

CHAPTER ONE

INTRODUCTION

Background

In Zambia, like in many other countries, decentralization has gained acceptance as a vehicle for democratic governance and sustainable economic development. Implementing this recognition in practical terms requires creating and sustaining different autonomous levels of government with clearly defined powers and functions accompanied by a clear allocation of revenue sources and expenditure responsibilities to each level (Mukwena, 1992). A key element in this process is the strengthening of both local government's capacity to raise revenue and measures of revenue sharing between local and central governments.

The recognition of the need for decentralized governance prompted the Zambian Government to formulate the National Decentralization Policy (NDP) launched in November 2004. The objectives of the decentralization policy are to:

- a. Empower local communities by devolving decision making authority, functions and resources from the centre to the lowest level with matching resources in order to improve efficiency and effectiveness in the delivery of services.
- b. Design and implement a mechanism to ensure a 'bottom-up' flow of integrated development, planning and budgeting from the district to the central government.
- c. Enhance local, political and administrative authority in order to efficiently and effectively deliver services.
- d. Promote accountability and transparency in the management and utilization of resources.
- e. Develop the capacity of local authorities and communities in development planning, financing, coordinating and managing the delivery of services in their areas.
- f. Build capacity for development and maintenance at local level.

- g. Introduce an integrated budget for district development and management, and
- h. Provide a legal and institutional framework to promote autonomy in decision making at local level.

In addition, Article 109 of the Constitution of the Republic of Zambia provides for the existence of a local government system based on democratically elected councils on the basis of universal adult suffrage. There are 72 local councils in the country whose management and administration are based on the Local Government Act No. 22 of 1991. With respect to the level of development and population size, among other factors, of a given geographical area, local councils in Zambia fall into three broad categories namely: City Councils, Municipal Councils and District Councils. There are four city councils, fourteen municipal councils and fifty-four district councils in the country.

An Overview of Local Government and the Development of Local Authority Administration in Zambia since 1964 when the country gained Independence

“Local government is that level of government which is commonly defined as a decentralized, representative institution with general and specific powers devolved to it by a higher tier of government (central or provincial) within a geographically defined area,” (Ismail et al., 1997: 2-3). Local government, ordinarily, refers to a system of government at local level. Ola (1984) defines it as a political subdivision of a nation or (in a federal system) state which is constituted by law and has substantial control of local affairs, including the powers to impose taxes. The term ‘local government’ is used to contrast with offices at nation-state level, which are referred to as the central government, national government, or (where appropriate) federal government. The governing body (local authority) of such an entity is elected or otherwise locally selected, and operates within a specific geographical area (well-defined area of jurisdiction) to provide services for its local community (local populace). A local authority has a right to govern on its own initiative, but is subject to constitutional provisions, as well as central and provincial legislation. The institutions of local government

vary greatly among countries, and even where similar arrangements exist, the terminology often varies. Common names for local government entities include state, province, region, department, county, district, city, township, town, borough, parish and village. However, all these names are often used informally in countries where they do not describe a legal local government entity.

Generally, local government exists for two reasons, namely service-rendering, which is a utilitarian consideration, and democracy, which is a civic consideration (Ismail et al., 1997). The first one is related to the utilitarian consideration in that it entails the efficient and effective rendering of services. Local authorities exist in order to provide services to citizens. The utilitarian consideration has a bias for the recipients, namely the citizens. However, it also recognizes the fact that citizens, in turn, have an obligation to pay for the services. The service rendering functions are largely dependent on the ability of the local residents to pay for those services which they receive. The second reason involves the civic consideration. This deals with the values of participation, representation, local autonomy, responsiveness and fairness. The civic consideration emphasizes the notion of democratic processes such as elections, and the governing side of local government. Local authorities must have regular, free and fair elections. Since openness and transparency are central to the political consideration, the implication is, therefore, that local authorities must promote openness in their daily business and policy making.

Through both the utilitarian and civic considerations, the social and economic wellbeing of citizens is enhanced. This shows that local government is very important for the prosperity of any given society. Moreover, it is only through putting a local government system in place that a forum for the tenets of good governance (decentralization in general and fiscal decentralization in particular; effective public service delivery; democracy; etcetera) is created, and thus good governance and development experienced by a nation.

The development of local government administration in Zambia during the post-independence period may be divided into three major phases, that is, by way of: (a) the 1965 Local Government Act No. 69; (b) the 1980 Local Administration Act No. 15; and (c) the 1991 Local Government Act No. 22.

The 1965 Local Government Act No. 69

At independence, Zambia inherited general government structures from colonialist Britain. Under the British colonial rule, emphasis with regard to the delivery of services was placed on areas that were clearly occupied by whites, but not the black indigenous people. The nature of the colonial state meant, among other things, that whites lived separately from blacks and usually along the line of rail or in some other relatively urban areas. This, in effect, meant that the delivery of services was not a phenomenon that equitably covered the whole community in a given locality. The enactment of the 1965 Local Government Act was, therefore, seen as an instrument for, among other things, ensuring effective and equitable provision of services to the local people.

The Local Government Act of 1965 came into operation on the 1st of November of that year and provided for three types of local authorities namely: Two Urban Councils (City and Municipal); Township Councils; and Rural Councils. The President of the Republic was empowered to confer the title of ‘City’ on a municipal council and the councils were divided into wards, each of which elected a single councilor who served for three years. However, the Minister responsible for Local Government was empowered to appoint persons to councils. For each city and municipal council, there was a mayor and deputy mayor, and for each township and rural council, there was a chairman and vice-chairman elected annually by councilors from among themselves. Town Clerks (for city and municipal councils) and Council Secretaries (for townships and rural councils) constituted the executive wings of the councils. The elected and appointed councilors constituted the legislative wing of councils.

In 1968, a central government committee was appointed to look at problems affecting administration at provincial and district levels. Among other things, the committee recommended the following: (a) Need for high quality staff through the channeling of new graduates to the districts and provinces; and (b) More powers to be given to the district secretaries, especially over local government. Nonetheless, the President, in his 1969 reforms, rejected most of the proposals as he perceived these as a return to the colonial system of local government administration. In fact, he institutionalized political control over councils. For example, he appointed a district governor to be the political administrative head of a district (Loljih, 2008). There was also political bias in most development ventures, party corruption in the allocation of development funds, contracts were being given on patronage rather than competence and there was tension between qualified staff and councilors. It can be argued that, up to 1980, the country had experienced a deconcentrated type of decentralization mainly due to the desire to maintain control at the centre. Due to these and other deficiencies of the 1965 Local Government Act, it was repealed and replaced by the Local Administration Act in January 1980.

The 1980 Local Administration Act No. 15

Officially, the 1980 Act had three principle objectives: (a) to reflect the government and ruling party's desire to decentralize power to the people; to ensure an effective integration of primary organs of the local administration; and (c) to enable district councils to play a more direct and substantial role in the development process than they had been expected to undertake in the past.

Council composition under this act was as follows: District Governor (as chairman); District Political Secretary; two District Trustees appointed by the ruling party's provincial committee and approved by the central committee; all Chairmen of ward committees; all Members of Parliament in the district; one representative of the main NGO's operating in the district; one representative from each trade union operating in the district; one representative from each of the security firms; and one chief elected by all chiefs in the district. The Act

provided for the establishment of a District Secretariat whose functions, among other things, were: (a) to coordinate government functions of the district; (b) to carry out day-to-day administration of the council, including implementation of party and government policies and programmes of work in the district; (c) to prepare annual developmental reports other than political reports on the activities of the district for submission to the council; (d) to prepare annual estimates of revenue and expenditure of the district for submission to the council; (e) to prepare district development plans and programmes for submission to the council; and (f) to directly consult provincial organs of the party and government, or where necessary, the appropriate organs of the party and government on any technical matters pertaining to the administration and management of the district.

Assessing the 1980 Local Administration Act, according to Lolojih (2008), it is clear that local government administration still remained highly centralized and district councils were far from being front liners in the development process. Most local councils became top-heavy, so there was a lot of bureaucratic in-fighting coupled with the overlapping of functions. There was also a problem of insufficient support staff, a situation which adversely affected efficiency and effectiveness. The expected integration did not take place since only offices of the district secretaries and governors had been fully integrated into district councils, while government departments continued to operate vertically to their provincial headquarters and directly to the capital (Lusaka). There was no proper programme to foster integration. Councils had still not developed the tradition of being autonomous from central government with regard to finances, and were still characterized by the lack of business approach in the running of commercial ventures. There was poor debt collection, political interference, and financial mismanagement especially by senior district officials. Local councils were not given much room to raise revenue from local sources as rates, fees, rents and other charges needed the approval of the Minister responsible for Local Government.

The defects of the 1980 Administration Act may be summed up as follows: (a) local authorities were dominated by one-party politics; (b) Local administrative, technical and professional considerations were subordinated to political objectives and priorities; (c) decision-making and financial management became even more centralized than before; (d) people were appointed to council positions on the basis of party (UNIP) loyalty rather than ability to do the job; and (e) chief officers of the councils were literally tools of the political masters (Ibid).

The 1991 Local Government Act No. 22

This Act came about just after Zambia's return to multi-party politics and it is the one currently governing local government administration and management in the country. Councils are elective as was the case in the 1965 Local Government Act. Major changes have been brought about by the 1991 Act. There now is a clear institutional divorce of political party structures from the council. Instead of having council players who are appointees from a political party, the situation has changed. Also, the integrative role of the district councils has been abandoned. Furthermore, representative local government based on adult suffrage (the right to vote) has been reintroduced. The Act empowers the Minister responsible for Local Government to establish in any given district a city, municipal, township or district council, even a management board. The councils, throughout the country, are composed of elected councilors in a given district; all the members of parliament in the district (introduced by the 1992 amendment to the Act); and two representatives of chiefs selected by all chiefs in the district. Other key actors in Zambia's local government system, but non-council members, are: Permanent Secretary (Ministry of Local Government and Housing) who is a controlling officer of all the resources in the ministry; Minister who is in charge of matters to do with general local government administration; Provincial Local Government Officer (PLGO) who is responsible for (i) provision of support and professional advice to councils in areas relating to technique, finance and management; (ii) monitoring the activities of local councils including development, financial management, service provision and auditing of all councils in the province; (iii) to

ensure adherence to statutory requirements, regulations and directives among other functions. The Act also provides for the position of District Local Government Officer (DLGO). Finally, the MMD Government introduced in 1996 the position of District Commissioner (DC) who is a senior officer at district level and chairperson of the District Development Coordinating Committee (DDCC).

Section 61 of the Local Government Act of 1991 outlines up to 63 specific functions that local councils are supposed to perform (as itemized by Appendix E of this dissertation). These functions are divided into nine broad categories, namely: general administration; advertisement; agriculture; community development; public amenities; education; public health; public order; and sanitation and drainage. However, the councils do not perform all these functions adequately.

Statement of the Problem

Zambia's local government system encompasses an ideology of fiscal decentralization. In addition, the Local Government Act of 1991 provides for the funding of local councils by the central government, and councils have been empowered by the law since 1980 (Local Administration Act) to engage in any business ventures, without restrictions from central authorities. It is in this regard that it is thought and expected that councils should have enough money to finance their projects and programmes adequately. However, in spite of the existence of measures aimed at fostering decentralization in general and fiscal decentralization in particular, councils countrywide do not have sufficient financial resources to facilitate the effective performance of their functions. Despite Zambia having been independent for almost five decades now, most if not all of her local councils do not have sufficient capacity, especially finances, to adequately deliver services to local communities. The weak financial muscle of councils in Zambia's local government system has, in turn, resulted into deficient service delivery, underdeveloped localities and poor standards of living of the local people, as evidenced by lack of or poor drainage systems, uncollected garbage, mushrooming of unplanned settlements, lack of water supply and sanitation services in many

places, uncontrolled bars (taverns), street vending and many other vices affecting communities negatively countrywide.

Purpose of the Study

General Objective

To assess the effectiveness of fiscal decentralization on service delivery by Lusaka City Council (LCC).

Specific Objectives

1. To determine the extent to which LCC collects revenue in relation to the services to be provided.
2. To establish the extent to which LCC possesses autonomy over council expenditure.
3. To examine the extent to which financial administration in LCC is transparent and accountable.
4. To determine the adequacy of central government grants to LCC.
5. To examine the usefulness of the legal and institutional frameworks regarding fiscal decentralization.
6. To find out the satisfaction levels of the local residents with regard to the services received from LCC.

Hypothesis

It is hypothesized that poor income acquisition leads to poor service delivery by local authorities

Rationale of the Study

The researcher decided to undertake this study because of three main reasons: The first being the insufficiency in explanation about the widely perceived poor performance of Zambia's local authorities in general and LCC in particular, so the study opted to foster understanding of this state of affairs. The second is lack of clear answers in the existing local government literature to the perplexing

question: why is LCC without enough money to adequately deliver services to communities when most, if not all local authorities, are known to have various local sources of revenue and receive grants from central government? The research was partly a quest for answers to this question. Thirdly, the author undertook this research about local fiscal issues and service delivery because almost all activities carried out by LCC involve money, and the council exists for one major purpose – to provide services to the local people, so it was deemed necessary to investigate fiscal decentralization in relation to service delivery and with respect to LCC, the largest local authority in Zambia.

This research is beneficial in the following three major ways: (a) It is expected that its findings, and subsequent conclusions will help to enhance the capacity of central government and LCC to resolve problems associated with inadequate financing which is a contributing factor to dismal service delivery; (b) The research findings are also expected to clearly highlight issues related to fiscal decentralization and service delivery with a view to understanding the constraints related to the financing and performance of local authorities in Zambia, in general, and LCC in particular; and (c) The research builds on the existing literature or theories pertaining to local government finance and service provision, ultimately contributing to the body of scientific knowledge.

Conceptual Framework

The main concepts of relevance to the study include: Decentralization; Fiscal Decentralization; Service Delivery; Central Government Control; Local Institutional Autonomy; Financial Administration; and Intergovernmental Transfers and Relations.

Decentralization

This refers to the transfer of responsibilities, authority, functions, as well as power and appropriate resources from central government to lower-level administrative units such as local authorities to deliver services to the local people (NDP, 2002).

Turner and Hulme (1997:257) point out that, “A major obstacle to the effective performance of public bureaucracies in most developing countries is the excessive concentration of decision-making and authority within central government.... The popular remedy for such centralization is decentralization, a term which is imbued with many positive connotations – proximity, relevance, autonomy, participation, acceptability and even democracy.” Momba (2002) adds, “Decentralisation not only increases the level of participation but also leads to increased accountability. The function played by decentralisation in promoting economic development through increased accountability is best summarised by the observations made by Harries (2000) of the Department of Development Studies at the London School of Economics and Political Science when in commenting about the popular pressures in one of India’s states he noted: Decentralisation is one of the magic bullets offered in the current consensus (the ‘Washington consensus’) on what is required to bring about the sustainable development that will deliver living standards to more people. It seems so obviously right that the more governmental authority is devolved to local bodies, the better informed government will be about the specifics of local circumstances, and the more accountable it will be because it will be vulnerable to citizens’ pressure – partly because it will be easier for the citizens, in these circumstances, to be well-informed about what government is doing.”

Decentralization takes four major forms: Deconcentration (transfer of functions and resources to lower level units of the same administrative system while authority over decision-making and use of such resources remains with the centre i.e from the headquarters of an institution or an administrative system to the lower levels); Devolution (transfer of some powers and authority, functions and resources through legal and constitutional provisions to the lower levels - within formal structures and institutionalized by constitutional means); Delegation (transfer of functions and resources to a subordinate authority with the capacity to act on behalf of the superior authority without a formal transfer of authority in the same structure); and finally Privatization (the divestiture of state interests in

public enterprises and the subsequent sale of such to the private sector) (NDP, 2002). Generally, decentralization refers to the principle that public decisions should be made at the level of authority closest to the people. The degree of political and legal power that is transferred with the authority to plan, decide or manage to several autonomous units depends on the form of decentralization and the amount of support provided to the units by the central government.

Deconcentration involves the transfer of selected functions within the central government hierarchy through the shifting of workload from central ministries to field offices; the creation of field agencies; or shifting of responsibilities to local administrative units that are part of the central government structure. Extension offices of various government ministries and departments such as Forestry, Agriculture and Health operating in peripheral areas are examples of deconcentrated institutions.

Devolution involves transferring discretionary authority to legally constituted local government units such as states, provinces districts and municipalities. In a devolved system, responsibility for a wide range of operations embracing more than one sector is assigned to local government. In this system, the overseer role of central government is limited to ensuring that local governments operate within broadly defined national policy. Local governments in a devolved system can do what they want, bound only by broad national guidelines and their resources in terms of finances, human resource, equipment and materials. Local level staff here are answerable to elected councils and not sector ministries. Devolution is the principle form of decentralization because, unlike the other forms, it is rooted deeply in the law, through national constitutions and various pieces of legislation. A number of countries (such as Japan, Philippines and Uganda) in both the developed and developing worlds have begun to move towards giving a greater degree of financial autonomy to their local authorities, most of which seem to have done so more or less within the framework of the 1993 Toronto Declaration on Local Authorities.

Delegation entails the transfer of responsibilities for maintaining or implementing sector duties to regional or functional development authorities, parastatals and other semi-autonomous government agencies that operate independently of central government control. Usually, delegation takes place in sectors that have a relatively sound income generating base. In Zambia, examples of delegated organisations include the University of Zambia (UNZA) and the Zambia Electricity Supply Corporation (ZESCO).

Privatization implies the transfer of public enterprises into private hands, for example, when a parastatal national airline is sold off to private stakeholders. In the case of government institutions/organizations such as ministries and departments, as well as local councils, however, privatization cannot be applied since such public offices and local authorities cannot be privatized.

Lolojih (2008) identifies five major ways in which the importance of decentralization in general manifests itself. These are: (a) decongesting the centre by freeing key officials from routine and detailed tasks - many of which deal with purely local issues - ultimately improving efficiency and effectiveness of administration at all levels. Administrative effects which may be achieved through decentralization include the extension of services to rural areas and the improvement of their managerial and administrative capacity, enhanced economic and social development programmes and the improvement of opportunities for government accountability; (b) enabling people and institutions at the periphery to make own decisions regarding matters which directly affect them – the people and institutions who otherwise would not have much influence on decision making at both national and local levels. Central government cannot possibly know what people in all the peripheral areas want. This further strengthens democracy in a given society by not only bringing decision making closer to the people most affected by such decisions but also providing a forum for ordinary people to participate in public affairs; (c) empowering local

institutions to adequately manage local affairs by providing them with both well-defined roles and accompanying resources; (d) by decentralizing functions and reassigning central government officials to local levels, their knowledge of and sensitivity to local problems and needs will be increased. Additionally, closer contact between government officials and the local people will allow both sides to obtain better information with which to formulate more realistic and effective plans for government projects and programmes. Being closer to the people, local authorities can more easily identify peoples' needs and, therefore, supply the appropriate form and level of public services; and (e) decentralization of central plans and management allows local leaders to allocate services and facilities more effectively within their communities, thereby integrating lagging areas into regional economies, as well as to monitor and evaluate projects more effectively. Developmental equity is promoted by ordering imbalances in national development, especially in most developing countries that are characterized by uneven levels of development.

