ Are payment vouchers prepared for every payment made?
✓ Is all expenditure authorized and duly approved?

(b) Control of Receipts

1) Are receipts issued for all monies received?
2) Is banking of cash made at the earliest opportunity?
3) Are all monies collected, banked?
4) Are bankings and receipts reconciled promptly?
5) Are spot checks done independently on cash held at the Council?

(c) Cash Books

- Is there a separate cash book for each bank account?
- Does treasurer or another senior person review cash books?
- Are cash book totals posted to the ledger on a monthly (regular) basis?
- Are bank reconciliation statements done on regular basis?

(d) General Ledger

- Is a general ledger maintained?
- Does the ledger contain the following features? – (i) Balance brought forward from previous year, (ii) Budget amount for each account, (iii) Running balance on each account, and (iv) Name and code of account, and
- Is the ledger in balance? and

(e) Imprest Management

- Is an Imprest sub-ledger maintained?
- Are Imprest retirements made when they fall?
- Is the Imprest register agreed to the general ledger on a monthly basis?, and
- Has disciplinary action been taken against officers who have not settled Imprest?

In this section we attempt to answer some of these questions as we examine the experiences of the local authorities with regard to the management of financial resources. Specifically we examine the extent of the local authorities’ adherence to some of the critical regulations and good practices associated with the administration of finances. It should be noted at the outset, however, that financial mismanagement, in the three local authorities, manifests itself in similar ways in as far as the answers to the above questions are concerned. It is for this reason that we present, in the table below (Table 3:6), a summary of the indicators of financial mismanagement in the three local authorities.
<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>CHOMA</th>
<th>LUSAKA</th>
<th>LUWINGU</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irregular production of financial documents</td>
<td>6)</td>
<td></td>
<td>7)</td>
<td>This is especially the case for Luwingu – Mainly due to poor work habits; and lack of effective supervision</td>
</tr>
<tr>
<td>Poor presentation of financial documents</td>
<td>8)</td>
<td>9)</td>
<td></td>
<td>Mainly due to insufficient skills</td>
</tr>
<tr>
<td>Poor collection of revenue</td>
<td>10)</td>
<td>11)</td>
<td>12)</td>
<td>Insufficient skills (Choma &amp; Luwingu); transport problems, poor work attitudes, &amp; outdated Valuation Roll (All Councils)</td>
</tr>
<tr>
<td>Lack of and/or fraudulent receipting of monies collected, especially market levies and charges</td>
<td>13)</td>
<td>14)</td>
<td>15)</td>
<td>Due to the lack of integrity among some staff especially revenue collectors</td>
</tr>
<tr>
<td>Delayed and/or poor reconciliation of deposits against receipts</td>
<td>16)</td>
<td></td>
<td>17)</td>
<td>Due to poor work habits (failure to adhere to deadlines) and insufficient skills</td>
</tr>
<tr>
<td>Insufficient reviewing of cash books and other accounts documents by a senior official</td>
<td>18)</td>
<td>19)</td>
<td>20)</td>
<td>Generally due to poor work habits and the lack of professional conduct among some staff</td>
</tr>
<tr>
<td>Ineffective maintenance of debtors' and creditors' accounts in the general ledger</td>
<td>21)</td>
<td>22)</td>
<td>23)</td>
<td>Records not updated promptly – mainly due to poor work habits and insufficient skills, especially for Luwingu.</td>
</tr>
<tr>
<td>Inadequate technology (computers etc.) to support effective financial management</td>
<td>24)</td>
<td>25)</td>
<td>26)</td>
<td>LCC is comparatively better than the other two Councils</td>
</tr>
<tr>
<td>Lack of an internal audit team</td>
<td>27)</td>
<td></td>
<td>28)</td>
<td>Mainly due to insufficient skills</td>
</tr>
<tr>
<td>Delayed banking of cash</td>
<td>29)</td>
<td></td>
<td></td>
<td>No Bank in Luwingu – deposits have to be made in Kasama</td>
</tr>
<tr>
<td>Delayed reconciliation of bankings and receipts</td>
<td>30)</td>
<td>31)</td>
<td></td>
<td>Mainly due to insufficient skills and poor work attitudes</td>
</tr>
<tr>
<td>Delayed retirements of Imprest</td>
<td>32)</td>
<td>33)</td>
<td>34)</td>
<td>Mainly due to insinade discipline among some staff and insufficient monitoring</td>
</tr>
<tr>
<td>Retrospective authorisation of expenditure</td>
<td>35)</td>
<td>36)</td>
<td>37)</td>
<td>Due to insufficient respect for the Council and its Committees; and financial insinade discipline among some staff</td>
</tr>
<tr>
<td>Lack of public scrutiny as provided by regulations</td>
<td>38)</td>
<td>39)</td>
<td>40)</td>
<td>A reflection of the general veil of secrecy characteristic of Council operations</td>
</tr>
</tbody>
</table>