It is worth pointing out here that most politicians, generally, are preoccupied with maintaining and enhancing their own power (i.e influence, persuasion and force), so very few of them appreciate the fact that although decentralization deprives them of some power, it in fact reinforces their influence in many significant ways. Decentralization can, for example, enrich the flow of information from central government to the society and vice-versa. Decentralization also augments the responsiveness of governments to local problems. Hyden (1983) argues that, in Africa, the 1960s and 1970s actually witnessed the clawing back of power by the centre with attempts to exert even greater central control over local decisions through, for example, state controlled cooperative movements. Kasfir (1983) further observes that although some people have claimed that Africa experienced a second and somewhat progressive wrangle of decentralization in the late 1970s and 1980s, there is need to evidence that recent policies have significantly reversed the post independence trend. Zambia's 1980 decentralization initiatives, for example, gave local authorities more powers that had restructured their

membership so that appointed members dominated the councils. Turner and Hulme (1997) have noted that in Asia, there has been a tendency for independent governments to prefer delegating power within the public service rather than to locally elected authorities. Central governments in Asia have generally paid lip-service to issues of participation and local autonomy and have instead continued to jealously guard their power. In Latin America, devolution to local authorities has been rare and typically there is a predominance of central government agencies operating at the local level. Harries (2000) observed that the concentration of decision making within central government ministries is a fundamental characteristic of Latin American governments. Decentralization of governments has potential to improve government decisions with increasing democratic participation. This potential is, however, realized only where there is genuine decentralization to local democratic structures.

It is worth stating that some scholars and writers such as Prud'home (1995) and Tanzi (1995) warn against 'dangers of decentralization'. There is, for example, the view that there is no guarantee that local policy-making will be more relevant, participatory and development-oriented than a centralised approach (Crook , 1991). This is particularly the case when factors such as the problems of capacity which may be more pronounced at the local level in countries such as Zambia are taken into account. There are also problems associated with the 'politics of the belly' in which the local leadership may be interested in satisfying their self-interest. In fact, the World Bank (2000), despite being a strong advocate of decentralization, cautions that, "if handled poorly decentralisation can threaten macroeconomic stability and that deficit spending by local governments can also thwart central government efforts to cool the economy by restraining public expenditure" (Ibid:3). Even more importantly, the World Bank conceded that transferring power to local governments is not a guarantee that all local interest groups will be represented. What this means in effect is that local autonomy should be accompanied by concerns related to the efficiency and accountability of

the agencies of decentralisation such as local authorities. However, these ‘ dangers of decentralization’ are beyond the scope of this study.

Fiscal Decentralization

This refers to the transfer of revenue raising and expenditure responsibilities from central government to lower-level administrative units such as local authorities. In other words, as Fjelstad et al. (1999:1) put it, “Fiscal decentralization is the devolution of taxing and spending powers to lower levels of government.” Bird and Freund (1994) define it as the transfer of some authority over expenditure responsibilities and financing from national to sub-national government units. Fiscal decentralization covers two interrelated issues. The first is the division of revenue sources and spending responsibilities among levels of government (national, regional, local etcetera). The second is the amount of discretion given to regional and local governments to determine their expenditures and revenues (both in aggregate and detail). These combined dimensions have a significant impact on the reality of decentralization in its broader political and administrative sense. Davey (2003) stresses that how much power regional and local governments actually exercise depends substantially on what range of public services they finance; whether their revenues are commensurate with these responsibilities; how much real choice they have in allocating their budget to individual services; whether they can determine the rates of their taxes and charges (both allowing them to vary their level of spending and making them answerable to the payers). Basic principles of fiscal decentralization are: assignment of expenditure responsibilities to different government levels; assignment of tax and revenue sources to different government levels; intergovernmental fiscal transfers; and sub-national borrowing.

Fiscal decentralization encompasses clear and formal assignments of functions and responsibilities to different levels of government, the assignment of revenue sources and revenue-raising powers, designing a transparent and rule-based transfer of resources between or among different levels of government and in

general granting lower-level governments significant autonomy and power on local expenditure and resources within a general national policy. The advocates of fiscal decentralization stress the potential benefits of devolving fiscal responsibilities to sub-national levels of government on the grounds of increased efficiency in service delivery and reduced information and transaction costs associated with the provision of public goods and services. Streamlining public sector activities and encouraging the development of local democratic traditions are important objectives of fiscal decentralization programmes. Also, according to the literature on fiscal feudalism, the main advantage of decentralized rather than centralized provision is that, under subsidiary, local preferences and needs are likely to be best met by local rather than national government.

Service Delivery

This means the provision of public services by local councils to local communities. Examples of public services are: garbage collection and disposal; construction of drainage systems; construction of tarred and gravel roads; construction and maintenance of markets; issuance of trading licenses; provision and maintenance of land for cemeteries; cleaning and lighting streets; establishment of recreation facilities such as parks and swimming pools; etcetera. According to Lolojih (2001:5), “The answer to the question of whether or not local authorities in Zambia are able to efficiently and effectively perform their functions is an emphatic no... local authorities do not have the financial capacity to carry out their functions. Many local authorities even find it extremely difficult to adhere to critical statutory and recurrent obligations such as the timely paying of wages and salaries.” Service provision by LCC to the people of Lusaka City is discussed in detail in Chapter Four of this dissertation.

Central Government Control and Local Institutional Autonomy

Central government control refers to the sum of policies and directives from central government to local government institutions. According to the centralist theories (Ismail et al., 1997), local administration is an integral part of the

government of a country or state. Therefore, it is the task of central government to supervise and control local government units and to withdraw their privileges, if they acted beyond their powers. Rather than view local government in isolation, centralist theories argue that local administration should be treated as part of the whole problem of radically reforming the state. Centralist theorists generally argue that if pure local government was realized, there would be more division than unity in a country or state due to subsequent competition and the forwarding of different interests by different local jurisdictions within a society, so central government must monopolize and regulate operations of local government institutions. Additionally, through judicial control, central government ensures that local authorities are subject to the jurisdiction of the courts of law of a country or state. Central government control, it is argued, also sees to it that desired tasks are actually performed, and done in accordance with macroeconomic policies, and that central government control acts as a watchdog over corruption and other related vices in the local government system.

Local institutional autonomy, on the other hand, constitutes the independence, liberty and legislative power of local institutions such as councils to manage local affairs. It is an antonym of excessive central government control. Advocates of local institutional autonomy argue that it promotes efficiency and effectiveness in service delivery due to enhanced discretion, authority, rights and the general legal backing for the existing local government system. “In today’s world, things simply work better if those working in public organizations – schools, public housing, developments, parks, training programs – have the authority to make many of their own decisions.... the federal government can define the mission and the outcomes it wants, but free lower governments to achieve those outcomes as they see fit,” (Osborne and Gaebler, 1993: 251-278). Additionally, with specific regard to legislative power, local authorities would be able to both formulate and enforce by-laws and other important regulations much more adequately. In Zambia, for example, with such powers, local authorities would be able to change or modify certain pieces of legislation (such as the 1994 Personal

Levy Act which up to date provides for K15, 000 to be paid as personal levy per year) to suit prevailing circumstances.

When central government control is overindulged, however, decentralization efforts in general and its tenets of local autonomy, enhanced democracy, administrative efficiency and effectiveness are compromised. Undue central government control deprives local councils of autonomy especially relating to financial administration and constitutes a serious constraint in the operations of local authorities and is seen by many decentralization advocates as retrogressive, undesirable and often ill-timed. In Zambia, for example, the government directive to sell council houses and the policy to transfer the responsibility to provide water and sewerage services from councils to companies are only but two examples, which have narrowed the revenue base of councils (Lolojih, 2001). The fundamental question perhaps is: where is the limit to central government control with regard to local government administration? Unless the extent to which central governments may exercise control over local government institutions is elucidated and adhered to, local institutional autonomy will be difficult to attain and later on sustain.

Financial Administration

This is the day-to-day management of revenue collection and spending activities by LCC. It implies sound planning and application of all the financial resources of the local authority with a view to ensuring that all possible income is collected and all expenditures are aimed at securing value for the money. Effective financial administration is important because it is responsible for promoting the economic stability and development of the local authority.

Effective financial administration is imperative in any local government authority. The ways in which elected and appointed officials ensure that financial respect is maintained, for example, in the keeping of accounts, preparation of financial reports and avoiding dishonest have a direct bearing on a local authority's ability

and capacity to deliver services. Effective financial administration should be able to provide financial advice to councilors so that they may be able to make sound judgments of long term projects; provide financial information to management in the most suitable form; and enhance routine control to promote financial transparency and accountability. In a local authority, actual adequate structures must be put in place to ensure that the expenditure is properly sanctioned and that the collection of money is carried out diligently and honestly. There should be precaution to enhance safe custody of cash. Financial administration must ensure regularity and enforce accountability. A sense of financial responsibility must be inculcated in every employee as opposed to being restricted to the finance staff. It is only by upholding these characteristics of a sound financial administration system that economic stability and development of a local authority can be realized.

Since almost all services offered by a local authority require money, it is important that relevant technical advice is sought before the finance department can authorize expenditure for various projects. Central government, being the creator of local authorities, has an interest in their financial activities, so local authorities are normally required to present their annual budgets for ministerial approval. This normally is in addition to regular reporting of some specific financial activities to central government through the Minister in charge of Local Government, and to various financial committees of central government.

Local government expenditure can be classified into two distinct categories namely Capital Expenditure and Operating Expenditure. The former is expenditure incurred in the acquisition of a durable asset or in the extension of a useful life of such a durable asset, while the latter refers to the day-to-day expenditure of a local authority. Examples of capital expenditure include building of an office block, the purchase of motor vehicles and other machinery or the construction of a bridge, while examples of operating expenditure include salaries and wages, general expenses (stationery, conferences, advertising), repairs and

maintenance etcetera. Generally, for an asset to be included in a capital budget, it should have a life span of three years or more.

Local authorities, like other organizations, need to make budgets to guide their revenue and expenditure activities. A budget in this case is a plan which shows how much money a local authority hopes to raise from its own revenue sources and from central government, and how it will be spent. According to Wildasky (1992), a budget is characterized by a series of goals with price tags attached. Since funds are limited and have to be divided in one way or another, a budget becomes a mechanism for making choices. It is a plan of action. Procedures for making choices vary from one situation to another although there is a general sequence of events that is followed: (a) various departments prepare their budget estimates; (b) the estimates are scrutinized by various spending committees before being submitted to the finance committee; and (c) the finance committee further scrutinizes the submissions before making recommendations to the full council.

Finally, effective financial administration encompasses financial controls and audits. All expenditures require council authorization. For any money spent on the affairs of the council, it must be possible to point out the resolution of the council which authorized that expenditure either directly or by delegating power to the finance committee. Additionally, all payments to and from the council must be made through the treasurer. Audits are normally carried out by both internal and external auditors to verify revenues and expenditures (including supplementary expenditure).

Intergovernmental Transfers and Relations

Intergovernmental transfers refer to the funds and grants from the centre to local councils disbursed by central government. National constitutions provide for the funding of and transferring of grants to local authorities by central government. According to Davey (2003), intergovernmental transfers take two major forms: (a) shares of national taxes distributed either by formula, for example, per capita,

or by origin, that is, to local government where they are collected; and (b) grants/subventions which are either targeted to support specific expenditures, for example, social benefits and education, or untargeted and used at the discretion of local government (often known as block grants).

Targeted grants are usually intended to stimulate a specific type of expenditure which is favorable or mandated by national government. These grants are largely achieved through tax sharing and block transfers between central and local governments. Tax sharing and block grants usually have two main purposes, vertical and horizontal equalization (Ibid). Vertical equalization means closing the gap between the costs of the services devolved on local governments and the yield of their direct revenue sources. Horizontal equalization, on the other hand, adjusts differences between individual local governments in their per capita revenue or spending needs. In some cases, such as Poland, horizontal equalization is partially financed through redistribution, that is, by reducing transfers to local governments with above average revenue bases.

The challenge in developing countries with regard to intergovernmental transfers has been to develop equalization formulae which are based on revenue potential rather than performance and the comparative need for services as opposed to their historic provision. A major weakness of intergovernmental transfers in developing countries is their dependence on arbitrary decisions in annual state budgets. These may reduce their level or vary their distribution to serve the fiscal or political interest of the state with very little parliamentary debate or opportunity for consultation. Local government in general would be better protected from such arbitrary decisions if the level and distribution of transfers were determined by legislation other than the annual budget law. This would mean that changes could only be made after full parliamentary debate and opportunity for consultation with local government associations.

According to Godona and Mukwena (2003), the term ‘intergovernmental relations’ refers to the relationship among the various levels of government, which are, national (or federal), 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 disburses it to the other levels. It is necessary to establish other levels of government because it is not possible for a national government to undertake centrally all functions involved in administering a state, so some functions are transferred to lower levels. A core variable determining the success of the lower levels’ performance is the nature and impact of their relations with the national level. Sound intergovernmental relations require that the various levels of government exercise their powers in a mutually respectful and considerate manner. The various levels need to assist and support each other, inform and consult each other on matters of common concern, co-operate and co-ordinate in joint projects and adhere to procedures, especially those guiding intergovernmental relations. The type of intergovernmental relations that evolve in different countries depends on the particular type of constitution, historical circumstances, and social, economic, cultural and political environments prevailing in a country. Intergovernmental relations should be conceived as a dynamic process that changes over time as conditions change.

Literature Review

The reviewed literature is divided into the Zambian experience (citing works by Edward Okello (1990); Rodger Chongwe (1994); Jotham Momba (2002); Royson Mukwena (2002) and Peter Lolojih (2008)); and other experiences (citing works by Donald Rothchild (1994); Bent Anderson (1994); Odd-Helge Fjellstad and Joseph Semboja (1999); and Alta Folscher (2007)).

The Zambian Experience

According to Okello (1990), district councils must have financial resources in order for them to perform the various statutory functions for which they are responsible and to meet other operational costs. He argues that the introduction of

the financial arrangement under the Local Government Administrations Act (1980) was an attempt by the government to reverse the financial crisis faced by councils. The aim of the financial arrangement was to enable councils to generate or raise revenue from as many sources as possible with a view to achieving eventual financial autonomy. Below are some measures taken under the Act to support the arrangement:

- (i). Section 35(1) empowered councils to borrow from any source [except foreign governments], including central government, banks and by issuing bonds or stocks and mortgages,
- (ii). Section 51(1) and 53(1) empowered councils to impose levies, fees and other charges on properties, business houses, persons etcetera. District councils may do this by passing by-laws which are subject to ministerial approval, and
- (iii). Sections 36 – 39 of Part 1 of the Act empowered councils to engage in any business enterprises.

In addition, Okello (1990) identifies a number of main sources of LCC's revenue including:

- a. Personal Levy – a form of poll-tax. It is collected yearly by the council from adult persons who are working and living within the district. The law which empowered councils in Zambia to levy this tax was contained in the Personal Levy Amendment Act of 1968. Persons exempted from this tax included the President, Diplomats and temporary visitors among others. Okello acknowledged that this was not a reliable source of revenue for councils because the amount collected kept on fluctuating, and was consequently inappropriate for financial planning purposes.
- b. Rates – levied on the owners or occupiers of assessable properties within the urban areas. In Lusaka urban areas, this mainly consists of land and buildings. The valuation of this assessable property for rating purposes generally takes place every five years and is based on the full and fair price which a property would likely realize if it were sold voluntarily at the time of valuation.

- c. Rents – obtained by councils from tenants of their properties, especially houses, for both residential and business purposes.
- d. Water and Sewerage Tariffs (now in the hands of Lusaka Water and Sewerage Company - LWSC) – Okello (1990) argues that this was one of the most reliable sources of income for LCC though associated with the challenge of big public institutions like hospitals and schools accruing huge unpaid bills.
- e. Government Grants – central government gives annual grants to all local councils for a number of reasons. The amount of grant given to each council depends on the size of the population of the district and ability to raise funds locally. He notes that government grants to LCC have not only been dwindling in amount but also given irregularly, hence making it difficult for the council to plan or draw up comprehensive budgets.
- f. Government Loans – central government gives loans to councils for capital projects. Councils may borrow money from central government in order to finance their capital expenditure, which are ever growing. It is only under exceptional circumstances that councils are authorized to borrow for other purposes.
- g. Profits from Commercial Undertakings – Statutory Instrument Number 76 of the Personal Levy Amendment Act of 1968, through the Minister of Local Government and Housing, empowered councils to establish retail, wholesale and manufacturing businesses in order to provide additional sources of income. The outcome of this was that LCC established (in the 1970s), taverns for sale of opaque beer (liquor undertaking), uniform and clothing factory and other retail businesses of kiosks, shops and supermarkets. In 1980, the Local Government Administration Act further empowered councils to engage in whatever business ventures, without restrictions from authorities.

During the pre-reform period (1965-1980), LCC relied almost exclusively on the above mentioned sources of income to finance its operations. However, central government imposed strict financial controls on the council. The post-reform (1980-1990) performance was, on the other hand, characterized by removal of

some strict central government controls by empowering councils to draw up their own financial regulations and budgets; to borrow from other sources; and to engage in whatever ventures, which in the past were restricted.

Okello (1990) focuses on the need for district councils to have financial resources for effective and efficient performance but does not examine the soundness of financial administration in the district councils. Moreover, whereas he identifies the main sources of revenue, he does not indicate the extent to which the council actually collects revenue from these sources. In spite of these observations, Okello's work helped to broaden the understanding of the emergence or origins of the current major sources of revenue for LCC by giving a historical background of the same from as early as 1968. In this regard, this study is expected to fill-in the gaps identified in Okello's work as well as provide up-date information on this subject.

According to Chongwe (1994), people's participation in public affairs in their respective countries is amply demonstrated in the management and governance of local councils. The local councils typify the grassroots representation of the people in any given country. Therefore, if government of the people, by the people, and for the people is to be achieved, it will be at the local government level, where every adult is afforded an opportunity to participate in public affairs. Without participation at the local level, there can be no democracy at the national level. People's power and participation are fundamentally related to local government.

In the case of Zambia, the Local Government Act of 1991 recreated and strengthened the desire of the Zambian people to exercise their universal franchise in local government. The major problems facing local government in Zambia, however, can be attributed to either poor funding or poor management. Adequate financing and, qualified and skilled personnel are the keys to successful management of any organization. The success of a district council will depend, to

a large extent, on the finances available to assist in undertaking development projects in its area of operation and on having competent personnel responsible for carrying out local government policies effectively.

Chongwe (1994) identifies major sources of council revenue as: property rates; personal levy; water and sewerage charges (now a responsibility of LWSC); rent, fees and levies; income from commercial undertakings; loans for capital projects; and grants or intergovernmental transfers. He argues that the financing of local government in Zambia raises issues regarding the system which are a matter of concern within the echelons of local government officials. Some arising questions are: Should the national government disburse intergovernmental transfers to all or only some of the councils? What mechanism should be in place for ensuring the effectiveness of revenue sharing with the national government? What local revenue base is available to local government, and how can this be developed? Are the existing management systems adequate to ensure maximum utilization of financial resources by the councils? If not, what strategies are in place to ensure effectiveness? Are current council functions adequately funded? If not, what strategies can be put in place to deal with the problem of underfunding?

Chongwe (1994) raised a number of unanswered questions about fiscal decentralization in Zambia. This study hopes to yield an understanding to some of these issues. Nevertheless, Chongwe's work helped to enhance the understanding of the notion that Zambia's local government system is faced with financial problems as noted in his statement, "The major problems facing local government in Zambia, however, can be attributed to either poor funding or poor management." His work also enhanced knowledge about the various sources of local revenue in Zambia, a subject matter which is very critical to the study.