Source: Compilation from Fieldwork data

It is important to also mention at the outset that the *will* to ensure strict supervision and apply sanctions to erring officials, in the local authorities, seems to be greatly compromised by the desire to maintain *harmony*. Morale among most Council workers is
very low due to, among other things, low salaries and poor conditions of service. Council managements are very aware about this problem and try their best not to ‘rock-the-boat’ to avoid poor industrial relations that might jeopardise the delivery of the services that they are able to provide within their limited means. It would, therefore, appear that the observed reluctance, among Council officials in the local Councils of our study, to disclose information relating to specific disciplinary cases involving financial mismanagement during the period under review may partly be explained by this desire to maintain harmony. In any case, it is important to also bear in mind that generally people would normally not want to talk about themselves or their institution in a negative manner. Consequently, officials that alluded to the indicators in table 3.1 above described such indicators as some of the challenges that their local authority was facing during the period under review (1991-2001). However, it is important to note that such harmony is at the expense of good financial management practices and greatly undermines the capacity of the local authorities to raise and manage finances in a transparent and accountable manner. Service delivery is, in the process, adversely affected. Challenges facing the good management of local authority resources are not just typical to the Choma, Lusaka, and Luwingu Councils but also applicable to most Councils countrywide. Isoka District Council employees protested after the Council Secretary allegedly paid himself K17 million as long service bonus from the K131 million disbursed by government to clear salary arrears for the employees. And commenting on the Local Government Minister’s revelation about revised procedures aimed at enhancing accountability in the management of Constituent funds, the Times of Zambia Opinion Column noted that Councillors and Chief Officers in Councils have, in most cases, been working in league with other influential elements to systematically plunder public resources.\textsuperscript{71} The Minister of Local Government also suspended the Samfya District council for allegedly selling council assets to purchase a vehicle for a council official without the authority of the Minister.\textsuperscript{72}

\textsuperscript{71} Times of Zambia, 12 May 1998
\textsuperscript{72} Times of Zambia, 25 November 1998.
Choma

The collection and expenditure activities of local revenues are the responsibility of the Finance Department. The department has three sections namely Audit, Revenue, and the Expenditure sections. It was learnt that ordinarily the Audit and Revenue sections are supposed to be separately headed by Chief Accountants. Unfortunately, however, both sections are headed by one Chief Accountant. This, as noted in the previous chapter, is mainly due to difficulties in attracting suitably qualified candidates for various positions.