Commenting on the extent, causes and impact of poor service delivery by local authorities in Zambia, Momba (2002) indicated that the local authorities have been entrusted with a number of important tasks that they are supposed to

perform. However, as it stands, the councils are not able to perform these functions. Press reports on the operations of councils have revealed the extent of this inability. For example, in February 1998, the Ndola High Court ordered the Ndola City Council to pay damages to sixty-five Ndola residents for failing to supply them with water since 1982 (*Times of Zambia*, 23 February 1998). Interviews with officials and councilors at the council undertook during his study indicated that the councils did not even perform the most basic functions such as garbage collection.

Momba (2002) pointed out that council officials and civic leaders have cited shortage of funds as the principal factor responsible for the inefficient delivery of services. The councils simply face a critical shortage of funds to undertake their responsibilities. They do not even have enough funds to pay their workers and meet basic requirements, resulting in huge debts incurred by these councils and which they are under pressure to settle. In 1999, the Permanent Secretary for the Ministry of Local Government and Housing revealed that councils throughout the country owe various debtors a total of K54 billion. They owed Zambia Revenue Authority K5 billion, Local Authorities Superannuation Fund K15 billion, Workman's Compensation Board K1.6 billion, Zambia National Provident Fund K94.1 million, unpaid salaries and wages to councils workers K9.1 billion, unpaid terminal benefits to retirees K3 billion and legal fees K1.6 billion, other debtors such as ZESCO and ZAMTEL K17.8 billion and government K76.8 million (*Times of Zambia*, 15 April 1997). They have also incurred huge debts from the retirees who have not been paid. In 1997, the Ndola City Council was forced to sell its assets worth K1.2 billion in order to pay terminal benefits to employees who were supposed to be retired (Ibid). Lusaka City Council's debts by January 2002 summed above K16 billion. These debts included among others unpaid employees' salaries and wages for two months; money owed to retirees; and money owed to Zambia Revenue Authority, ZAMTEL, Workmen's Compensation Board, ZESCO, Local Authorities Superannuation Fund, and National Housing Authority. He argues that a major source of the problems that

face the local authorities is the lack of adequate finances to undertake their functions. One of the aims of the 1980 reforms was to enable the district councils carry out their activities by expanding their financial base. The financial base of the councils has, however, since been reduced. The reduction of the financial base of the councils has been caused by several factors.

The first factor responsible for this shrinkage is the reduction in a number of revenue collection activities that the councils were involved in before the 1991 Local Government Act. Prior to 1991, councils generated finances from such sources as motor licenses, electricity levy and, before 1996, from house rentals. This is no more the case. The collection of revenue from motor licenses is now the responsibility of Road Traffic Department and electricity levy is back to the Zambia Electricity Supply Corporation (ZESCO).

Secondly, the Central Government has taken a number of decisions, most of which were taken without consultation with local authorities and with very little consideration of the possible negative implications such decisions may have on the local authorities. In May 1996, for example, the Government issued Circular No. 2 of that year directing city, municipal and district councils to sell their houses to sitting tenants. The decision to sell council houses, most of which were sold at give-away prices, was done through a presidential directive and done within the context of the 1996 Presidential and Parliamentary elections. Councils which had large stocks of houses which they had been renting out lost one of their major sources of revenue. For most councils, the rates they were supposed to collect for the houses they sold have not been forthcoming. The Central Government also decided to fix the maximum personal levy that residents can pay. According to Personal levy (Amendment) Act of 1994, the minimum leviable amount was put at K300, 000 and by so doing excluding the majority of hitherto personal levy payers. The Act also fixes K15, 000 as the maximum levy that can be paid by an individual per year. Another example is the Central Government directive to councils to divest in commercial ventures. In 2000, the

Central Government, through the Ministry of Local Government, issued a statutory Instrument compelling all councils to transfer water and sanitation assets to commercial utilities. As a result, the Lusaka City council was forced to surrender assets and its 100 percent shares into Lusaka Water and Sewerage Company (*Times of Zambia*, 23 May 2000).

The third major problem is related to the government decision to give councils grants in lieu of councils collecting rates on government owned buildings. Hence institutions such as the University Teaching Hospital, University of Zambia; Church buildings, including houses of priests, as well as government buildings such as Cabinet Office do not attract rate. Also exempted are schools, including private schools and agricultural properties. Logistical problems have made it difficult for most local councils to collect ground rent from peri-urban holdings. Moreover, over the years, the grants from the Central Government to councils have been dwindling. The amount actually transferred is almost always only a small fraction of the amount that they should have received on the basis of an up-to-date valuation, thus underlining the inability of councils to be self sufficient and thus autonomous. The small size of funds made available and delays in releasing them always led to intense frustration within the local government system in Zambia. The frustration is compounded by lack of information made available to councils about funding policy; the amount available for distribution from various sources; the criteria adopted in disbursing grants; and the reasons for delays in releasing funds.

Due to the unsatisfactory nature of this arrangement, most councils have lost much revenue which they could have accrued through rates. For example, in March 1998, the Ndola Town Clerk revealed that the Ndola City Council was losing K500 million a year as a result of the government decision to exempt some organisations and institutions from paying rates (*Times of Zambia*, 19 March 1998). Added to the erratic disbursement of funds or grants to local authorities in lieu of councils charging rates on government is that the central government is

reluctant to pay according to the full value of the government properties. Consequently, government grants are generally very far from being satisfactory, as a source of revenue for the councils.

Momba (2002) further points out that in view of the unreliable funding from the Central Government in form of grants in lieu of paying rates, councils have no option but to depend on own revenue sources. For a number of reasons, however, councils have had a number of problems generating funds from own sources. The most serious problem facing the councils with regard to generating own resources is the inability of facility users to honor their financial obligations to the councils. The agencies of central government are the worst culprits in this regard. Large sums of money are owed by government departments, largely in form of water bills and other facilities provided by the councils. For example, the Lusaka City Council is owed as much as K1 billion by the central government. In 1999, the government owed Kitwe City Council a total of K4 billion arising from water bills that had been accumulating for years (*The Post*, January 20, 1999). In 1998, the Ndola City Council revealed that the council was owed about K700 million by government ministries and departments in unsettled water bills, with the Ministry of Home Affairs having the largest bill at K510 million (*Times of Zambia*, 26 June 1998). The figure stood at K1.4 billion about a year before (*Times of Zambia*, 25 February 1997). In 2000, the Solwezi Municipal Council was forced to disconnect water supply to several government offices, including the office of the Permanent Secretary in a bid to recover the large sums of money owed by the government (*The Post*, 18 February 2000). The Chongwe District council is owed over K200 million by the departments of the central government in unpaid office rentals. These debts have been accrued over a number of years, as a result of the reluctance by the central government to pay the Chongwe District Council for offices they are renting (From Interview).

The fourth factor responsible for the shrinkage of the financial base of councils in Zambia lies in outdated Valuation Rolls and the inability to recover money which

individuals owe councils in form of rates and ground rent. Local authorities are also supposed to generate own resources from rates and ground rent. For a very long time, however, there have been very few properties attracting rates due to outdated Valuation Rolls. It is estimated that in a place like that under the jurisdiction of the Lusaka City Council, more than 50 per cent of properties that could attract rates do not because there has not been any valuation of properties, so, they have not been attracting any rates. Also, councils lack the ability to recover money owed to them by individuals in form of rates and ground rent. For example, at the end of 1999, the Lusaka City Council had a shortfall of K14 billion from its estimated K24 billion revenue collection and in February 2000, a spokesperson for the Lusaka City Council announced that the local authority was owed over K3 billion in unremitted ground rent and rates (*The Post*, February 3, 2000). A year later, the then mayor of Lusaka announced that the City Council was owed a total of K21 billion by property owners in unpaid rates (*Times of Zambia*, 19 March 2001). In 1999, Ndola City council reported that rates defaulters owed it a total of K300m in rates alone (*Times of Zambia*, 7 December 1999).

The fifth factor for the aforementioned financial shrinkage, according to Momba (2002), relates to the sale of council houses. Councils had hoped that the people who bought these houses would be paying rates and by so doing hoping to get the revenue they had lost in renting these former council houses from rates paid by these new owners. However, the sale of council houses has not helped to improve the financial situation of councils. The people who bought council houses are resisting paying rates on the houses they bought. Further, the government position that government buildings are exempted from rates has also deprived the councils of their viable source of funding. This position has meant that 50 per cent of properties in high prime land are exempted from paying rates in view of the central government's inability to fully honor its part of the arrangement by failing to give adequate grants to councils.

Sixth, councils are also supposed to generate own resources from the management of markets, bus stops and through the allocation of plots but these sources are mired by various problems. The major problem facing councils regarding revenue collection from markets and bus stops is that these two revenue sources have become highly politicized. It is alleged that politicians make decisions regarding markets. One of the legacies of the Second Republic, for instance, was the establishment of party branches at Markets. There are two major problems associated with revenue collection through the allocation of plots. The first has to do with the decision made in 1975 that land cannot be sold. As result, a council does not sell the land under its jurisdiction but merely collects service charges. The second reason is that, as in the case of markets and bus stops, allocation of plots has also been politicized. The major problem concerning the allocation of plots is that although clear procedures have been established, they are rarely followed. The problem of illegal allocation of plots in most urban councils, particularly Lusaka and Ndola City Councils, is very serious. The councils, therefore, do not realize any meaningful revenue from the allocation of residential and business plots.

Momba (2002) also argues that the critical shortage of funding has led to another major problem facing councils: poor salaries and erratic payment of wages and salaries for employees. As a result of the critical shortage of money, almost all the councils have not been able to pay their employees regularly. In a number of councils, employees have gone for over six months without being paid leading to serious industrial unrest in the councils and leading to generally very low morale among the council workers, and low morale, has been one of the factors leading to the low delivery capacity of councils. For example, in 1997, Isoka and Kasempa District Councils were sued by the Zambia United Local Authority Workers Union (ZULAWU) for failure to pay salaries to their workers for more than five months (*Times of Zambia*, 17 October 1997). In January 1998, workers at Kabompo District Council went on a go slow after having not been paid since June 1997, a period of one and half years (*The Post*, 22 January 1998). The

problem of poor salaries and none payment of salaries for a number of months has led to very low morale among the workers. It is a common feature for most council workers to report late and leave early. The problem of poor salaries and conditions of service has been worsened by the problem of bloated work force, which was inherited from the Second Republic when councils were seen as employment avenues for largely unskilled and incompetent workers. With the huge terminal and other benefits that councils have to incur, most councils have not been able to retire or retrench the excess manpower in order to remain with lean and well paid manpower. Even the few that have been either retired or retrenched have not been cleared. For example, in March 2002, the general Secretary of Zambia United Local Authorities Workers Union said that about 3,000 retirees from local authorities throughout the country had not yet been paid (*Times of Zambia*, 23 March 2000).

He further points out that poor service delivery is also caused by the problem of unqualified manpower. Because of the low salaries, they are not able to attract qualified manpower. In 1999, the Ndola City Council Town Clerk admitted that the council was not able to attract qualified accounting personnel in the Finance Department because of poor salaries and poor conditions of service and the council was subsequently forced to employ semi-qualified accounting staff. This, therefore, has been another major problem that councils face in their delivery of public services since qualified personnel are a key in the efficient running of any institution. The problem of poor service delivery by councils has led to the development of very negative attitude by the general population towards the local authorities. The residents generally have very low regard for the councils. This is reflected in their contemptuous attitude towards their councilors, the mayor and council operations in general. The poor turn up in the local government elections is one of the major indications of the low opinion that the councils have among the residents. An important observation, however, is that whether the residents are not availing themselves to these rights on account of ignorance of these rights or lack of interest, there is general lack of interest in council matters.

The survey by Momba (2002) was not intensified as it involved studying a number of councils within a limited time-frame. This study, on the contrary, changed the methodology, from survey to case study. The researcher conducted an in-depth analysis of LCC to intensify the investigation of fiscal issues. However, the study benefited greatly from Momba's work in that not only did he enrich understanding of issues pertaining to fiscal decentralization (local revenue generation), service delivery, central government control and intergovernmental transfers in Zambia's local government system, but also provided a cause/effect analysis of some of these critical concepts to the research.

Remarking on capacity-building and institutional decay in the Zambian local government system, Mukwena (2002) points out that capacity-building in the case of Zambian local government is of paramount importance in the Third Republic given the continuing institutional decay of local authorities. The process of institutional decline in Zambian local government began in earnest in the mid-1970s and worsened in the 1980s. According to Mukwena, the introduction of the one-party state in Zambia in 1972 and the beginning of the country's economic crisis in 1974 (following the fall of copper prices and increases in oil prices) marked the genesis of institutional decay in Zambian local government.

Mukwena (2002) stresses that, on December 13, 1972, Zambia was proclaimed a one party state (ushering in the Second Republic), thereby granting the ruling United National Independence Party (UNIP) constitutional supremacy over the administrative machinery, including local government. Following the introduction of the one party system, party membership and loyalty became very important considerations in appointments to senior local government positions, resulting in the appointment of ill-qualified and incompetent staff to key local government positions. The supremacy of the party over the administrative machinery also opened avenues for rampant political interference in council operations and financial mismanagement. This led to a decline in the capacity of councils to

provide essential services to the communities they served. Furthermore, the decline in the national economic performance in the mid-1970s reduced the funding available for public expenditure, including local government, hence contributing to the decline in the capacity of local authorities to provide services.

He further notes that the decline in the institutional capacity of local authorities in Zambia was further worsened in the 1980s by the imposition of inappropriate local government structures under the 1980 Act. For instance, the merging of the local party structure with the local council opened avenues for rampant financial mismanagement and diversion of council resources to party activities; it also institutionalized political interference in the day-to-day operations of local authorities.

He also points out that the problems that have afflicted local government in Zambia since the mid-1970s were far from novel in the context of the mid-1970s, 1980s, and 1990s; indeed some of the problems, such as the appointment of ill-qualified staff and political interference in the council operations, had been in existence since the introduction of the 1965 Local Government Act shortly after independence. However, the introduction of the one-party system in 1972, the setting-in of the economic crisis in the mid-1970s and the imposition of inappropriate local government structures under the 1980 Act led to an intensification of many of these constraints.

According to Mukwena (2002), the Third Republic was ushered in December 1990 when multiparty politics were re-introduced in the country. The Local Government Act of 1991 under which local government currently operates in Zambia had been enacted during the democratic formation process, and took effect in 1991. In line with the 1991 Act, important steps were taken to rationalize the administrative set-up of local authorities, for instance, the commercial and industrial, and social departments of district councils were abolished, and their staff incorporated into the finance and administration departments respectively. In

a nutshell, the 1991 Local Government Act reduced political controls over the executive officers of local authorities, and hence lessened the problems of political interference in the day-to-day running of council affairs. Mukwena (2002), however, noted that efforts at institutional capacity building at this level have continued being frustrated partly by the continued membership of local Members of Parliament (MPs) on councils, as well as the creation of constituency funds for development projects in parliamentary constituencies, a move which in his view, undermines the role of local government.

Whereas Mukwena provides a historical background regarding institutional capacity in the Zambian local government system, and hence enriching understanding of this important subject to this study, he does not state clearly the existing legal and institutional frameworks put in place by the existing legislation with regard to fiscal decentralization. In addition, Mukwena explains institutional decline during the one-party state and attributes it to the supremacy of the party over the administrative machinery, yet does not explain the perceived low levels of local autonomy in most of the councils even after the abolishment of party supremacy over the administrative machinery. This study, therefore, intends to bridge these gaps.

Commenting on the financing of local government in Zambia, Lolojih (2008) points out that local councils are agents of central government in the provision of public services. In order to provide services, local councils like any other institutions, require finances. 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.

Lolojih (2008) argues that the Third Republic 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. Some of these notable policy changes and government pronouncements, as well as their

respective impacts on local government are as follows: (a) Decision to discontinue funding urban councils (1992) - Although government erratically continued to fund these councils, their support from government has been weakened because of the awareness that officially government has stopped funding them; (b) Scraping of the local sales tax share to all local councils - Councils lost the 35 percent share from sales tax which resulted in a reduction in revenue (Chongwe, 1994); (c) 1992 amendment No. 27 to the Local Authorities Superannuation Fund Act – Directed councils to reduce staffing levels by retiring those that had served for 22 years and above, so councils lost experienced manpower, and the pressure to settle retirement packages adversely affected their capacity to deliver services; Personal Levy Amendment Act of 1994 – Fixed the minimum leviable amount to K300, 000 and the maximum levy payable at K15, 000 per annum, leaving councils without power to revise this type of levy; (d) Directive to sell council houses to sitting tenants (Circular No. 2 of 1994) – Councils lost a guaranteed source of local revenue and very little was realized as houses were sold at give-away prices following government directives; and (e) the Rating Act No. 12 of 1997 – Reduced categories of ratable properties, exemptions were given to many institutions and councils rarely received the grants in lieu of such rates hence their revenue reduced.

It is important, according to Lolojih (2008), to note that with regard to financial matters, the 1991 Local Government Act allows a local authority to invest any money for immediate use, 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 mobilize resources without seeking approval of the Minister. These extensive powers, in practice, very much reduced even the limited areas of autonomy of local authorities provided for in the Local Government Act. He identified major sources of local revenue for Lusaka City Council as follows: 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 levies, and miscellaneous sources (meat inspection, plan scouting fees, lease of commercial properties etc).

He argues that central government, on many occasions, does not honor its obligation in terms of paying the level of government support which the council had been advised to include in the budget. 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 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.

Lolajih (2008) stresses that apart from the erratic and inadequate support from central government, the local authority faces difficulties in collecting what belongs to it for various reasons. Resistance from the residents to pay and the failure by the council to up-date regularly the Valuation Roll constitute the major constraints associated with revenue collection. There are 25 peri-urban areas in the city from where the council collects ground rate: Site and Service and ungraded areas that include areas such as George Compound, Garden, Marapodi, Lilanda Site 5, Chibolya, Bauleni, Jack Extension and Kamanga Compound. There are site officers 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, a situation which denies local authorities the opportunity to improve its capacity to deliver services. By the end of 1999, the LCC 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 unremitted ground rent and rates (*The Post*, February 18, 2000). By the end of 2001, the council was owed a total of K21 billion by property owners. Additionally, Lolajih (2008) argues that failure to up-

date the Valuation Roll on a regular basis is also impacting negatively on local authority capacity to raise local revenue from property owners. The last up-date was done in 1995, yet a lot of construction of residential 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. 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.

He further points out that Lusaka City Council also associates its inability to raise adequate finances from local sources with governments' change of policy relating to the transfer of traditional sources of local income from councils to central government; the scrapping of the share of local shares tax; the 100 percent transfer of its water and sanitation assets to the Lusaka Water and Sewerage Company (LWSC); the politicization of activities in markets and bus stations; and the lack of explicit policy for financing local authorities (a situation which leaves central government without any obligation to ensure the regular disbursement of adequate resources to local authorities).

However, Lolojih (2008) emphasizes that 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 rehabilitation of roads. For example, a project known as 'The Project for Improvement and Maintenance of Lusaka City Roads' funded by a Japanese Grant Aid and Shimizu Corporation being the contractor was able to maintain a number of roads in the city at a total cost of US \$30 million and covered the period 1996 to 2004.