According to some Council management officials and Councillors, challenges facing financial management in the Council include delayed and/or poor reconciliation of deposits against receipts; delayed reconciliation of banking and receipts; the lack of an internal audit team; poor revenue collection; the lack of and/or fraudulent receipting of monies collected especially from markets; inadequate supervision of subordinates by senior officials; ineffective maintenance of the general ledger; inadequate office equipment including computers; delayed retirements of imprest; and the retrospective authorisation of expenditure. Some Council management officials and Councillors acknowledged these management deficiencies and noted that they posed a challenge to the local authority’s desire to effectively serve the community. In spite of this acknowledgement, not a single official or Councillor was willing to provide specific cases to illustrate the point. However, the Town clerk disclosed that sometimes records at the Council’s two rest houses, in Batoka and Mbabala areas, showed no occupancy for several days and/or receipts suspiciously cancelled. The Town clerk noted that this situation was similar to the activities at the Council’s three beer tarvens (Kazembe, Singani and Mayuni), and its shops in Sham pande area. The Town clerk also disclosed that personnel managing the rest houses in Batoka and Mbabala, and the shops in Sham pande are not adequately qualified to discharge their responsibilities in a professional manner. Because of the lack of reliable transport the Council is not able to check on the activities in these areas as often as it should. It should be appreciated that financial discipline is very difficult to maintain when accounts are not audited for long periods of time. This is the reason why it is possible, for financial transactions to occur without prior approval or unreturned imprests to go undetected for long periods of time. These inadequacies mean that financial resources of the local
authority may be misapplied at the expense of service delivery. Information arising from focus group discussions, and collaborated by other participants in our study, revealed that in 2001 the Director of Finance was suspended for financial impropriety. According to the participants of the focus group discussions, and other stakeholders who knew the case, the subsequent resolution to dismiss the Director was 'politically' reversed rendering the official literally untouched.\textsuperscript{73}

In the previous chapter we noted the high turnover of the Principal Officers (Town clerks) in Choma mainly due to resignations because of what a former Town clerk of the local authority termed 'hyper-active trade unionism' at the District Branch level. With this high turnover it is very difficult for the local Council, among other things, to develop a culture of financial discipline and/or a positive sense of direction in managing the local authority's finances. The former Town clerk also noted that the local authority has not produced a professional balance sheet in a long time partly because staff in the finance department, including the head of department, is not adequately qualified.\textsuperscript{74}

The challenges facing the Choma Council with regard to financial management are, to a large extent, due to the lack of adequate skills in the Finance Department. Insufficient skills, among other things, have exacerbated the poor work habits resulting in the lack of regular internal auditing and adherence to the regular production of financial reports, poor revenue collection, and delayed reconciliations and proper maintenance of financial transactions and accounts, respectively. One of the responsibilities of the Provincial Local Government Officer (PLGO) is to provide regular auditing services to the local authority. According to the Town clerk, however, the PLGO’s office does not have the capacity to ensure this regularity. This problem, coupled with the lack of an effective internal audit team has resulted in the local authority’s accounts not being audited for long periods. The lack of and/or fraudulent receipting, although acknowledged by other stakeholders, was mainly reported by marketers during the focus group discussions. But some Council officials and Councillors acknowledged the existence of this problem only as a 'possibility'. Participants of the focus group

\textsuperscript{73} Focus group discussions with 6 marketers at Macha road market (November 20, 2004), and 10 residents of Shampande compound (November 26, 2004)

\textsuperscript{74} Interview with Mr. Gilbert Minganja, a former Town clerk of the Choma Municipal Council (November 30, 2004)
discussions held at the Macha road and Makalanguzu markets noted that dishonest behaviour among some revenue collectors in the markets was not a strange phenomenon. Marketers, in the focus groups observed that sometimes the authenticity of the receipts issued by some collectors was highly questionable. They, however, acknowledged that there were some marketers who knowingly paid less to dishonest revenue collected in exchange of not getting a receipt. This view was especially elaborated by a Shampande marketer who observed that marketers who are struggling to make ends meet were the most vulnerable to the actions of dishonest revenue collectors. Such marketers are very willing to ‘do business, with such officials. The marketer observed that with the poor performance of the local authority some marketers and other payers of the various fees and charges do not feel obliged to pay what is due to the Council. The presence of dishonest revenue collectors who are willing to get far less than what is due to the Council, therefore, is very welcome by such marketers and other clients of the Council. The marketer further noted that Council workers, like other workers in the country, are facing economic hardships and those that have access to local authority finances are easily attempted to misappropriate such resources. Such workers can use any opportunity to benefit from finances that actually belong to the Council if there are no proper mechanisms or adequate supervision to ensure honesty in revenue collection.

In 1999 the local authority expected to get K61,738,200 levies, the bulk of which comes from the markets, but only collected K14,229,864. Similarly, in the 2000 budget estimates the Council expected to get K150,000,000 from levies, but only collected K12,066,300. The problem of delays in the retirement of imprest, retrospective authorisation of expenditure, and insufficient supervision of subordinates were noted by all the 8 Councillors that were separately interviewed. The lack of professional conduct and inadequate respect for the Council committees were cited, by the Councillors, as the major reasons for these lapses. The local authority does not also benefit from public scrutiny because most members of the general public are not aware of the legislative provision that allows them to inspect Council accounts.

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75 Focus group discussions comprising 6 marketers at Macha road market (November 20, 2004) and 8 marketers at Makalanguzu market (November 19, 2004)
76 Interview with a Mr. Moses Mweene, a Shampande Marketer (November 24, 2004)
It is important to note that the various deficiencies noted above tend to enhance opportunities for financial misapplication, and pilfering by unscrupulous officials. Consequently, accountability and transparency in the administration of local finances is greatly compromised. The net impact of these deficiencies is a reduction in the local revenue and subsequently in the resources available for service delivery. However, there seems to be sufficient commitment among the management officials and Councillors to address these challenges. In order to do this effectively the local authority requires adequate government intervention, hitherto lacking, especially in the areas of finance and human resource capacity building.

Lusaka

The Finance Department, that is responsible for revenue and expenditure activities, comprises four sections namely Revenue, Property rates, Expenditure, and Accountancy sections. The revenue section is responsible for the collection of moneys due to the local authority; Property rates deals with such matters as reconciling rates accounts, following up on rates delinquency cases through debt collection and management; Expenditure deals with the preparation of payroll and making of various payments pertaining to Council operations; and the Accountancy section is vested with the responsibility of preparing the Council budget and providing internal audit services. Compared to the Choma and Luwingu Councils the finance Department of the Lusaka Council is relatively better staffed and equipped.

However, management officials and Councillors, like their counterparts in Choma, identified some indicators of poor financial management cited in table 3.1 as some of the challenges the local authority has faced during the period under review (1991-2001). These include poor revenue collection, the lack of and/or fraudulent receipting especially in the markets, insufficient supervision, delayed reconciliation of financial transactions and up dating of debtors and creditors accounts, delayed retirements of imprest, and retrospective authorisation of expenditure.

The study has revealed that in spite of being comparatively better equipped in terms of technology and skills, than the other two Councils in the study, effective financial management at the Lusaka City Council still remains a challenge. Like in the
Choma Council, some management officials and Councillors disclosed that low morale and the lack of integrity and professional conduct among some employees are a contributing factor to the laxity with which financial management is executed. In effect, such conduct manifests itself in the challenges identified above. Besides inadequate skilled revenue collectors and transport to ensure effective revenue collection, poor revenue collection may be due to some scrupulous revenue collectors. According to some marketers, residents and other stakeholders, the local authority is being deprived of sufficient revenue because of the selfish and corrupt behaviour of some officials entrusted with the responsibility of collecting revenue. A participant of a focus discussion group at Lumbama market, in the Kamwala second class trading area observed that Lusaka was surrounded by several markets from which the local authority should be getting much revenue but this is not being realized because of the failure to effectively manage revenue collection. In calling for more accountability and transparency in the use of public resources the marketer observed that residents were not inspired to pay what is due to the local authority because they were not sure where the money was going. Transparency and accountability in the collection and management of Council finances would discourage some people from conniving with dishonest revenue collectors.  

Some Council officials and Councillors conceded that although such dishonest transactions are very difficult to substantiate, there seemed to be sufficient public ‘outrCY’ about the scourge to warrant its acknowledgement. The Town clerk noted that dispelling such public concern as mere rumours will not help the local authority with regard to improving its revenue collection and financial management capacity. As noted in the section on the Local Sources of Funding, the Council in 1996, for example, estimated to collect K400,000 from the Inter City Bus Terminus but instead collected only K114,110 while market fees, in the same year were estimated at K500,000 but only K366,620 was collected.  