Whereas Lolojih (2008) augmented conception of the financing of local government in Zambia by, for example, providing the major sources of LCC's revenue and some of the challenges the council faces with regard to the operationalisation of its revenue system, he did not look at specific details of

fiscal decentralization with reference to *how LCC actually collects revenue and how much from which source?* Similarly, he did not get into detail about service delivery by LCC, for instance, *services actually provided using raised revenue (not from external assistance) and an in-depth analysis of the views of the local people pertaining to services received from the local authority.* This study sought to conduit these gaps.

Other Experiences

Fiscal decentralization – the devolution of taxing and spending powers to lower levels of government – has become an important theme of governance in many developing countries in recent years (Fukasaku et al, 1999). As a consequence of much dissatisfaction with the results of centralized economic planning, reformers have turned to the idea of decentralization as a reform that would break the grip of central government and induce broader participation in democratic governance (Oates, 1998).

The literature on the ongoing debate on fiscal decentralization in Tanzania in many ways helps to explore the main characteristics and performance of the existing revenue system, and presents options for reform. It draws on the findings of studies carried out through 1996, 1997, and 1998 in Kibaha District Council, Coastal Region, and Kilosa District Council, Morogoro Region of Tanzania.

1. Revenue Structure – Local authorities levy a number of taxes, fees and charges. The distinction among taxes, licenses, charges and fees is, however, often unclear. A number of levies are referred to as charges although they are really more like taxes, since no service is rendered directly and exclusively to the payer. In spite of the large number of revenue sources, four main sources are crosscutting almost all district councils: development levy (head tax); crop and livestock cess (agricultural cess); business licenses; and market fees. In 1997, these sources accounted for, on average, two-thirds (66 percent) of the tax revenues in 42 district councils studied. The four main sources of revenue

have dominated district councils' revenue generation since local government was re-introduced in 1983 (URT, 1991), and the number of these revenue sources varies among councils.

2. Tax administration – Local government tax collection is basically a responsibility of councils. In district councils, it is organized around three levels, namely the council headquarters (collected by District Treasurer), the wards (collected by the Ward Executive Officer) and the village levels (collected by the Village Executive Officer). At the sub-village level, the kitongoji leader (village headman) is responsible for mobilizing taxpayers. The way tax collection is organized in practice, however, varies from one district council to another. Most taxes are paid in cash, one exception are civil servants whose development levy is withheld from their salaries. Many people are taken to court every year for not paying development levy. Market fees and crop cesses are, in general, collected at the selling points and market places. Roadblocks are frequently used to control taxpayers. The reporting and submission of the revenues collected follows the usual bureaucratic procedure in which each level reports to a level above it. In principal, revenues are recorded at all three collection points, and the books are subject to auditing. In practice, records are often inaccurate and poorly organized. The tax collector is supposed to deliver a receipt of a standard form to the taxpayer, a copy of which is retained by his superiors to be audited. An examination of budgeted versus actual figures for several years in Kibaha and Kilosa District Councils, indicates that these two sets of figures bear little resemblance to each other. Problems of revenue collection include: councils' inability to realize fully the revenue due to them; inadequate capacity (shortages of staff, lack of reliable transport); resistance from tax payers; corruption; political pressure (councilors tend to be reluctant to raise taxes or enforce the tax law for fear of losing popularity); and negligence by government

institutions, parastatals and co-operative unions with regard to submitting the taxes and charges they owe to local authorities.

3. Options for reform – this local tax system is partly a result of poor administrative capacity for tax collection and tax design, political pressure and lack of co-ordination between the local and central government. The two authors identify three major reform options:

- (i). Tax compliance and service delivery – there is a widespread discontent among people regarding their terms of trade with the government. People's tax resistance seems to be correlated to deteriorating public services. It might be argued that individuals pay taxes because they value the goods provided by the government, recognizing that their payments are necessary both to help finance the goods and services and to get others to contribute (Alm et al, 1992:313).

- (ii). Redesigning the current revenue structure - in redesigning the tax structure; options to be considered are the abolishment of unsatisfactory local taxes; improvements to remaining revenue bases; and cost recovery through user fees.

- (iii). Intergovernmental fiscal transfers – the basic rationale for a system of transfers is the existence of a fiscal gap at the local government level arising out of own-revenue and own-expenditure assignments (Ahmad, 1997). Promoting fiscal responsibility at the local government level calls for implementation of a stable and transparent system of transfers from the central government to the local authorities, geared to filling any ex-ante gap between the assigned spending and revenue-raising responsibilities of the latter (Ter-Minnasian, 1999:57). Stability and transparency considerations call for formula-based revenue-sharing and other general purpose transfer systems, yet in this process of fiscal decentralization, it is important to be aware of the risks for macroeconomic management and fiscal discipline. Finally, it is equally important to identify and distinguish

between revenue sharing and grants as being among methods that may be used to close the fiscal imbalances of local authorities.

The study in Tanzania was done on a number of councils, each with different experiences from another, ultimately yielding various different and complex findings. Moreover, the research was not intensified as it involved studying a number of councils within a limited time-frame. This study changed the methodology, from survey to case study, and conducted an in-depth analysis of LCC to intensify investigation on fiscal issues. However, the study in Tanzania provided three useful options for reform: Tax compliance and service delivery; Redesigning the current revenue structure; and Intergovernmental fiscal transfers. This knowledge was critical to the conclusions and subsequent recommendations of our study.

Commenting on the subject of local taxation and intergovernmental transfers, Anderson (1994) observes that the most obvious way of providing local governments with financial resources is to put some sources of taxation at their disposal. This way of financing local government services has many advantages; above all, it provides maximum transparency and popular control over tax revenues. Tax payers can know exactly where their tax money is going. Financing by local taxation enables taxpayers to see with their own eyes the schools, roads, and hospitals that they receive in return for their taxes, and makes it easy for local officials to explain the consequences of lowering taxes or meeting demands for increased services. However, local taxation as a source of income for local authorities also has limitations in most Third World countries: (1) For technical reasons, some taxes are not suitable for local taxation. This applies in particular to all kinds of indirect taxation (e.g employer's contribution, customs, duties tariffs and value-added taxes), which are some of the most profitable taxes. These taxes tap production at the source, where the money is most visible and taxes most difficult to evade. In addition, in developing countries, much of the local economy, especially in rural districts is informal: production comes only

sporadically to the surface, where the money becomes visible (and therefore taxable) to the authorities. (2) Some of the taxes that are most suited to local taxation (such as market dues, export tariffs and licenses), become counterproductive if they are raised beyond a certain level. Local taxation can also have adverse distributional effects. There is normally a close negative correlation between the economic wealth of a locality and its need for public services. In Uganda, for example, during the first year of decentralization (1993/1994), only 18 percent of financing was to be provided by local tax revenues; the remaining 82 percent by central government transfers.

Anderson (1994) further argues that in a decentralized system with genuine autonomy at the lower levels, the central government abstains from intervening in the decision-making processes of local authorities. This does not mean, nonetheless, that central government renounces all control. Of course, no central government can give up its power to regulate activities at lower levels to harmonize strategies and make efficient use of the nation's scarce resources; but this must be accompanied without intervening in the lower council's specific decisions and arrangements. On the other hand, the central government cannot simply pass along the obligations to execute certain tasks and deliver certain services to lower authorities without providing them with the means and resources to carry out these responsibilities... that would only cause chaos and foster irresponsibility at the lower levels. Some arrangements must be established for transfer of resources from the central to the local governments. Three different techniques used for this purpose in various countries are: transfers based on approved budgets of local governments; reimbursements for expenditures; and block grants.

In his critique of Anderson's view about local taxation, Davey (1994) argues that local taxes tend to be the most costly to exploit because they involve extracting small amounts of money from large numbers of people – that dog licenses, bicycle taxes, and the like have only nuisance value in terms of national fiscal

policy, diverting effort from major sources of revenue and creating a climate of harassment. Whereas putting some sources of local taxation at the disposal of local authorities is the most obvious way of providing local governments with financial resources, extraction of the local taxes is extremely expensive and highly involving. Therefore, local taxation is not the best source of council revenue because ultimately it does not raise significant revenues. It is obvious on paper, yet complex in practice. This research sought to clarify the extent to which local taxation may or may not contribute to local revenue. Despite the above criticism of Anderson's work, he broadened the understanding of some critical subjects to this study, for instance, some useful techniques for transfer of resources from the central to the local governments.

In his work on local resource generation, Davey (1994) notes that the generation of local revenue is a good thing, wherever it happens, and there ought to be more of it. He argues that this has been the conventional wisdom since Ursula Hicks' *Monumental Survey of local government finance*, "Development from Below," published in 1961. Almost every analysis of local government finance concludes that the revenues assigned to local authorities are inadequate and/or poorly administered and bewails the consequent insolvency of local government or its overdependence on intergovernmental transfers. In this literature, he examines the assumptions underlying these analyses and the feasibility of reform.

Davey (1994) noted three basic arguments which are commonly advanced for maximizing revenue generation by local government: (1) Local revenues can make a major contribution toward increasing the level of public saving, because of local knowledge about who can and should pay and because people are more willing to pay for services of visible local benefit. (2) Local revenue generation means that services are financed by the individuals or communities who benefit from them, thus leading to greater fairness and allocative efficiency. (3) Local revenue generation enhances the autonomy of local government and gives local communities the chance to decide what level of service they are prepared to pay

for. Local representatives are under more pressure to allocate resources efficiently if they are generated locally rather than provided by the central government. Conversely, dependence on intergovernmental transfers is bad to autonomy because they are unreliable and subject to conditions that are inappropriate to local needs and conditions.

Davey (1994) also argues that, assuming enhanced fiscal effort is justified, the potential contribution by an individual local government revenue source depends on its ability to yield substantial amounts of money, at least one percent of gross domestic product (GDP) and preferably more. Dog licenses, bicycle taxes, and the like have only nuisance value in terms of national fiscal policy, diverting effort from major sources of revenue and creating a climate of harassment. To make significant contribution, revenue must have certain basic characteristics: the tax base must be substantial; it must also be elastic, expanding automatically in response to the same pressures that drive up public spending; the assessment system must differentiate the scale of taxpayer's liabilities in ways that are perceived to be fair; and the tax must be capable of effective administration (potential taxpayers need to be identified, liabilities assessed, and payment enforced, without excessive political and financial loss). He groups local levies into three categories: those imposed on property, income and expenditures.

He further stresses that the real capacity of local revenue mobilization to contribute to fiscal effort depends partly on the highly variable nature of the actual revenue sources assigned to local government and partly on the organization of the local economy, and notes that local taxes tend to be the most costly to exploit because they involve extracting small amounts of money from large numbers of people. People might pay willingly to raise funds for capital construction, yet there is little empirical evidence that they pay regular taxes more readily to a local rather than a national authority.

On whether local revenue generation contributes to efficiency and equity by confining the costs of local services to their beneficiaries, Davey (1994) argues that the most obvious instrument for this purpose is charging the user for services such as water supply, public transport and recreational facilities. Clearly, user charges are a means of testing consumer preference for services, providing that they are linked to levels of consumption, and that consumers actually control the level of consumption. User fees also impose costs directly on the beneficiary, although some individual consumption can have collective as well as personal benefits – use of public transport can reduce congestion costs, and clean water supplies can reduce the incidence of infectious disease. The biggest problem with charging users is maintaining the real value of these charges in times of inflation. Thus the financing of collective services is borne by taxes, rather than user charges.

On local autonomy, he points out that local revenue generation is only important at the margin of local government expenditures. The overall balance between intergovernmental transfers and local revenues in funding the bulk of local government expenditures does not make much difference to local discretion *per se*.

It is noted, on the one hand, that Davey's work puts more emphasis on the importance of local revenue generation than intergovernmental transfers, for instance, he states that dependence on intergovernmental transfers is bad to autonomy because they are unreliable and subject to conditions that are inappropriate to local needs and conditions. However, the local government legislation of most countries provides for intergovernmental transfers, and this may explain the reluctance of central governments to transfer revenue raising powers to local governments. Therefore, bringing to light the role of intergovernmental transfers regarding financing councils, and the extent to which central governments are to play this role is important. Contrary to Davey's view, this study intends to bring into focus the importance of intergovernmental

transfers whilst recognizing the need for local financial autonomy. On the other hand, Davey (1994) deepened the understanding of local government revenue by identifying some characteristics of revenue: "...the tax base must be substantial; it must also be elastic, expanding automatically in response to the same pressures that drive up public spending; the assessment system must differentiate the scale of taxpayer's liabilities in ways that are perceived to be fair; and the tax must be capable of effective administration (potential taxpayers need to be identified, liabilities assessed, and payment enforced, without excessive political and financial loss)." These revenue characteristics are very vital to the concept of fiscal decentralization, the key subject to this study.

In his presentation titled 'The Debate on Decentralization in Africa' at the 1993 Kampala Conference, Rothchild (1994) observed that decentralization can be seen as part of the overall thrust toward democratization in Africa, because of its potential for empowering the public to govern itself. According to him, a most difficult area – and one on which economists and administrators exhibit a wide range of disagreement – is the development of mechanisms and criteria for distributing adequate revenues to enable local governments to meet their responsibilities. Such aspects as sufficiency of resource transfers and equitable allocations are of critical importance.

Rothchild (1994) also noted that political structures put in place at the local level will not likely be valued for long unless public officials at the local level receive sufficient funds for them to cope with their assigned tasks. Local governments should receive a rising share of rising national resources. Clearly, the formula used to determine central distributions represents a critical political choice. Locally-derived taxes can be expected to make a marginal contribution at best. Consequently, the main state revenues must come from the political center, thus raising difficult questions (in light of current scarcities) about which sources should be tapped to provide the necessary revenues.

Rothchild (1994) also observed that Bent Anderson (1994) emphasizes the desirability of protecting local autonomy and relying primarily upon a system of block grants given as periodical lump sums to the local authorities to be used as they find most useful. Similarly, he also noted that Davey (1994) and others also preferred block grants to other forms of transfers from the central government but inclined to earmark the purpose for which the block grants are to be used. However, Ben Hlatwayo (conference participant), drawing from his experience in Zimbabwe, described the land tax as the most important revenue base for the transfer of resources. Both the block grant and land tax mechanisms involve serious equity problems among the various local governments, further complicating the task of central government decision makers as they make political judgments about the most appropriate mechanisms to apply.

The gravity of the problem of efficient allocation of scarce resources by local government officials was stressed by participants at the Kampala Conference (conducted in working groups). “Too many local and central governments in Africa tend to waste scarce resources on prestigious status symbols instead of on delivering services,” warned Working Group 1. Moreover, during the discussions, conference participants reported a variety of failings, including inefficient management, ineffective recruitment and the existence of corrupt practices. Group 4 described the capacity for problem solving as seriously lacking and identified nine areas of difficulty: lack of technical and managerial manpower; insufficient expertise in formulating and implementing development plans; poor transportation and communications networks; unresponsive leadership; inadequate financial, material, and human resources; lack of transparency and accountability; destabilization resulting from government intrusion; statutory laws placing needless parameters on local self-governance; and overcentralization of decision-making. Working Group 1 recommended a series of measures aimed at coping with these problems, including clear and unambiguous local standing orders; a system of internal performance audits; impartially appointed institutions;

and efforts to ensure professional, businesslike management by attracting and retaining properly qualified staff.

The Kampala Conference (1993) looked at fiscal decentralization (and other governance issues) in Africa as a whole, a broader view. This research narrowed down the study of fiscal decentralization to the Zambian situation, particularly LCC. However, the conference pointed out that a most difficult area – and one on which economists and administrators exhibit a wide range of disagreement – is the development of mechanisms and criteria for distributing adequate revenues to enable local governments to meet their responsibilities. This difficult area is, in many respects, related to the research problem herein. Its identification at an important conference lends credence to the researcher's resolve to conduct a case study on this very important subject of local government.

Commenting on local fiscal discipline, prudence, transparency and accountability, Folscher (2007) observed that developing countries' local government budgets are coming under increasing strain. Rapidly growing urban populations are demanding more services, while tax bases are expanding slowly and central governments are decentralizing functions without additional intergovernmental transfers. Many cities not only face demand for higher levels of service provision, but also must come to terms with significant infrastructure backlogs and the need to allocate additional resources to maintenance and replacement of deteriorating or obsolete infrastructure.

According to Folscher (2007), different local governments respond to fiscal stress in different ways. Avenues of response are a function of the national environment within which they operate and of local capacity and institutional arrangements. He stresses that fiscal discipline relates to allocative effectiveness and operational efficiency, and that fiscal discipline is a core value in public finance management at both national and local levels.

Fiscal decentralization promises improved public services but also presents new challenges for the institutions through which governments manage macroeconomic stability and growth. Folscher (2007), however, notes that Prud'homme (1995), Tanzi (1995) and others warn that decentralization creates new risks, and stresses that lack of fiscal discipline at the local level and perverse fiscal behavior by local governments could, for example, lead to microeconomic risk. The value of fiscal discipline lies as much in avoiding the negative external and internal impacts of high deficits and increased tax burdens that result from weak constraints as in seeking the benefits of hard budget constraints for spending effectiveness and efficiency. The fiscal history of developing countries is rich with examples of how governments in the short term fail to pursue prudent fiscal adjustment strategies in times of looming fiscal stress and thereby compromise their long-term development objectives.

Furthermore, Folscher (2007) notes that rather than access credit directly, local governments in developing countries, particularly those in Africa, tend to receive development funds through on-lending of international development finance by their national government. Countries such as Kenya, Malawi and Zambia, for example, have faced severe short-term instability and expenditure cuts because of the suspension of concessional finance and other aid flows from development partners after failure to meet fiscal or other policy targets. Local governments' ability to control their fiscal balances is solely dependent on internal decision-making processes. Some institutional arrangements are more likely than others to ensure that fiscal decentralization is consistent with fiscal discipline.

Whether local governments are likely to be fiscally solvent is as much a function of matching their expenditure obligations with sufficient revenue sources and ensuring that the type of revenue sources matches those obligations. Four considerations should enter into the design of any grant system: Intergovernmental fiscal relations should be based on stable, transparent, nonarbitrary, universal, and nonnegotiable rules (Spahn, 1997:4); local

governments should have sufficient financial access to cover their expenditure mandates; local government budgets should be flexible to meet local circumstances and needs; and expenditure mandates should not be too detailed, (local governments should have discretion in determining the mix of outputs or the means to deliver them. In South Africa, for example, where gaps between expenditure responsibilities and transfers from the central government are large for provincial governments but much smaller for local governments, a clear legal framework, cooperative budget structures, and good transparency arrangements help shift the fiscal policy focus from the central government to lower levels of government.

Folscher (2007) focuses on financial administration, neglecting revenue sources; intergovernmental transfers; and the transfer of revenue raising and spending responsibilities from central to local governments. This study sought to fill-in these gaps. Folscher's work, nevertheless, augmented understanding of fiscal discipline, prudence, transparency and accountability in terms of their value to local government. The deep understanding of these concepts was imperative because they are of great relevance to the study.