The problems of insufficient supervision, retrospective authorisation of expenditure, and delayed retirement of imprest were acknowledged mainly by the Councillors. Like their counterparts in Choma, the Lusaka councillors also observed that some appointed officials are not only dishonest and uncaring but do not have the

78 Contributions of a focus group discussion participant (Kasonde M.) - Lumbama market (May 7, 2005)  
79 Estimates of Income and Expenditure (1996)
necessary respect for the various Committees of the local authority. Consequently, such officials do not feel under pressure to act professionally and ensure adherence to regulations. Again we note the lack of enthusiasm, among officials and Councillors, to divulge information of disciplinary nature. In spite of this ‘secrecy’, however, the acknowledgement by some Councillors and appointed officials of the existence of the various challenges discussed above is recognition of reality. In 1998 ten officers from the local authority’s Finance department, including a senior official, were suspended and put under investigations after the discovery of a K120 million fraud. The money was realised from the sale of Council houses in various townships of the city.\textsuperscript{80} In April 2000, for example, six employees from the Finance Department were involved in a racket in which the Council lost more than K60 million. The officials paid themselves huge salaries and arrears.\textsuperscript{81} Following a Commission of enquiry, the Council suspended five senior officers for allegedly allocating pieces of land amounting to millions of Kwacha, illegally. The officers were alleged to have connived with some Councillors and community leaders to sell the pieces of land to the public.\textsuperscript{82}

Lusaka residents, like their Choma counterparts are not aware of the legislative provision that allows them to inspect the accounts of the local authority. Consequently, local authority officials are not subjected to public scrutiny, a situation that would help to promote transparency and accountability in the financial management of the Council. We should mention here that, in spite of the challenges being faced by the Council, there is a lot of optimism, among the local authority officials and Councillors to resuscitate the operations of the Council with a view to enhancing transparency and accountability.

\textit{Luwingu}

The Finance Department is divided into three sections namely, Revenue, Expenditure, and Accounts. The revenue section is responsible for the collection of all monies due to the Council; Expenditure is responsible for preparing the payroll and instituting payments relating to the Council’s operations; and the Accounts section prepares the Council budget and is also responsible for providing internal audit services. These are the sections that are directly involved in the management of the local

\textsuperscript{80} Sunday Times of Zambia, May 31 1998
\textsuperscript{81} Interview with the Town clerk and also reported in the Times of Zambia, April 23, 2000
\textsuperscript{82} Sunday Times of Zambia, October 15, 2000
authority's financial resources. The Finance, Commercial and General Purposes Committee is responsible for the regulation and control of the local authority's finances. Through the authority of and/or directives from the full Council, this Committee and officials delegated for the purpose are responsible for the financial transactions of the Council.

Management officials and Councillors in Luwingu, like their counterparts in the Choma and Lusaka Councils, are also concerned with a variety of problems affecting the management of the local authority's finances. The officials recognize that these problems are adversely affecting the capacity of the local authority to collect adequate revenue let alone ensure its effective management. These are the same problems cited by the other two Councils which include poor revenue collection, the lack of and/or fraudulent receipting especially in the markets, insufficient supervision, delayed reconciliation of financial transactions and up dating of debtors and creditors accounts, delayed retirements of imprest, and retrospective authorisation of expenditure. However, the Luwingu Council has an added problem, that of delayed banking of cash. This is mainly due to the lack of banking facilities in Luwingu district. Banking facilities are offered in Kasama, 164 kilometres away on a dusty and poorly maintained road. In addition to this poor road network the Council has to utilise its motor vehicle fuel resources sparingly since the district does not have a fuel filling station. Adhering to timely banking of cash, therefore, represents a very big challenge and cost to the local authority. For example, the financial records of the local authority showed an opening balance of K98,881,245.57 as at December 1, 2001. However, out of this amount only K12,044.44 (0.4 percent) was in the bank while the remaining K98,469,201.23 (99.6 percent) was in cash form. The Council chairman conceded that the retention of large sums of money has a tempting effect on some officials who are inclined to spend money of items that are otherwise not of a priority nature. The Council Chairman disclosed that in most cases it is expenditures of this nature that are usually incurred with authorisation only sought in retrospect.

Effective financial management in a local authority should benefit from the use of documents that enable Councillors and other interested persons to easily understand what is being presented. However, the presentation of some documents such as the balance sheet and those relating to the maintenance of debtors' and creditors' accounts is not easy
to comprehend. This, in effect, means that transparency and accountability in the
management of finances can be difficult to achieve given that Councillors and other
interested persons may not be in a position to make realistic comments or render advice
due to the ‘complex’ documentation. Income from the two local authority’s rest houses
(Insandulula and Chulongoma), within the Central Business District, is vulnerable to
mismanagement because that those handling cash, whether for room bookings or for the
meals, and ensuring stocks do not have the slightest idea of basic accounting principles. It
is appreciated that the Council has difficulties ensuring that such positions are occupied
by qualified personnel. However, there does not seem to be a serious concern on the part
of Council management about this issue because not a single official specifically noted
this inadequacy during discussions concerning the operations at the two rest houses. This
is in spite of the Council treasurer observing that the lack of adequate skills in the
Finance Department is making the work of the local authority very difficult, in as far as
the management of finances is concerned. The Treasurer also noted that because of the
lack of reliable transport it is difficult to manage the finances from the Charlets at
Nsombo, in terms of close supervision. Regular internal audits cannot also be done
because there is no manpower for this task. The Provincial Local Government’s Office
(PLGO) in Kasama is not doing much to solve this problem. That PLGO’s office is not
adequately staffed and equipped to assist the 12 Councils in the Province.

Not a single Council official or Councillor interviewed acknowledged the problem
of fake receipting or the lack of receipting at all. However, other stakeholders including a
businessman, some local residents and marketers observed that the local authority was
losing some revenue because of this problem. The analysis of monthly financial reports
shows wide variances in the expected monthly income from fish and market levies. The
finance report for the month of May 1999, for example, shows that the local authority
hoped to raise K9,000,000 to go towards the 1999 budget from fish levy. The report
shows that from January to April the Council had already raised a total of K397,500
which works out to a monthly average collection of K99,275. The collection in May was
K112,950. In order to meet the targeted K9,000,000 the Council expected to raise a total
of K8,489,550 in the remaining seven months, a monthly average collection of
K1,212,792.86. Similar wide variances in expected income, although somewhat lower,
were noted for market levy in the same report. The Council targeted to raise K11,520,000 towards the budget from market levies. From January to April a total of K3,351,750 had already been raised indicating a monthly average collection of K958,789.20. The collection in May was K972,250. A total of K7,199,000 was expected to be raised in the remaining seven months, a monthly average collection of K1,028,000.83 Such huge variances in the expected income from a known source are vulnerable to manipulation by dishonest revenue collectors. The meeting of such targets may not necessarily indicate high levels of integrity and dedication on the part of revenue collectors. To the contrary, it may in fact be a signal that much more would have been raised. Development, in terms of infrastructure and business activity, is rather low. The loss of revenue resulting from the Council’s failure to update the Valuation Roll on a regular basis, therefore, is minimal compared to the Choma and Lusaka local authorities. However; with the availability of finances, Council management is committed to ensuring that the local authority’s Valuation Roll is regularly up-dated. 

Like their counterparts in Choma and Lusaka, Council officials and Councillors in Luwingu are averse to disclosing specific disciplinary cases bordering on the mismanagement of financial resources. There is a strong sense of wanting to keep as much information from the public arena as possible, especially information that has the effect of reducing the local authority’s integrity. This idea of maintaining harmony and wanting to live like one family was, for example, demonstrated in the case of Mr. Edward Chibiliti, a security guard, whose appeal against a summary dismissal for being drunk on duty on May 1, 1999 was changed to a discharge “to assist the employee start a new life”.84 In Luwingu, suspensions and re-assignments of duties generally characterise the nature of ‘sanctions’ meted to erring officials. In 1999, for example, the Rest house manager and a stores officer were suspended, by the Council Secretary, for fraudulent offences. This involved the altering of financial documents with a view to defrauding the local authority of some money. However, their suspensions were lifted by the full Council which recommended written final warning letters and the re-assignment of