Summary of the Literature

Literature about both Zambia and beyond was reviewed. Major issues raised were as follows: First, the main sources of council revenue in Zambia (that is, Personal levy; Rates; Rents; Fees; Government grants and loans; borrowing from the money market; and Earnings from commercial undertakings): Personal Levy is a form of poll-tax collected yearly by councils from adult persons working and living within a given locality. The amount collected often fluctuates, so inappropriate for financial planning purposes. Rates are levied on the owners or occupiers of assessable properties within a given area but the valuation of this assessable property for rating purposes is generally inconsistent, resulting into possible income loss on the part of councils. Rents are obtained by councils from tenants of their properties. Fees constitute various direct charges imposed by

councils on recipients of personalized services such as water supply, public toilets, recreation facilities like swimming pools etcetera. Government grants (Intergovernmental Transfers) are disbursed annually by central government to all local councils for various reasons. The amount of these transfers given to each council depends on the size of the population of the district and ability to raise funds locally. Okello (1990) noted that government grants to LCC have not only been dwindling in amount but also given irregularly, hence making it difficult for the council to plan or draw up comprehensive budgets. Local authorities in Zambia are free to borrow money from the money market except from foreign governments, and have been empowered by the law since 1980 to engage in whatever business ventures, without restrictions from authorities.

Second, the challenges pertaining to fiscal decentralization in the Zambian local government system: The major problems facing local government in Zambia, according to Chongwe (1994), can be attributed to either poor funding or poor management. He argues that the financing of local government raises issues regarding the system which are a matter of concern within the echelons of local government officials. Lolojih (2008) stresses that apart from the erratic and inadequate financial support from central government, local authorities in Zambia face difficulties in collecting what belongs to them for various reasons. Resistance from the residents to pay and the failure by the council to regularly up-date the Valuation Roll constitute the major constraints associated with revenue collection.

Third, difficulties pertaining to intergovernmental transfers: Momba (2002) observed that over the years, the grants from the central government have been dwindling and states that a report by the Local Government Association of Zambia (LGAZ) describes the situation in the following terms: The amount actually transferred is almost always only a small fraction of the amount that they should have received on the basis of an up-to-date valuation, thus underlining the inability of councils to be self sufficient and thus autonomous. The small size of funds made available and delays in releasing them always led to intense

frustration within the local government system in Zambia. The frustration is compounded by lack of information made available to councils about funding policy; the amount available for distribution from various sources; the criteria adopted in disbursing grants; and the reasons for delays in releasing funds. Furthermore, Lolojih (2008) argues that central government on many occasions does not honor its obligation in terms of paying the level of government support which the council had been advised to include in the budget. The council either receives an amount far less than what was promised or does not receive anything at all.

Fourth, the historical background of capacity building and institutional decline in Zambia's local councils: Mukwena (2002) points out that capacity-building in the case of Zambian local government is of paramount importance in the Third Republic given the continuing institutional decay of local authorities. The process of institutional decline in Zambian local government began in earnest in the 1970s (caused by the introduction of the one-party state in Zambia in 1972 and the beginning of the country's economic crisis in 1974) and worsened in the 1980s (by the imposition of inappropriate local government structures under the 1980 Act). Following the introduction of the one party system, party membership and loyalty became very important considerations in appointments to senior local government positions, resulting in the appointment of ill-qualified and incompetent staff to key local government positions. Furthermore, the decline in the national economic performance in the mid-1970s reduced the funding available for public expenditure, including local government, hence contributing to the decline in the capacity of local authorities to provide services. *But why did poor service provision continue from 1991 to 2010 despite the return to multipartism?* This study endeavored to address this question.

Fifth, the debate about fiscal decentralization in Tanzania which explored the main characteristics and performance of the existing revenue system (Revenue Structure and Tax Administration), and presented useful options for reform: With

regard to revenue structure, local authorities in Tanzania levy a number of taxes, fees and charges. A number of levies are referred to as charges although they are really more like taxes, since no service is rendered directly and exclusively to the payer. In spite of the large number of revenue sources, four main sources crosscut almost all district councils: development levy (head tax); crop and livestock cess (agricultural cess); business licenses; and market fees. The number of these revenue sources varies among councils. In terms of tax administration, local government tax collection is basically a responsibility of councils. In district councils, it is organized around three levels, namely the council headquarters (collected by District Treasurer), the wards (collected by the Ward Executive Officer) and the village levels (collected by the Village Executive Officer). At the sub-village level, the kitongoji leader (village headman) is responsible for mobilizing taxpayers. The way tax collection is organized in practice, however, varies from one district council to another. Most taxes are paid in cash, one exception are civil servants whose development levy is withheld from their salaries. Many people in Tanzania are taken to court every year for not paying development levy. Roadblocks are frequently used to control taxpayers.

Odd-Helge Fjeilstad and Joseph Semboja (1999) criticized the Tanzanian local tax system and argued that it is partly a result of poor administrative capacity for tax collection and tax design, political pressure and lack of co-ordination between the local and central government. The two authors identified three major reform options: Enhancing tax compliance and service delivery; Redesigning the current revenue structure; and Implementation of a stable and transparent system of intergovernmental fiscal transfers. This knowledge was critical to the conclusions and subsequent recommendations of this study.

Sixth, the 1993 Kampala Conference in Uganda: In his presentation titled ‘The Debate on Decentralization in Africa’ at the 1993 Kampala Conference, Rothchild (1994) observed that decentralization can be seen as part of the overall thrust toward democratization in Africa, because of its potential for empowering the

public to govern itself. The gravity of the problem of efficient allocation of scarce resources by local government officials was stressed by participants at the Kampala Conference. The conference pointed out that a most difficult area – and one on which economists and administrators exhibit a wide range of disagreement – is the development of mechanisms and criteria for distributing adequate revenues to enable local governments to meet their responsibilities. This difficult area is, in many respects, related to the research problem of this study. Its identification at an important conference lends credence to the resolve to conduct a case study on this very important subject of local government.

Seventh, the need for and importance of fiscal discipline, prudence, transparency and accountability in local government: Commenting on local fiscal discipline, prudence, transparency and accountability, Folscher (2007) observed that developing countries' local government budgets are coming under increasing strain. Rapidly growing urban populations are demanding more services, while tax bases are expanding slowly and central governments are decentralizing functions without additional intergovernmental transfers. Consequently, there is need for local governments to practice fiscal discipline, prudence, transparency and accountability if they are to rise to the challenge of the increasing budget strain.

This study benefited from this literature review in various ways. Because of the review, a number of gaps were noted and this study sought to fill-in these. The literature review also enriched the study not only by guiding us on the selection of appropriate research instruments but also on the areas of investigation to focus on. For instance, there was need for the study to investigate in detail the adequacy and reliability of intergovernmental transfers, a very important subject under fiscal decentralization but highly neglected in the existing literature. Furthermore, the review helped the researcher to avoid the duplication of work as it provided the knowledge of what had and what had not been investigated regarding fiscal decentralization and service delivery.

Methodology

Study Design

The study was both descriptive and explanatory in terms of its design. It was descriptive in that it provided an account of LCC's experiences regarding fiscal decentralization and service delivery. It was explanatory in that it examined some potential cause/effect relationships between some variables that have a direct impact on fiscal decentralization and service delivery.

Data Collection

Interviews, focused group discussions and questionnaires were used to collect both qualitative and quantitative data. Structured interviews were employed so that respondents would be asked questions phrased in the same manner. Questionnaires contained both open-ended and close-ended questions. The inclusion of open-ended questions was intended to dig into as much insight as possible since the study was an in-depth analysis of LCC. The above research instruments facilitated the collection of primary data. Secondary data were collected through desk research from various sources including libraries, government documents, documentations from LCC, and the internet.

Sampling

Purposive sampling was used to select individuals who hold key positions regarding council operations while simple random sampling was used to select local people from all the seven constituencies in Lusaka City (i.e Lusaka Central, Munali, Chawama, Kabwata, Mandevu, Matero and Kanyama). A total of 150 respondents was interviewed comprising: councilors (20); senior appointed officials (5), support staff (25); central government officials (10); and ordinary local people (90). With respect to population densities (i.e Low, Medium and High) of the selected residential areas, the distribution of respondents was as follows: Kabulonga (10); Munali (12); Kabwata (12); Chawama (14); Mandevu (14); Matero (14); and Kanyama (14). In spite of the sample being somewhat

small, the researcher's familiarity with these locations helped in ensuring that the sample was representative of the respective populations.

Methods of Data Analysis

Data were analyzed using both Excel (quantitative data) and the Manual or Narrative Method (qualitative data).

Organization of the Dissertation

Following the presentation of the background to the development of local authority administration in Zambia and methodological issues in this chapter, the subsequent chapters present discussions based on the analysis of data collected during fieldwork. Chapter Two presents a socio-economic profile of Lusaka District and an overview of Lusaka City Council; Chapter Three discusses local authority financing and its management; Chapter Four analyses service provision; and Chapter Five presents the conclusion.

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CHAPTER TWO

A SOCIO-ECONOMIC PROFILE OF LUSAKA CITY AND OVERVIEW OF LUSAKA CITY COUNCIL

A Socio-economic Profile of Lusaka City

Introduction

Lusaka is the capital city of Zambia. It is situated in the Lusaka Province in the central part of the country. Lusaka is located on the Central African Plateau and lies at an altitude of 1280m above sea level. Lusaka city shares district boundaries with Chongwe, Mumbwa, Chibombo and Kafue districts. The economic importance of Lusaka is very significant as it provides market for the agriculture produce from all provinces. Lusaka city is actually the second largest economic centre of Zambia (after Kitwe City) and is notable for its substantial diversification in the production of goods and services.

Furthermore, Lusaka is home to national social amenities such as the University Teaching Hospital (UTH), University of Zambia (UNZA), National Assembly, Supreme Court, National Resource Development College (NRDC), and National Administration (Cabinet). It is also a focal point for international relations by way of the Lusaka International Airport. Lusaka is a unique city as it houses all the government ministries and the headquarters of various organizations such as Civil Society Organizations and Political Parties.

Demography

According to the 2010 Census of Population and Housing Preliminary Report, the population of Lusaka District is 1, 742, 979 persons, which is about one eighth of the 13, 046, 508 Zambians. Lusaka is one of the most urbanized and most populated districts in the country and within the southern African region. Like many city populations, the population of Lusaka is vibrant largely due to rapid migration and the city being a market centre for the whole country.

Sub-city Divisions and Tribal Groupings

Lusaka City has seven constituencies (for parliamentary elections) and thirty-three wards (for local elections). The constituencies are Chawama, Kabwata, Kanyama, Lusaka Central, Mandevu, Matero and Munali. Chawama constituency comprises four wards namely Nkoloma, Chawama, John Howard and Lilayi. Kabwata constituency consists of five wards called Kamwala, Kabwata, Libala, Chilenje and Kamulanga. Kanyama constituency has the least number of wards in the district - three - namely Kanyama, Harry Mwanga Nkumbula and Munkolo. Lusaka Central constituency has four wards called Silwizya, Independence, Luba and Kabulonga. Mandevu constituency comprises the largest number of wards in the district – seven – known as Roma, Mulungushi, Ngwerere, Chaisa, Justine Kabwe, Raphael Chota and Mpulungu. Matero constituency is made up of five wards namely Muchinga, Kapwepwe, Lima, Mwembeshi and Matero. Finally, Munali constituency consists of five wards namely Chainda, Mtendere, Kalingalinga, Chakunkula and Munali. There are two indigenous tribes in the district namely, the Solis and the Lenjes. However, all the tribes of Zambia are found in Lusaka. The most spoken language in the district is Nyanja.

Economy

Many people are engaged in informal income generating activities such as ‘*tuntamba*’ (makeshift stores) and street vending. The district has very few industries producing goods and services. Most of the goods consumed in Lusaka are from outside the district. It is a challenge that the district may be a dumping ground for cheap and low quality international products despite it having the potential of producing quality goods which can compete on the international market favorably to improve the district’s economic status. Business appears to be a vibrant and a growing sector in Lusaka especially with regard to professional and consulting services. This is also a traditionally strong sector of the growing and developing economy as it provides essential services to other sectors of the economy. Future growth in the business sector is expected to be moderate and is

dependent on available skills and opportunities in the local economy. The major industries in Lusaka include manufacturing, farming and construction. Others are commercial investments such as shops and small-scale enterprises.

Water and Sanitation

Water and sanitation are important for every community. No community can exist without an adequate supply of water. The prosperity of any community relies on this commodity. If not properly treated, water can pose serious environmental and health hazards. Generally, water sources are usually contaminated by untreated sewerage or by uncollected refuse.

The City of Lusaka relies on both surface water and ground water for its source of raw water. The provision of water to the residents of Lusaka is a responsibility of Lusaka City Council (LCC) through the water utility company called Lusaka Water and Sewerage Company (LWSC). According to the Lusaka DSA Document (2010), the population in the district with access to piped water remains at about sixty percent. The company uses the two types of water sources mentioned above. The Kafue River is the source of surface water while underground water is harnessed through boreholes.

The Lusaka Water and Sewerage Company is responsible for providing water and sanitation services to residents within the boundaries of Lusaka City. In accordance with its policy document on Water Supply and Sanitation in Peri-Urban Areas of Lusaka, the Lusaka Water and Sewerage Company was established to, amongst other things, carry on the business of a water and sewerage company, within the area under the jurisdiction of the Lusaka City Council. With the help of donor funding, some areas/communities that are not within the network of the Lusaka Water and Sewerage rely on boreholes. These systems are maintained through community committees with administrative and technical support from LCC. In certain areas of the city, LWSC provides water via the central water distribution system within the parameters of the supply area.

In other areas, local boreholes and pipe networks have been installed, with the help of donor funding of the Lusaka City Council.

Solid Waste Disposal

The Public Health Department of Lusaka City Council (LCC) is, amongst other things, responsible for waste management and related aspects in the Greater City of Lusaka. According to officials from this department, only the Central Business District (CBD), hospitals, markets, governmental and commercial institutions are serviced on a regular basis due to inadequate capacity. The other areas are only serviced when complaints are received, regarding quantities of waste that have accumulated to unacceptable levels. There are, however, a number of private contractors such as Clean Fast Limited rendering collection services to private households and other entities, but the cost of these services is too high for the ordinary local people to afford. Consequently, waste is randomly dumped in open spaces, in and around Lusaka with disastrous effects on the environment.

Roads and Transport

Transportation is fundamental to the development and growth of any city. Lusaka serves as a commercial capital of Zambia. An adequate transportation system to ensure adequate commercial growth and to sustain the commercial potential of the city is, therefore, necessary. The road network is one element exerting most influence on the physical structure of the city. The provision and maintenance of roads to facilitate movement to, from and within the city, therefore, is of significant importance. Movement along roads can directly be linked to the sustained growth and development of any city and its economy. The official road system in Lusaka consists of 870 km of roads. 580 km of these roads have previously been surfaced, while 290 km consists of gravel or earth roads. The official Lusaka road network comprises surface, gravel and earth roads. The lengths in kilometres of the main road network within Lusaka in the three categories (surface, gravel and earth) are indicated in Table 2.1 below:

ROAD NETWORK	TOTAL (km)
Surface	580
Gravel	201
Earth	89
TOTAL	870

Table 2.1: Lengths of Main Road Network in Lusaka District

(Source: DSA Document)

A Road Condition Survey conducted in August 1999 to determine the existing riding quality of the road network revealed that 38.8 percent of the length of the road network has a bad or poor riding quality, meaning that these roads are in need of some maintenance or even reconstruction. Additionally, the road surface and riding condition of the tertiary streets are of poor quality. A number of serious potholes, edge breaks and erosion damage result in traffic being diverted to other roads/lanes, accidents and reduce the travelling speed drastically. All these factors have negative effects on the road network capacity and in turn the economic performance of the city.

Transportation, as a service or a facility by which people or goods are conveyed from one location to another, is critical to the functioning of any society. The institutional aspects relating to road transportation are mainly determined by a set of guidelines falling under the jurisdiction of the Road Traffic Commission (RTC). As for the railway transport sector, Zambia has two major railway systems: Railway Systems of Zambia and the jointly owned TAZARA (Tanzania Zambia Railway Authority) but it is only the former which passes through Lusaka district. With the liquidation of Zambia Airways, the air transport sector is run by the private sector, servicing various routes for both passengers and freight.

Electrical Power and Communication

The Zambia Electricity Supply Corporation (ZESCO) is the bulk electricity supplier/distributor whose sources of electricity include Kariba North Bank Hydroelectric Power Station (Kariba North Bank Corporation) and the Kafue Gorge Hydroelectric Power Station. ZESCO is responsible for the distribution of electricity to various substations in the Greater Lusaka area. With regard to telecommunication, there are three service providers (Zamtel, MTN and Airtel) in the Greater Lusaka area. MTN and Airtel provide cellular services while Zamtel is a multi-telecommunication service provider. Zamtel is primarily responsible for telecommunication services in Zambia while MTN and Airtel are cellular service providers.

Overview of Lusaka City Council

The city council is an elected representatives' local authority body comprising civic leaders who are expected to translate government developmental vision to communities, and demands from the communities back to government in a transparent manner and is responsible for policy formulation as well as delivery of public services within the local authority's jurisdiction. The existence of LCC is underpinned in Article 109 of the Constitution of the Republic of Zambia which stipulates that: there shall be such system of local government in Zambia as may be prescribed by an Act of parliament, and that the system of local government shall be based on democratically elected councils on the basis of universal adult suffrage. In addition, Article 6 of the Local Government Act No. 22 of 1991 stipulates that every council shall be a body corporate with perpetual succession and the power to do all such other acts and things as a body corporate may do by law and as are necessary for, or incidental to, the carrying out of its laid down functions and powers. The composition of the council is as follows: all the seven members of parliament in the district, and all the thirty-three elected councilors in the district. The council offices are housed at the Lusaka Civic Centre, situated in the Central Business District (CBD) along the Independence Avenue.

Broadly speaking, LCC is responsible for the provision of community Social Services to the residents of the city. The Lusaka City Council's mission statement is to provide high quality social services and create an enabling environment, with stakeholders participation, in order to improve the quality of life of all those who live, work, visit, or conduct business in Lusaka. LCC's objectives include enhancing revenues in the short term by optimizing income from existing or potential sources; improving long-term income potential by facilitating new economic investment within the city; and achieving an optimal level of effectiveness and efficiency in service provision. The Council Administration consists of eight departments and several sections. The departments are: Finance; Engineering; Public Health, Housing and Social Services; City Planning; Legal Services; Human Resource and Administration; and Valuation and Real Estates. The major services which LCC actually provides to the people of Lusaka are discussed in detail in Chapter Four of this dissertation.

Conclusion

It has been revealed that the social-economic importance of Lusaka District to the country as a whole is very significant as the district provides market for the agricultural produce from all provinces and houses key institutions such as Cabinet Office, National Assembly and the University Teaching Hospital. About one eighth of Zambia's population lives in Lusaka District, and the district comprises seven constituencies and thirty-three wards. Local service provision within the district is largely a responsibility of Lusaka City Council whose administration consists of eight departments and several sections. Like any other organization, LCC needs money to operate adequately. Therefore, the financing of LCC and its management are discussed in the next chapter.

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CHAPTER THREE

LOCAL AUTHORITY FINANCING AND ITS MANAGEMENT

Introduction

In order to provide services, local councils, like all the other organizations, require finances. They have to collect revenue from their local sources and receive grants from central government. However, the councils have to plan for all the financial resources and apply these in a sound manner, with the intention of ensuring that all possible income is collected and all expenditures are aimed at securing value for the money. Finance is usually considered to be the overriding factor in local government. Without sound financial management systems, local authorities will be forced to discontinue their operations. 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 optimizing resources in meeting its objectives (Ismail et al., 1997). All local authority stakeholders and role-players, therefore, should have a sound knowledge of local financial management. This chapter discusses the financing of LCC and the management of the subsequent finance.