83 See the Luwingu Council Finance Report for the Month of May, 1999
duties. Besides irregular auditing, the Luwingu Council, like its counterparts in Choma and Lusaka, is not subjected to public scrutiny. The general public in Luwingu is also not aware that the local authority’s accounts are open for inspection by interested members of the public. As noted earlier, public scrutiny has the effect of putting pressure on the local authority officials to ensure effective and prudent use of resources. The lack of it helps to enhance the propensity of some Council officials to mismanage financial resources.

The analysis of this section has revealed a contradiction with regard to the local authorities’ desire for more financial resources on the one hand, and their inability to ensure prudent utilisation of such resources on the other. We see local authorities that are literally crying for more finances and yet they have no capacity to effectively manage and account for the little they have and/or there are some officials who behave in ways that greatly undermine accountability and transparency in financial matters. This does not only affect their ability to render services with whatever resources are at their disposal but may also discourage central authorities from disbursing adequate financial resources fearing that such resources may be mismanaged. However, we argue that instead of being discouraged by the behaviour of local authorities, central government has the responsibility of building capacity and ensuring professional conduct in local authorities in order to revitalise the operations of these institutions. In the absence of such initiatives public service delivery will continue to be adversely affected. The lack of community involvement in the operations of the local authorities is undermining opportunities for public scrutiny of local authority accounts. It is also distancing the community from local authorities to an extent where some residents, especially some marketers, are tempted to connive with dishonest revenue collectors to the detriment of effective revenue collection by the local authorities. The finances of local authorities are vulnerable to misappropriation and misallocation because of the inability of local authorities to ensure the regular auditing of their accounts. Prior to 1991 the Office of the Auditor was responsible for auditing the accounts of councils but this was changed after 1991. It was then assumed that councils would be able to pay external auditors for the service. However, Councils do not have the capacity to do so. As a result Councils are heavily

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85 Interview with Council Secretary (October 5, 2004). Also see Council Minutes – LDC/Council:357/04/99
dependent on the Audit unit of the Ministry of Local Government and Housing which is reportedly heavily understaffed. Consequently external auditing of councils is not regularly done and some Councils go for as long as five years without any external auditing. This, essentially, makes external auditing ineffective as a means of upward accountability by the local authorities in the country (Momba, 2002). The ineffectiveness of the office of the Provincial Local Government Officers, with regard to providing external auditing services, has also been duly noted.

**Conclusion**

In this chapter we have noted that a weak financial base and the mismanagement of local resources have contributed to the poor performance of local authorities. The weak financial base is mainly due to policy changes, the lack of an explicit policy for funding local authorities, and financial mismanagement. Changes in government policy, and the issuance of various directives and pronouncements, have adversely affected the capacity of the local authorities to raise adequate revenue from local sources. Policy changes include the transfer of traditional sources of local revenue from local authorities to central government and the responsibility for water and sewerage services to water utility companies, in the case of the Lusaka and Choma Councils. Inadequate support from central government, exemplified by the erratic disbursement of general grants and the failure to disburse grants in lieu of rates, is yet another source of concern for the local authorities. The inadequacy in government support is a reflection of the lack of a policy for financing Councils. In the absence of such a policy local authorities rely on the good will of central authorities and are not able to lay any legal claim for adequate and regular funding from central government. Because of the conviction that local authorities are not performing according to expectations, there is some level of resistance, among the communities, to pay levies and charges to the local authorities. This is especially the case in Lusaka. Generally, however, this resistance has helped to enhance dishonest in the collection process of local revenue in places like markets and bus stops.