Local Revenue Sources and Collection

Sources of local revenue for LCC include Rates, Rents, Personal Levy, Market Fees, Bill Board Charges, Car Park Levies, License Fees and Bus Station Charges. Rates are based on the value of property. Rentals from commercial property such as kiosks are collected per quarter-year at K150, 000. Personal Levy is obtained at 1 percent of Gross Income subject to a maximum of K15, 000. Market Fees are collected at K1000 per day or K30, 000 per month. Bill boards are charged at K1000 per square meter per day. Car Park Levies are collected at K1000 per hour. Trade License Fees fall in two categories: Wholesale and Retail – the former is collected at K700, 000 while the latter at K400, 000 per license per

year. Finally, Bus Station Charges vary depending on bus size and are normally collected on a bus' way out of a station at exit gates.

Apart from the traditional sources of revenue such as rates, rents personal levy and so on, LCC runs a number of business ventures within the city. The council runs the Lusaka Clothing Factory; Stadia i.e Woodlands, Nkoloma and Matero; Libraries; Swimming pools such as the Olympia Swimming Pool; Renting out council properties such as the Ibex Hill Houses, Northmead Shops and the Nakatindi Hall; manages about 28 markets around the city including the Lusaka City Market and Soweto Market; bus stations i.e Intercity Bus Terminus and Kulima Tower; and Nursery schools. The total council revenue per year varies over the years depending on a number of issues such as economic factors. The average council revenue per year, however, is K36 billion (According to Council Finance Chief Accountant in charge of Revenue Collection).

The council faces a number of challenges pertaining to the collection of revenue. There is a negative attitude towards payment of various taxes and levies by residents. According to the Council Finance Chief Accountant in charge of Revenue Collection, the willingness of Lusaka Residents to pay levies, rates, rents and other taxes is below average. Most residents pay not out of their own will but to avoid litigation, seizure of properties or closure of their businesses. We found out that the high unemployment levels in the country contribute to the poor response of local residents to pay taxes. The majority of the people in the city are either unemployed or in informal employment, and without an adequate household income ultimately making it difficult for local authorities to collect some taxes such as personal levy and land rates. A number of the people interviewed explained that they do not pay taxes to LCC because they fail to raise the money. Another council appointed official (Expenditure Chief Accountant) was of the view that the response from Lusaka Residents to pay such taxes is bad. Figure 3.1 below illustrates this point further:

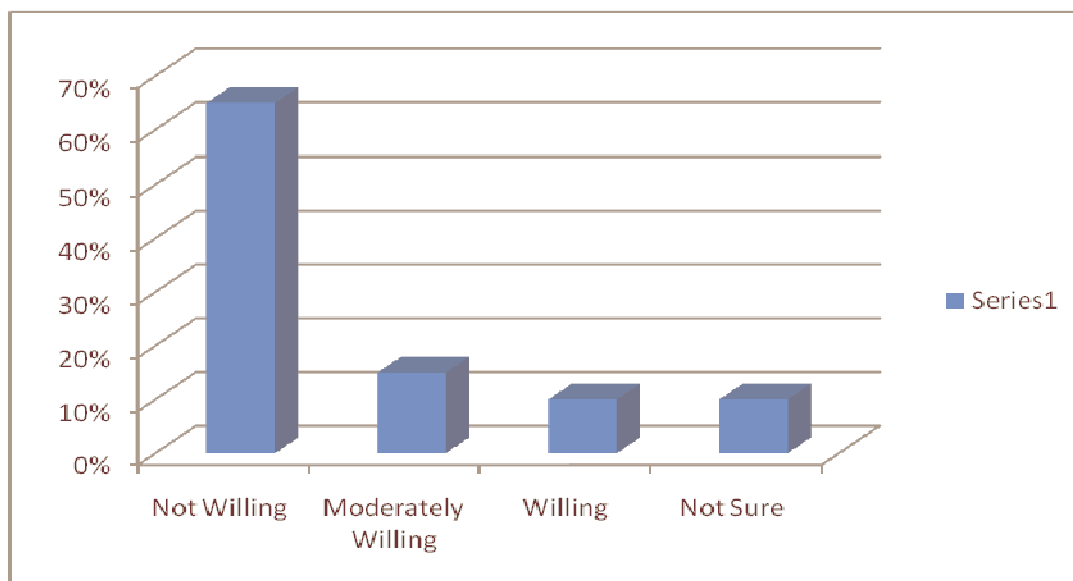


FIGURE 3.1: Views of council appointed officials with regard to the willingness of the people of Lusaka to pay rates, levies and other taxes to LCC
(Source: Primary Data)

The Expenditure Chief Accountant attributed the unwillingness of the people of Lusaka to pay rates, levies and other taxes to the fact that people do not seem to get the required services from the council; lack of awareness of their responsibility to pay; and political interference, such as misleading statements from politicians. Political interference mainly comes from the ruling party so as to exempt those that pay loyalty to the party from paying levies to the council, and to empower party cadres by letting them collect market and bus-stop levies. According to a Patriotic Front (PF) Local Councilor for Chakunkula Ward, “Some MMD [Movement for Multiparty Democracy] politicians issue misleading statements to the local people restraining them from paying taxes to the council because it is a PF dominated council. They lie to the people that they should not pay because we do not perform, which is very unfortunate.” Political interference also manifests itself through the grabbing of bus stations from the council and giving these to carders and boards such as the Soweto Board to control bus stops

where they charge bus operators money for loading. The effect of this is that the party cadres, especially from the ruling party, pocket most of the money collected as their own. As a result, the revenue base of the council is condensed. Additionally, LCC lacks adequate transport to go round the city to collect revenue. The Revenue Section of LCC does not have enough capacity especially vehicles to intensify revenue collection, for instance, the study revealed that the revenue section only had two vehicles that were less than three years old while the rest were old and either broken down or in bad condition hence constantly experiencing mechanical problems; and there is also the problem of obsolete legislation. These issues make it difficult for certain revenue collection enforcements such as effecting the collection of Ground Rent, Personal Levy etcetera. With reference to the outdated legislation, for example, the legislation governing personal levy stipulates that the levy is to be obtained at 1 percent of Gross Income subject to a maximum of K15, 000 per year, which is paid in two installments of 50 percent each. In view of this, it is clear that the local authority collects very little revenue from personal levy. In a country with a per capita income of 4.5 million (2011 National Budget Estimates), one expects a local authority in the capital city to extract far much more money from people working within its jurisdiction than what LCC gets - an average of K3 billion per year – (LCC Budget Estimates, 2010). There is surely urgent need to up-date such obsolete legislative provisions if LCC and other councils in the country are to broaden their revenue bases. Another challenge relates to the outdated council Valuation Roll. The last up-date was done in 1995, yet lots of constructions of residential, industrial and other business structures have taken place since this last valuation. In effect, it means that the council is not able to increase its revenue despite these developments (Lolojih, 2008).

The delay in approval of council budgets by central government poses another challenge. Though not always, when such delays occur, LCC is constrained regards maximizing revenue collection during a given period. A practical case in point is the 2008 budget whose approval by the then Minister of Local

Government and Housing was delayed for about a month ultimately impeding the operations of the council. The delay in approval of the budget meant that the council could not receive/use the money budgeted for, so capital projects were halted. Revenue collection is further compromised by the council's failure to effectively monitor field tax collectors such as Car Park Attendants who sometimes tend not to issue receipts, and direct such monies into their pockets. Asked what he thought the council should do to expand its revenue base, 61 year-old Raphael Chota Ward resident stated, "They have the money but they are crooks. All the people here pay land rates. I suspect the tax collectors have two different types of receipt books [one original and the other fake] and steal money whenever they issue a fake receipt."

The interviewed local residents expressed diverse views about council rates, levies and other taxes. These are summarized as follows: LCC taxes benefit more its management and other officials than the localities and local people. People pay taxes but services are not 'seen'. For example, 100 percent of the local residents interviewed in Raphael Chota Ward were of the view that LCC does not provide any service in their ward.

LCC does not sensitize and remind people adequately with regard to paying taxes. According to a local resident in Munali Ward, these taxes are not emphasized to an extent where people are drawn into paying, so people tend to take the issue of paying without seriousness. Another local resident of Munkolo Ward was of the view that LCC should sensitize people on the importance of paying. He explained that, "Some people here, regards waste, say they cannot pay for such garbage – *doti yo pyanga munyumba* (waste resulting from cleaning our homes) – so council should sensitize such people to make them understand the relevance of paying for such services." Another local resident of Chawama Ward pointed out that, "LCC does not stress the importance of paying and there is no regular reminder concerning the payments, especially in compounds like ours, no wonder people do not pay."

Generally, the people of Lusaka are of the view that LCC does not perform its functions to expectations, yet are required to pay taxes - to pay for services they do not 'see'. Moreover, when it comes to services such as garbage collection and water supply which they tend to 'see', there are direct charges attached, for instance, K15, 000 per household per month for dumping garbage. If people are to pay direct charges for everything the council performs for them, the arising question is: Why then are they required to pay taxes such as personal levy and land rates? Most of the local people interviewed (58 percent) were of the view that LCC rates, levies and other taxes were affordable (Figure 3.2):

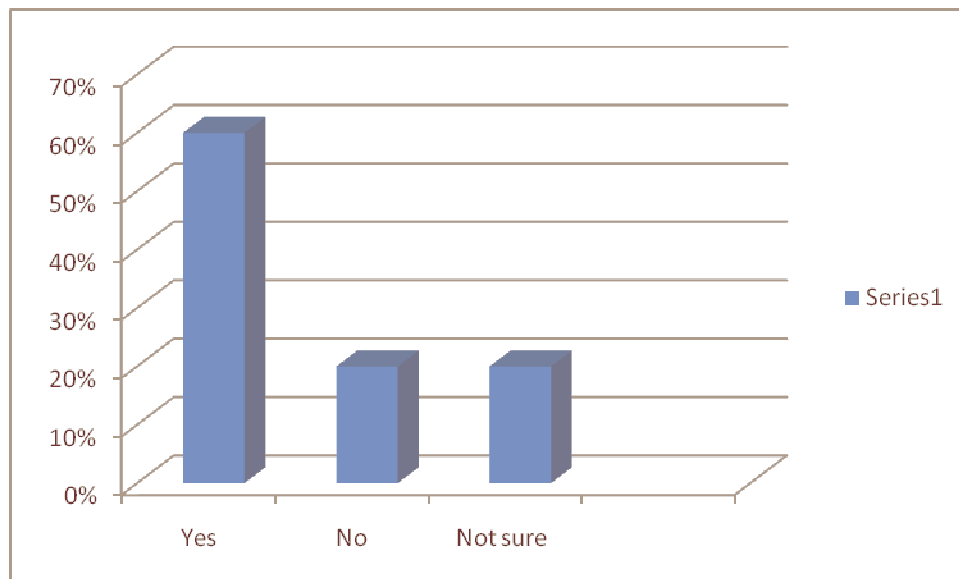


FIGURE 3.2: Local peoples' views on whether or not LCC rates, levies and other taxes are affordable
(Source: Primary Data)

Ironically, most of them are not willing to pay (as showed by Figure 3.1). Deficient service delivery is a possible explanation of this discrepancy. This matter is discussed further in Chapter Four of this dissertation.

Central Government Transfers

The criterion used by central government to fund LCC is the same as that used to fund other councils in the country. This is based on four types of grants called Recurrent Grant; Restructuring Grant; Grant-in-lieu of Rates; and Capital Grant. The Recurrent Grant has three window components: Institutional, Service Provision, and Compensation. The institutional component is a form of Equalization Grant and is made available to the 54 *district* councils in the country (i.e. excluding municipal and city councils). It is given at K125, 000, 000 per district council per quarter-year. The service provision component is given to all the 72 councils in the country and the amount varies depending on the cost of an approved service or services to be provided, district population, poverty index, access to clean water and sanitation, and commodity markets. For example, in 2009, under Service Provision Component, central government gave K10 billion to LCC to construct the Kanyama Drainage due to the perceived need of the facility in that flood prone area. Finally, the compensation component is given to those councils which tend to suffer the loss of major revenue sources such as those abolished or repossessed by central government, for example, crop levy. The compensation component in the 2010 national budget was pegged at K16 billion.

The Restructuring Grant is meant to restructure council's indebtedness. It is especially meant to help local authorities pay-off retirees. The Grant-in-lieu of Rates is paid to local authorities by central government for owning property on council land or within council jurisdiction. It is paid in accordance with the total rated value of the central government property within a given council jurisdiction. Finally, the Capital Grant is meant to assist councils to come up with developmental projects in their localities. It is, however, given only to councils which were created after 1997 as these are perceived to be lagging behind in terms of development, for instance, Mungwi, Shang'ombo, Lufwanyama and so on. It is meant to reduce the developmental imbalance between these councils

(largely rural) and the relatively developed (urban) councils. The 2010 budget provided K22, 000, 000 for this grant.

It must be noted, nonetheless, that central government grants to LCC are inadequate. For example, in 2007, the total central government grant to LCC was K6, 478, 772, 000 (only 9 percent of the council budget); in 2008 it was K6, 022,772, 000 (only 7 percent of the council budget); and in 2009, it was K8, 935, 610, 000 (only 10 percent of the council budget). According to the Assistant Director of Local Government Administration at MLGH, “The money given to LCC by central government is not adequate because we as a nation are poor. We do not have enough money to spend compared to rich countries such as the Britain, United States of America and Japan. We go by our standards. Consequently, the inadequacy in funding our local authorities stems from this premise.” Table 3.1 below summarizes central government transfers to LCC from 2007 – 2009:

YEAR	CENTRAL GOVT. GRANT	PERCENTAGE OF COUNCIL BUDGET
2007	K6, 478, 772, 000	9
2008	K6, 022,772, 000	7
2009	K8, 935, 610, 000	10

TABLE 3.1: Central Government Grants to LCC in 2007, 2008 and 2009 (Source: LCC Budget Estimates)

The Government of the Republic of Zambia has devolved numerous functions to LCC and other local authorities in the country through Section 61 of the Local Government Act of 1991, yet does not transfer adequate finances to the councils. Anderson (1994) pointed out that “...central government cannot simply pass along the obligations to execute certain tasks and deliver certain services to lower authorities without providing them with the means and resources to carry out these responsibilities [But this is what the central government in Zambia seems to be doing]... that would only cause chaos and foster irresponsibility at the lower

levels [This is exactly what is happening in Zambia as indicated by poor waste management, mushrooming of shanty compounds, potholes on roads, lack of street lights and poor water supply in many places].” In view of this, the author argues that the poor performance by local authorities in Zambia is closely connected to the *irresponsibility* at national level. Some serious arrangements must be established for transfer of resources from the central to the local governments to redeem the local people from the chaos which Anderson (1994) referred to.

The procedure for disbursing central government transfers to local authorities, including LCC, starts with national budgeting. Like many other national expenses, transfers to local government are itemized in the Green Paper which is subject to the approval of cabinet. These are communicated to the public by central government through the Minister of Finance and National Planning during his/her parliamentary presentation of the national budget. Once approved by parliament, the national treasury releases the funds to various ministries, including the Ministry of Local Government and Housing, via the Bank of Zambia. After that, MLGH, through the department of Local Government Administration, disburses the funds to the various local authorities in the country. According to the Assistant Director for Local Government Finance and Audits at MLGH, payment of these monies is done through the Zambia National Commercial Bank and INVESTRUST Bank.

There are no serious conditions attached to central government transfers to LCC and other local authorities. However, councils are expected to make returns to central government in terms of how they used funds during the previous financial period, if they are to receive funds for the coming period. This is partly done through the preparation of Performance Reports, in which the local authorities are required to account for the grants received in the previous period. Furthermore, the local authorities are expected generally to spend their money appropriately, that is, in accordance with the type of grant given.

The major legal framework governing central government transfers to local authorities, including LCC, is the Local Government Act of 1991, specifically Section 45 (1), which stipulates that, “The Minister, may on such terms and conditions as he may determine, make constituency development grants or loans of money to a council for the purposes of the discharge by the council of any of its functions.” Additionally, sub-section 3 stipulates that the government shall make specific grants to the council concerned for (a) water and sanitation; (b) health services; (c) fire services; (d) road services; (e) police services; (f) primary education; and agriculture services. It is worth noting that the legal framework governing central government transfers in Zambia is weak, for example, the minister in charge of local government is not mandated to transfer such funds as showed by Section 45 (1) of the Act through stating that the minister ‘may’.... and as ‘he determines’. In other words, the minister is not obliged to do so.

This legislative weakness impacts negatively on council operations in various ways. Not only does it reinforce central government control by narrowing an important process (intergovernmental transfer) to a “one man show” (the Minister), but also affects local authorities in terms of financial planning because it renders intergovernmental transfers unpredictable and unreliable. Additionally, a council may not be funded if the minister is not in good terms with it, for example, on grounds of partisanship, tribalism, regionalism etcetera ultimately financially incapacitating the local authority and the Minister may error in his/her quest to determine whether or not a particular local authority deserves such grants or loans. The implication of this misjudgment would be failure by the council to deliver adequate services to the local people due to the subsequent weak financial muscle. If fiscal decentralization and service delivery are to be fully augmented in the Zambian local government system, there is need for central government to put in place a piece of legislation which will be succinct about how much, when and how local authorities will receive central government grants.

The main central government institution concerned with central government transfers to local authorities is MLGH through the Department of Local Government Administration. Nevertheless, other institutions such as the Road Development Agency and the Disaster Management and Mitigation Unit also fund LCC and other councils to enable them attend to specific needs like maintaining some roads and mitigating the impact of disasters such as floods and epidemics like cholera respectively.

Central government officials also face challenges in disbursing intergovernmental transfers to LCC and other local authorities in the country. Too much centralization of the decision-making process relating to such transfers is one of these. MLGH has no say over releases of the national treasury but cabinet has. For example, the ministry has no control of how much and when funds should go to LCC. “For instance, we have not disbursed CDF for 2010, yet this is October,” (Assistant Director for Local Government Finance and Audits - MLGH). Delays due to various factors such as failure to collect sufficient revenues by the Zambia Revenue Authority on time, withheld or held-up donor funds, as well as unforeseen eventualities, such as by-elections, explain the late release of funds by government to local authorities. These delays are further exacerbated by bureaucracy in the central government institutions. The various processes (from national budgeting to treasury releases) involve a number of institutions characterized by red-tape, a situation which results in late funding of local authorities.

Financial Administration

The council manages its finances through its Finance Department. The department is made up of three sections: namely, Revenue Section; Accounts Section; and Expenditure Section. The revenue section is responsible for the collection of revenue and is headed by the Senior Revenue Manager. The accounts section is in charge of accountancy and banking. Major activities under

accountancy include allocating financial resources to various developmental projects as well as those relating to the general administration of the council; and generally ensuring transparency and accountability in the administration of council finances. LCC saves its money with different banks. Some of these are ZANACO, INVESTRUST, Stanbic, Stanchart and Barclays. The Accounts Section is headed by the Assistant Director - Accountancy. The role of the Expenditure Section is to carry out the day-to-day expenditure responsibilities of the council and it is headed by the Assistant Director - Expenditure.