Delayed approvals, by central authorities, of by-laws that have the effect of revenue collection have undermined the value of the ‘approved’ levies or fees because
such have been overtaken by economic or other changes hence making almost no impact on local revenue. Refusals to approve proposed revisions to fees and levies, when government support is inadequate and erratic, has also disillusioned civic authorities and dampened their resolve to ensure effective performance. These factors have complemented each other and adversely impacted the local authorities’ ability to deliver services in an efficient and effective manner.

We have also noted that poor financial management, characterised by several indicators including fraudulent and/or the lack of receipting, poor collection of revenue, and retrospective authorisation of expenditure, is a problem that has a diminishing effect on the scarce financial resources of the local authorities. The management of local authority finances is marred by the lack of sufficient accountability and transparency. This can be explained by the lack of adequate supervision and serious commitment to ensure prudence in resource utilisation. Financial mismanagement and misapplication in local Councils is, for example, manifested in the diversion, to other uses, of funds received as service charges meant to facilitate development on newly allocated pieces of land.

Because the expenditure pattern of the local authorities is skewed towards personal emoluments, finances allocated to service delivery are too inadequate to ensure the delivery of adequate and quality services. This expenditure pattern, although clearly undesirable, is supported by the need to ensure a conducive work atmosphere with a view to guaranteeing the provision of the few services local authorities are still able to offer under the circumstances. However, it is important that local Councils re-orient their expenditure patterns with a view to ensuring substantial allocations to the delivery of services. The expenditure patterns cited for the Councils in our study are, to a very large extent, typical of most, if not all Councils countrywide. A study by the Local Government Association of Zambia (LGAZ) involving the Ndola, Mufulira, and Chibombo Councils revealed that on average these Councils were spending 90% of their monthly revenue on emoluments and other employee related costs while service delivery was allocated only 18% (Ndola) and less than 10% in the case of Mufulira and Chibombo (LGAZ, 2001). To some extent the local Councils are taking advantage of the fact that there is no statutory requirement for a specific level of budgetary allocation to the
provision of services. Local authorities are free to decide how much should be allocated to service provision.

We have also argued that the lack of public scrutiny has not helped to enhance integrity and diligence in the operations of local authorities. Specifically, we have noted that in spite of legislation providing for public oversight on the financial activities of local authorities, the general public is ignorant of such a provision and has, therefore, not participated in ensuring that local finances are managed in a transparent and accountable manner. It should, however, be pointed out that local authorities have not taken adequate initiative to exploit other sources of local revenue with a view to enhancing their financial autonomy from central government.

We have also noted the various problems facing local authorities with regard to local revenue, central government support, and the management of financial resources. Of paramount importance is the observation that these problems are not only peculiar to the local authorities in our study. Literature review and information based on the discussions held with various stakeholders in the study, including Council officials and Councillors, acknowledge the impact of these problems on other local authorities countrywide without exception. It is clear from our analysis, therefore, that with regard to the financing of local authorities central government has not evoked policies or given any directives that have the effect of advantaging or indeed disadvantaging any local authority or authorities by virtue of their status in the hierarchy of local government. Government’s ‘desire’ to treat local authorities ‘equally’ is exemplified in its continued disbursement of grants, albeit inadequate and erratic, to urban Councils in contradiction to its 1992 decision to stop such disbursements.

However, we acknowledge that there are other institutions at the local level with resources and motivation to provide public services alongside local authorities. Such institutions include civil society organisations (Non-governmental Organisations and Community Based Organisations), and business enterprises. Many NGOs, using resources mainly from the donor community, do provide various services to local communities. Some of the services NGOs provide are what we may refer to as traditional
services that are normally the responsibility of local authorities. The business community, on the other hand, would be interested in an environment which supports lucrative business activity to thrive. Local authorities have the responsibility of ensuring the existence of such an environment. The failure by local authorities to ensure such an environment may trigger the participation of the business community. We argue, however, that the extent to which NGOs and the business community can be of benefit to the local communities, in terms of service delivery, depends on many factors that include the appreciation and support by members of the public, and the recognition and accommodation of these institutions in the operations of local authorities. It is in view of these observations that we examine, in the next chapter, the role that civil society and the business community is playing in the delivery of public services in the Council areas of our study.
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