The council budget is formulated annually. It is prepared based on the Activity Based Budgeting (ABB) principles. As per procedure and requirement, the budget is prepared using both internal and external (from MLGH) guidelines, and in consideration of the council's strategic plan. It is worth noting that LCC is required by law to prepare a balanced budget – income estimates must be equal to expenditure estimates. The budget formulation process is spearheaded by the Finance and General Purposes Committee of the council. This committee is composed of thirteen members, who are elected councilors. Among these include His Worship the Mayor of Lusaka and his/her Deputy. The researcher found out that the ordinary local people of the city, who are the major stakeholders in council affairs, are rarely consulted by their councilors concerning the council budget.

The council's financial cycle starts with the process of debt collection. Council revenue is collected in various ways. Door-to-door debt collection is one of these. This is carried out on both commercial and residential property. Second, residents go (on their own) to pay various taxes and charges at Civic Centre. Shop-to-shop or stand-by-stand collection in markets is the third way of revenue collection. Finally, the council collects Personal Levy Cheques from various organizations operating in the city after these deduct such from their employees' salaries and wages. Collected debt (revenue) is declared to Chief Cashier who submits collection records to the Director of Finance. The Director of Finance then

allocates the money to specific banks for reservation and it is kept-in safe with the aforementioned banks. The banking process is done by the Chief Cashier and once the revenue is in the various bank accounts of LCC, it is ready for expenditure.

To ensure transparency and accountability in financial administration, different officials in the finance department are given distinct duties to perform in the accountancy process. For example, with regard to paying informal workers such as those who slash grass and sweep roads, one group is responsible for the preparation of wage requisites, while another for costing and yet another for chequeing. This separation of financial responsibilities, according to the Expenditure Chief Accountant, prevents employees against conniving ultimately avoids fraud, embezzlement and other forms of corruption in the administration of council finances. Furthermore, LCC is audited by both internal and external auditors. The council has a qualified internal audit team which works on full-time basis. The main function of this team is to verify each and every council transaction. According to the Expenditure Chief Accountant, “Every payment made by the council has to pass through audit.” With regard to external audits, the council is audited at least once every year by central government or as determined by central government. This implies that a number of audits can be carried out in a given year. For example, as for the period covering 1st January to 17th September, 2010, the council was audited by five different sets of external auditors. External audits are done mostly by auditors appointed by MLGH. It must be noted that, by law, the Minister of Local Government and Housing is empowered to appoint external auditors to audit all the councils in the country.

Expenditure Responsibilities

This falls into three broad categories of expenses namely: Administrative/Operational Cost; Employees Cost; and Service Provision Cost. Administrative/Operational Costs are those which ensure and facilitate the running of the council as an organization. These include procurement of council

equipment; carrying out renovations; maintenance of council vehicles and other properties; payment of operational costs, supplies and statutory obligations; and so on. For example, out of the 2009 council budget which was K 88.844 billion, K910 million was spent on the purchase and maintenance of vehicles, K174 million on office furniture, and K146 million on computers.

Administrative/Operational Costs include premise and establishment expenses. The premises cost covers the maintenance of council property such as houses, the clothing factory, community halls, markets; etcetera as well as utility expenses such as paying electricity bills. For example, in 2009, the council spent K465 million on maintaining buildings mostly at Ibex Hill houses (It is worth noting that LCC has, between 2002 and 2010, constructed ten houses in Ibex Residential Area which are being rented out). Establishment expenses were estimated at K6.129 billion, out of which K2.51 billion was spent. According to the Revenue Chief Accountant, “The balance of a given expenditure responsibility is carried forward to the following year if the project is not completed within a particular year to carry on with implementation, and reallocated elsewhere if the project is completed but with respect to the type of expense, that is, if it relates to service provision, it will be reallocated there and so on.”

The Employee Cost covers salaries, wages, and terminal benefits for council workers. In terms of single council expenditure items, the highest portion is often on personal emoluments. For example, in 2008, the council’s highest expense was 25.908 billion spent on employees out of their budget of K90.058 billion while in 2009, K41.087 billion was the highest expense and spent on employees out of a budget of K153.651 billion, and the highest estimated expenditure for the year 2010 was on employees and pegged at K46.61 billion out of a budget of K106.541 billion. The Service Provision Cost is for service delivery. It is worth noting that, in spite of LCC being in existence for the purpose of delivering services to the local people, very little finances actually go to service provision. For example, out of a budget of K90.058 billion in 2008, only K9.536 billion was

allocated for service provision while out of K153.651 billion in 2009, only K13.358 billion went to service provision. Furthermore, the 2010 council budget provided only K16.440 billion for service provision out of a budget of K106.541 billion. In a nutshell, far much more money is spent on administrative/operational as well as employee costs at the expense of service provision (LCC Annual Budget Estimates for 2008, 2009 and 2010).

According to guidelines from MLGH, a minimum of 40 percent of the total annual budget must cover service provision, while 60 percent should be used for employees and administrative/operational costs (LCC Budget Estimates, 2008). The Expenditure Chief Accountant explained that, “The allocation of financial resources to expenditure responsibilities is normally in accordance with the Activity Budget. This is given to departments and these in turn give us to do the costing.” Besides following the activity budget, financial allocation may be determined by emergencies such as floods and the break out of epidemics in the city. Emergencies are normally catered for by contingencies, which are pegged at 10 percent of the total budget estimate.

With regard to local autonomy, the study found that, in general terms, LCC makes its own decisions about expenditure but these decisions are expected to be in line with the type of grant in question. For example, while using the Service Provision Grant, LCC is independent of central government to determine which service(s) to provide to the local people among the various services they are required to deliver, yet are not free to divert the fund to other expenses such as remuneration which are not service related. According to the Council Finance Chief Accountant in charge of Revenue Collection, “The council is independent from central government control, only if it uses its own resources. All funds from government come with guidelines, and of all the revenues, 40 percent is reserved for service delivery.” In a nutshell, as the Expenditure Chief Accountant put it, “With regard to our own revenue, on expenditure, we do not have much difficulty with central

government control except for their grants as well as Constituency Development Fund and Ward Development Fund.”

However, the researcher argues that local authorities are largely not autonomous with regard to execution of expenditure responsibilities. “In Japan, for example, the tension between the central government and local authorities is almost absent largely because of the existence of a satisfactory revenue sharing arrangement. In addition to their collection of direct taxes, local authorities in Japan are entitled to 32 percent of the revenue from national income tax, corporation tax and liquor tax. They are also entitled to 24 percent from what is called the consumption tax and 25 per cent from the tobacco tax. This practice is also common in some developing countries. For example, in the Philippines, local government authorities are entitled to 40 percent of the share of the total internal revenue collections, 40 per cent of the gross collections derived by the national government from the preceding fiscal year from mining taxes, royalties, forestry and fishing charges and 1 percent of the gross sales and receipts of the preceding calendar year. A formula has been established on the distribution of the revenue to the various local authorities. Even in Uganda the allocation of revenue between the centre and local authorities is provided for in the constitution,” Momba (2002:6). In Zambia, however, it takes the discretion of the Minister of Local Government or the Central Government to determine how much grant to give and which council to give at a particular time.

Besides LCC spending money on the traditional expenses, i.e administrative/operational, employee and service provision costs, it also invests some of its money into business activities such as the Lusaka Clothing Factory for purposes of making profit. Furthermore, as opposed to council spending money directly on service provision, it sometimes pays contracted firms and individuals for having delivered such services to the people as the council may entrust. However, LCC faces one major challenge in executing expenditure: Available revenue is always less than required expenditure. The local authority does not

collect all the expected revenue, hence always faces a deficit in financing expenditure. “It is a hand-to-mouth kind of scenario. Income is inadequate. The city population is growing but the council income has not risen to the cost of service delivery,” (Revenue Chief Accountant). The council faces serious difficulties in financing service provision; paying council personnel; and paying for its administrative/operational costs due to insufficient finances. “We cannot pay suppliers timely and adequately. Sometimes, we get things on credit,” (Expenditure Chief Accountant).

Nevertheless, most of the local residents interviewed (70 percent) thought that LCC does not spend money in an appropriate way as illustrated by Figure 3.3 below:

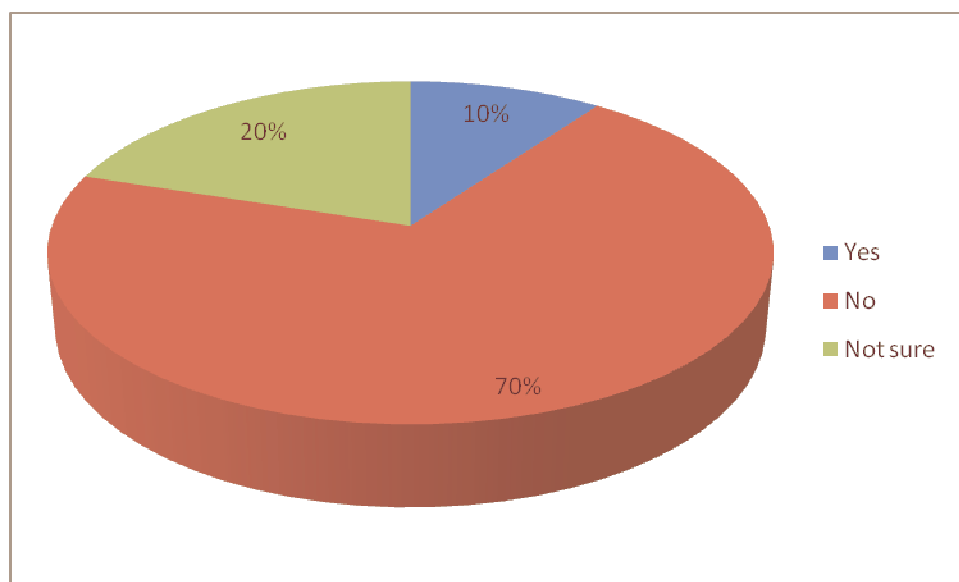


FIGURE 3.3: Local people’s views on whether or not LCC spends its finances in an appropriate way
(Source: Primary Data)

This view is due to the perceived dismal service provision by the local authority and is a possible explanation to the peoples’ unwillingness to pay rates, levies and other taxes to the council as they feel and think that their contributions are misapplied. Asked why they said LCC does not spend money in an appropriate

way and what they thought the council should do to improve execution of expenditure, the following were some of their responses:

“Because there is no improvement in the council and service delivery in general. Sometime back, they [LCC] used to have graders but today, they do nothing – just getting alcohol from bars and victimizing suffering street vendors,” (Local Resident, Raphael Chota Ward).

“They [LCC] channel people’s money to their personal concerns, as opposed to issues concerning the people. Council Management buys personal houses using council money. They should prioritize the interests of the people they serve, not their self-interests,” (Local Resident, Raphael Chota Ward).

“We don’t get the services we pay for... no street lighting, no drainage system, no recreation facilities [community halls are now rented out to churches], no decent accommodation and so on,” (Local Resident, Chawama Ward).

A Kabulonga Ward Resident stressed that, “Had they [LCC] been spending their money in an appropriate way, we would have been seeing much more than we see in terms of service delivery.”

Conclusion

It has been established that, apart from the traditional sources of revenue such as rates, rents personal levy and so on, LCC runs a number of business ventures within the city. However, the council faces a number of challenges pertaining to the collection of revenue. Generally, the people of Lusaka are of the view that LCC does not perform its functions to expectations, yet are required to pay taxes, a situation they described as unfair. With regard to council expenditure, we found out that, in spite of LCC being in existence for the purpose of delivering services to the local people, more finances are spent on administrative/operational activities than service delivery, which is discussed in the following chapter.

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CHAPTER FOUR

SERVICE DELIVERY

Introduction

Local services such as the supply of drinking water, waste management and basic health care have a huge impact on people's daily lives and well-being. Unfortunately, the ordinary local people, especially the poor, often seem to lack access to the right quantity and quality of these imperatives for development. In order to effectively provide services, local governments must not only have access to sufficient financial resources and fiscal discretion but also be very committed to their work. At the local level, institutions and participatory development mechanisms are often weak, resulting in poor service delivery. The Second Schedule, Section 61 of the Local Government Act, outlines a total of 63 specific functions which local authorities in Zambia are expected to perform (as itemized by Appendix E of this dissertation). In practice, however, most if not all the local authorities, including LCC, do not perform all these functions for one reason or another. This chapter outlines and discusses the major services which the LCC actually provides to residents within its jurisdiction, as well as the challenges faced during the process of service provision.

Major services provided by LCC

Garbage collection and disposal

The council, through its Waste Management Unit, collects garbage from numerous council bins around the city when these get filled-up with refuse dumped by the local residents and disposes it in designated places. However, this is not done freely but at a subsidised charge of K200, 000 per bin. This money is paid to the council by the communities through various local organisations, who manage waste at local level. Communities pay K15, 000 per household per month for disposing-off refuse in a council bin and K20, 000 for door-to-door collection of refuse by the local organisations. These local organisations retain some of the money for their administrative activities. It is worth emphasizing that these local

organisations are more private than public in nature. Examples of such local organisations include Community Based Enterprises (CBEs) such as the Munali Ward Community Based Enterprise, as well as Market Advisory Committees (which manage garbage at market places) like the Linda Market Chigwilizano Marketeers Corporative. Most of the people interviewed complained against the idea of paying to dump their garbage in a council bin when they pay levies, rates and other taxes. Nevertheless, even when local people pay for the collection of garbage, the council tends to delay the collection process. This causes the people to begin dumping the trash on the ground, a situation which poses serious health hazards (as showed by Photo 4 in Appendix F).

Waste management in Lusaka is deficient to cater for a city with a population of approximately 1.7 million people (CSO, 2011). According to officials from LCC, only the CBD, hospitals, markets and governmental and commercial institutions are serviced on a regular basis. The service is dependent on the availability of vehicles. From various studies, it is evident that quantities of the waste collected vary from month to month and that waste is not collected according to a pre-determined schedule. Officials from the Public Health Service Department estimate that the council collects only 10 percent of the waste generated in the Greater City of Lusaka. Most businesses have their own waste bays, where their waste is stored for collection. Others use dustbins or plastic bags to dispose off their waste. Other organizations/institutions utilize numerous different types of containers for waste disposal. In the CBD, there is a regular formal collection service for stores, shopping centers, hotels, hospitals, government buildings and markets. The council's current fleet of collection vehicles is utilized to perform this service. The bulk of private industry, within the industrial area, hires private contractors to collect their waste. The council is in the process of identifying and establishing a new improved and environmental sound landfill site. Three areas have been identified as potential locations for a new landfill, namely Lusaka North Forest, Kabangwe and enlarged Chunga.

Construction and Maintenance of Roads and Drainages

The council is responsible for construction, maintenance and management of roads and drainage infrastructure in the city. This involves planning, designing, implementing, supervision and management of roads and drainage related projects. Photo 6 in Appendix F shows part of a drainage system along Kudu Road in Kabulonga Ward being maintained by LCC. The council also liaises on roads and drainage related projects with other stakeholders such as Central Government, Government Agencies (i.e. Road Development Agency (RDA), Road Transport and Safety Agency (RTSA), National Road Fund Agency (NRFA), National Council for Construction (NCC), Non Governmental Organizations (NGOs) like Programme Urban Self Help (PUSH) and CARE and other cooperating partners (such as JICA, UNDP, GTZ). The council does grade roads in the city. Linda and Munali Roads in Munkolo and Munali wards respectively are concrete examples of roads graded by the local authority between 2006 and 2010. However, many more roads in the city need to be attended to as evidenced by the many potholes on the feeder roads around Lusaka. It is noted that the council's policy regarding roads goes only as far as grading, yet what the roads need, if a real solution to the problem of potholes is to be found, is tarmac. Inadequate attendance to the issue of roads was mainly attributed to lack of equipment and materials, for instance, the researcher found out that LCC had only two graders to grade roads throughout the large City of Lusaka.

Water Supply (through LWSC)

LCC through LWSC supplies water to communities in Lusaka. Lusaka Water and Sewerage Company Limited is the main supplier of water and provides sanitation services to the people of Lusaka. The company is wholly owned by the Lusaka City Council but to all intents and purposes operates as a private company. The company is divided into eight operational branches namely Central, Kabulonga, Kabwata, Lumumba, Chelstone, Chawama (covering all peri-urban areas in the South East of the City), George (covering all peri-urban areas in North-East of the City) and Lusaka East (covering all informal settlements in the Eastern part of the

city. However, there are places in Lusaka City such as Linda Compound (near Linda Dam) where local people have not been supplied with piped water, not even boreholes but depend entirely on shallow wells. According to a resident of the area, “There is no piped water here. Boreholes are far away. We draw water from shallow wells. In October [dry season], the shallow wells dry up and we are left without water, so we begin walking long distances to fetch water.” Photos 1, 2 and 3 in Appendix F illustrate further. Although the quality of water supplied via the central water distribution system of Lusaka Water and Sewerage Company is generally considered to be good for human consumption, the quantity available to consumers is inadequate. Additionally, even in places where water is supplied, the supply is often erratic, ultimately rendering the commodity insufficient for both domestic and commercial uses. As a result of this poor water supply, communal taps have been vandalized due to their being dormant for a prolonged period of time.

An estimated five percent or less of Lusaka residents have their own boreholes but the supply remains inadequate due to the rapid growth of the city which has resulted in many unplanned compounds that have no social amenities and have access only to water from shallow wells (DSA Document). The rundown installation systems, leakages and vandalism of pipes have all contributed to the inadequate supply and contamination of water. The situation is compounded by inadequate sanitary facilities for the disposal of liquid, solid and medical waste. This in turn predisposes a large proportion of Lusaka residents, who draw their water from shallow unprotected wells, to water borne diseases such as cholera, diarrhoea and dysentery. The quality of water from local boreholes and dugout wells is poor in many areas because the water is usually untreated and contaminated, so generally considered unsafe. Many of the pipes in these areas are very old, so a substantial quantity of water is lost through leakages and bursts in the system. If the existing systems are upgraded and repaired, a significant improvement in the quantity of water available to the consumers will be realized.

Street Lighting, Traffic Lighting, Fire Fighting and Maintenance of Parks and Gardens

The council is responsible for the installation of new street lighting and traffic lighting systems and maintenance of old ones, as well as for the preparation of tender documents for installation of additional traffic signals. The Council has installed traffic lights at several chosen road junctions in the city. The local authority also provides fire services to people within its jurisdiction. The fire brigade, which on the average attends to over 100 fire incidences per month, is responsible for the following: Provision of fire cover; provision of rescue services; ensuring building developments are carried out in accordance with Fire Regulations; and provision of humanitarian services such as supply of water during emergencies and disasters. The establishment and maintenance of parks and gardens are other services provided by LCC. The council is responsible for maintaining parks and other open spaces in terms of landscaping and also for propagation of various plants and flowers for planting in road reserves and road islands. This includes the control of the cutting of trees around the city.

The study found out that LCC does not perform these functions satisfactorily, for instance, the council provides the street lighting service only in the CBD and along major roads such as the Great East, Kafue, Great North, Lumumba, Cairo, Independence Avenue and others within or passing through the city. Township roads, along which the local people reside, are not lit because of limited finances coupled with vandalism. With regard to traffic lighting, there are various road junctions in the city which require robots but are without the facility. Further, the response of the fire brigade to fire incidences has not been up-to expectations of the local people, for instance, there was a case in 2010 where the Fire Brigade Officers were stoned by Kalingalinga Residents for arriving late at the fire scene.

Markets, Libraries, Bus Stations, Recreation and other Social Services

The council provides social services such as: markets, libraries, community development, bus stations and recreation. The council runs about 28 markets in the city and is in the process of commencing the supervision of the management of cooperative markets which are in excess of 40. Photo 8 in Appendix F shows Linda Market being maintained by LCC. The Lusaka City Council provides public library services to the public in Chilenje, Matero and at the city library and provides services or programmes aimed at creating and providing a conducive and enabling environment in which individuals, groups and communities are encouraged to participate for purposes of helping them improve their standards of living. The services provided relate to women clubs, adult literacy, community schools, youth skills training, sports and recreation, home economics, pre-school education etcetera. In the area of community development, the council provides women and youth education and development programmes biased towards income generating ventures in order to empower women and the youth as well as reduce poverty associated with feminism and childhood. The council also provides training in leadership and life skills to the community in order to enhance their capacities to initiate and participate in development. The Lusaka City Council assists in establishing of the Ward Development Committee (WDC) which spearheads development issues of a ward, and also the Zone Development Committee (ZDC). Some of the general aims and functions of the ZDCs and WDCs are: To work in partnership with the councilor in its area, as well as with council staff, donors and NGOs to promote development and to mobilize residents participation; to initiate and coordinate activities for the improvement of the community; to strengthen community capacities in the management of development; and to provide a channel for dialogue and resource mobilization with the various stakeholders.

The council further provides the following social services to the people of the city: Funeral services through making land available for burials and hiring out of hearses; processing title deeds and land records including facilitating other aspects

of land management and administration; providing recreation facilities such as the Olympic Swimming Pool and promotion of sports activities; registration of marriages, births and deaths including solemnizing of marriages; and public health services including inspectorate, health education and pest control. The council's statutory function in relation to the population of the city is to register the citizens in respect of: marriages; registration of births and deaths; registration of clubs, societies, associations, traditional healers; and the maintenance of law and order. The council maintains a register of all marriages conducted in the city by marriage ministers appointed by the institution and duly gazetted. The members of the public are encouraged to register births and deaths occurring in the jurisdiction of the city for record purpose. It is a statutory requirement that all such groupings conducting their activities in the city make their existence known to the authorities (LCC) through formal registration. It is the council's duty to ensure that civic laws are enforced in order to protect public property and maintain law and order in the city through the Council Police Unit. This is a cardinal service for the wellbeing of the city, yet the local authority lacks capacity to enforce civic laws and this results into vices such as some bars opening as early as 04:00 a.m as was the case in Mandevu's Raphael Chota Ward (according to a Local Resident); people smoking in public; street vending; people dumping garbage in drainages; people constructing houses on reserved land, especially land meant for roads; and so on and so forth.

City Planning and Land Administration

As a planning authority, the council, through the Department of City Planning, promotes economic and orderly use of land in order to achieve the development of a healthy, functional and aesthetically pleasing built environment suitable for attracting into the city a conducive atmosphere for enhancing the quality of life for those who live, work, visit and conduct business in the city of Lusaka. The above objective is made possible through: Taking care of physical planning matters in the city; ensuring that planning permission is granted for all development activities in the city in accordance with the Town and Country

Planning Act Cap 283 of the Laws of Zambia, and monitoring and compelling developers to undertake development as per approved development plans.

It is important to note that Lusaka City is not well planned as evidenced by a number of factors. There is the mushrooming of shanty compounds where houses are not only very close to one another but also to roads and rail lines. Motorists have a problem of congestion, especially in the Central Business District, because the city has been growing over the years, yet the CBD has been lagging behind in terms of expansion and there are almost no open spaces for future developments in both the CBD and residential areas, for instance, it is difficult to construct facilities such as markets, clinics, stadia and schools in many places like Chawama, Mandevu and Kanyama. Township roads tend not to be well defined because of up-hazard construction of houses, some of which are built on spaces meant for such roads. The council does not seem to effectively control the allocation of plots to developers. Plot allocation at local level is largely driven by party cadres commonly called ‘chairmen’ whose interest is not city sanity but money, so they tend to allocate small pieces of land to so many people, hence the disorder.

Lusaka City Council is an agent of the Central Government in Land Administration in the City of Lusaka on behalf of the Commissioner of Lands at the Ministry of Lands. Also, Lusaka City Council is a Planning Authority in addition to the Lusaka Province Planning Authority. Ordinarily, Lusaka City Council would identify land and make a proposal for creation of residential, commercial and institutional plots. This process may be done by the council depending on the nature of the land, that is, land falling under the Housing (Statutory and improvement Areas) Act, CAP 194 of the Laws of Zambia and State Land. Once the creation is done, the layout plan is sent to the Surveyor General’s office for numbering and later sent back to council which will then advertise to the general public for them to apply for alienation of these pieces of land. Consequently, successful applicants are recommended to the Commissioner

of Lands for offer letters. This procedure is also followed in areas which started as informal/squatter settlements except that the council generates offer letters instead of recommending to the commissioner. Nevertheless, the council has tended to abuse its powers in land administration. There have been a number of allegations for corruption in land allocations. The illegal allocation of land has, in turn, led to some structures being demolished, a situation which is undesirable and a loss to the victims.

Issuance of Title Deeds and Trade Permits

The council has been and continues to issue several documents relating to land tenure such as land record cards, occupancy licenses and certificates of titles to genuine property owners. The council provides legal services with regard to: Estate management; trading permits, lease agreements; and land management. The council renews expired occupancy licenses for residents and provides these to those who do not have. Various trading licenses are issued by the council annually for those who conduct their various businesses in the city - It is illegal for one to trade or do business without a license and such individuals are often, when found, penalized by having their businesses closed until they comply with the civic laws. The council also prepares and enters into lease agreements with private individuals who have entered into business partnership/relationship with the council, for example, management of parks and open spaces, commercial properties on rental basis etcetera. The council also strives to reduce complaints relating to land disputes emanating from double allocations and/or illegal allocation by unscrupulous people. It is worth noting that, with regard to these legal services, the council is quite effective in doing its work. The study found out that most traders/residents without trading/owner-occupier licenses did not possess these documents not because of the deficiencies of the council but their (traders'/residents') irresponsibility.

Problems Faced by LCC in the Delivery of Services

LCC faces numerous problems in the provision of services. These can be categorised as internal and external. Internal problems are those which emanate from within the council while external ones stem from outside the organisation.

Table 4.1 below summarises these challenges:

TYPE OF PROBLEM	PROBLEM
INTERNAL	-Lack of capital investment -Poor work-culture -Inadequate qualified manpower -Poor council management
EXTERNAL	-Political interference -Central government interference and bureaucratic delays -Poor attitude by local people towards wellbeing of the city

TABLE 4.1: Problems Faced by LCC in the Provision of Services
(Source: Primary Data)

Internal Problems

Lack of capital investment is one of these. The Acting Assistant Director in the Department of City Planning pointed out that, “The council lacks adequate equipment, transport and materials to effectively deliver services to the people of Lusaka.” According to information obtained from a Focus Group Discussion held with the Council Engineering Superintendent and his two assistants (Roads and Drainages Engineers), the Roads and Drainages Section under the Department of Engineering have neither materials nor equipment to do road patches. They stressed that they have capacity in terms of technique but lack adequate resources.

Poor work-culture is another difficult. According to a memo dated 1st September, 2010, signed by the Acting Town Clerk of the local authority, a statutory audit report recently produced by external auditors on the accounts of the council covering a period 1st January 2006 to 31st December 2008, observed among others that there was generally poor work-culture at the council coupled with delay in the provision of information. In agreeing with the audit findings on work-culture at the Lusaka City Council, management had observed that some workers wilfully neglected to carry out their duties mostly for personal reasons. Among other tendencies associated with poor work-culture were the following: late entry into office and early exit; using council time to do private activities; loitering in corridors without purpose; and delays in the delivery of outputs and feedback on progress. These behavioural tendencies lead to unproductivity of the institution at large with *dire consequences on the communities*.

Inadequate qualified manpower constitutes another problem. LCC does not have enough qualified manpower, and efforts to train and develop the available staff are insignificant. According to the Engineering Superintendent, “There is no training and development of employees such as plumbers. Technology is changing but we are not adapting.” The council does not attract/sustain qualified manpower due to lack of adequate finances.

Another constraining issue is poor council management. LCC Management was described as poor by most (67 percent) of the local people interviewed. Asked what challenges they thought the council faced in delivering services in their area, the majority of the local people interviewed said poor council management, among other challenges. A Munali Ward resident, for example, was of the view that LCC lacks proper planning, while another of Chawama Ward said that council officials do not carry out patrols to see for themselves what is obtaining on the ground but are ever in the office. Another of Lilayi Ward said they are ever attending seminars instead of consulting the local people about issues affecting communities. We must, however, mention here that particular issues of Council

Administration such as the personnel system, organisation structure and the administrative decision-making procedure were beyond the scope of this study.

External Problems

Major difficulties, exterior to the council, are political interference; central government interference and bureaucratic delays; and poor attitude of the local people towards the wellbeing of the city. Political interference is seen in the undue criticism of the council/councillors from opposing groups and individuals. For instance, Chakunkula Ward councillor complained about some people who were criticising his idea to construct fee-paying toilets in his ward not because it was a bad idea but for the fact that they belonged to a different political party from his. Central government interference is partly seen in the tendering process, for instance, through offering projects to contractors favoured by central authorities as opposed to those preferred by the local authority. The poor attitude of the local people towards the wellbeing of the city is seen in residents dumping garbage in drainages as showed by Photo 5 in Appendix F, vandalising council property and so on. According to the Council Expenditure Chief Accountant, vandalism is one of the reasons the council stopped providing street lights in compounds. Some local residents had a tendency of breaking the lights using catapults, and stealing bulbs.

Satisfaction Levels of the Local People with Regard to Services Received from LCC

The majority (86 percent) of the local people of Lusaka City are either unsatisfied or very unsatisfied with the services delivered in their localities by LCC as showed by Figure 4.1 below:

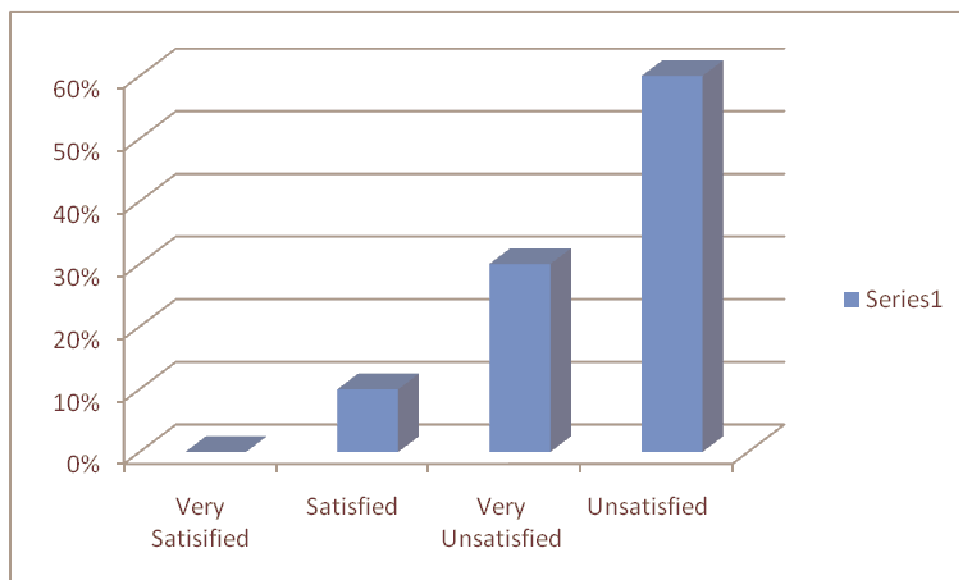


FIGURE 4.1: Satisfaction levels of the local people with regard to services received from LCC
(Source: Primary Data)

Asked why they said they were unsatisfied with the services received from the council, the local people pointed to diverse issues and some of their responses were as follows:

“We do not see the services. There is no improvement to our community roads. In fact, these roads have been deteriorating [Photo 7 in the Appendix Section supports the views of this Local Resident]. The tarmac has been disappearing over the years. Potholes are an order of the day, today. Indians with Mosques [Temples] are the only ones I have ever seen grading roads. The council should embark on serious rehabilitation and maintenance projects throughout the city,” (Local Resident, Kabwata Ward).

“Because we pay but we have no water, no rubbish bins around our area and so on,” (Local Resident, Munkolo Ward).

“We don’t see anything in terms of service delivery,” (Local Resident Raphael Chota Ward).

“At Kaunda Square Market, we pay K5,000 (to trade from inside) and K1,000 (to trade from outside) everyday but they [LCC] fail to renovate the market. They should use some money to help poor members of society – council is government!” (Local Resident, Munali Ward).

It is clear from the above responses and the statistics of the graph (Figure 4.1) that the people of Lusaka are not pleased with the level of service provision by LCC in their communities. Residents seem to be aware of the responsibilities of local authorities, for example, the survey by Momba (2002) revealed that most of the urban residents correctly identified at least three functions of the councils. The inability of councils to provide services, which the residents are fully aware that the councils should provide, has created enormous problems for the councils in relation to the residents. A number of residents in Lusaka, in particular, have questioned the rationale for their paying personal levy when the councils are not doing anything for them. Property owners in particular seem to be the unhappiest in view of what they consider very high rates for no services from the councils. A typical example of the feelings of the ratepayers is the reaction of Kalundu residents in Lusaka who threatened to stop paying council rates because the council was not providing them with any services. In reaction to the threats by the council to send bailiffs to defaulting property owners, the Executive Director of the Zambia Consumers' Association said that rates should be linked to the provision of services. He complained that “Roads are broken down, refuse collection stopped years ago, street lights do not exist, but the council expects residents to pay rates. For what? Just to keep council workers in employment? Just to ensure that the mayor is chauffeured in a Mercedes Benz? No this is unacceptable,” (*The Monitor*, 19-22 July, 2002). In a nutshell, deficient service delivery has lowered the standing of LCC in the eyes of the residents and this manifests itself through non-tax compliance, apathy in local government elections and lack of interest in the activities of the council in general.

Conclusion

There are 63 specific functions which local authorities in Zambia are expected to perform but most, if not all local authorities, do not perform all these functions for one reason or another. Some of the major functions performed by LCC include: Garbage collection and disposal; construction and maintenance of roads and drainage; water supply (through LWSC); and installation and maintenance of street lights. The council faces various problems in the provision of services and these include: Lack of capital investment; poor work culture; inadequate qualified manpower; poor council management; political interference; central government interference and bureaucratic delays; and poor attitude by the local people towards the wellbeing of the city. The majority (86 percent) of the local people of Lusaka City are either unsatisfied or very unsatisfied with the services delivered in their localities by LCC. Having raised, analyzed and discussed critical issues and findings of the study in this and previous chapters, we present the conclusion in the next chapter.

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CHAPTER FIVE

CONCLUSION

The study has noted that the Lusaka City Council collects less revenue in relation to the cost of services to be provided for the people within its jurisdiction. The council is expected to perform far much more functions than their financial capacity permits. This is the major reason for poor service provision. Taking the Council Budget Estimates (2008: 1) as an example, “A lot of activities were lined up for inclusion in the 2008 Estimates by the budget holders, however, not every project could be included due to insufficient funds which is a major limiting factor.” The deficient service delivery is further exacerbated by the fact that the local authority *misapplies the little* it has by spending more (60 percent) on non-service responsibilities, that is, administrative/operational and employee costs and less (40 percent) on service provision. The researcher found this arrangement odd because the core business of the council is to deliver services to the people. *There is need for LCC and other local authorities to spend more money on service provision than any other responsibility if the primary purpose of their creation is to materialize significantly.*

The study has demonstrated that the council does not collect all the monies that are due to them partly because of the out-dated Valuation Roll which does not capture numerous properties/buildings in the city; obsolete legislation; lack of capacity (e.g vehicles) to facilitate revenue collection; and the fact that central government possesses what would be key sources of revenue for the council, for instance, road tax, value added tax (VAT) and so on. Central government must let go of sources of revenue of local nature to LCC and other local authorities. This will contribute significantly towards the council(s) being able to perform effectively all or at least most of the expected functions. If fiscal decentralization is to be achieved, central government should surrender both meaningful sources

of revenue and key expenditure responsibilities into the hands of local authorities, but if it is to be effective, local authorities should be seen to deliver substantial services to the local people who pay rates, levies and other taxes.

It is clear from the analysis that the possession of autonomy over expenditure by LCC is dependent upon the type of finances at hand. With regard to council's revenue, the local authority is free to execute expenditure without any government control. However, pertaining to central government grants, the council is expected to spend the finances in accordance with the stipulated guidelines relating to a given grant/fund. For example, the local authority is prevented by central government against spending the Service Provision Component/Grant on non-service activities such as workshops, utility bills and repatriation benefits. Nevertheless, the council would be free to use the grant on any service of their choice among the various services they are expected to provide such as garbage collection, drainage construction, street lighting to mention but a few. In a nutshell, the LCC are free to spend their money, yet not free to spend central government's money.

In view of the above and other findings of the study, the author argues that LCC can only be said to possess significant levels of financial autonomy if the local authority has the discretion to determine their expenditures and revenues both in aggregate and detail. Taking into account observations by Momba (2002) about revenue sharing between central and local governments in selected countries, this study proposes that Zambia should emulate countries such as Japan, Philippines and Uganda which have attained considerable levels of devolution by enshrining specific tenets of this important aspect of decentralization in their constitutions, if her fiscal decentralization efforts are to bear fruit.

Shah (2004) proposes measures to augment an intergovernmental transfer system as follows: To enhance accountability, it is important to match revenue means with expenditure needs at all levels of government, but higher level governments

may be given greater flexibility to fulfill regional efficiency and equity objectives through transfers; to bridge fiscal gaps, grant designs should include tax decentralization or tax base sharing; to reduce regional disparities, there is need for fiscal policy equalization; to set national minimum standards, block transfers and conditions on service standards are preferable; to enhance benefit spillovers, matching grants have the greatest potential; to influence local priorities, there is need for open-ended matching; and for stabilization purposes, capital for upkeep requirement is the best option. He was quick to point out that grant design varies by objective. However, an effective intergovernmental transfers system is possible only in an environment with cordial intergovernmental relations. A good intergovernmental relations framework should allow scope for continuous renewal and development without lengthy constitutional and parliamentary procedures having to be followed. It would, therefore, be wrong to recommend making a single intergovernmental relations blueprint applicable in all countries at all times. There is need, nonetheless, for LCC and the Central Government of the Republic of Zambia to develop a cordial relationship based on mutual understanding if revenue raising powers and expenditure responsibilities are to be shared amicably between the two authorities.

Financial administration in LCC was found to be characterised by considerable levels of transparency and accountability. Rules and procedures are adhered to with regard to the administration of finances, and the council is answerable to various stakeholders about matters of financial nature. The problem of poor service provision by LCC is largely due to inadequate financing of the organisation as opposed to financial wastage although, as earlier noted, there is misapplication of funds (All wastage is misapplication but not all misapplication is wastage). For example, if the local authority spends money meant for service provision (Service Provision Component) on settling outstanding employee terminal benefits, then it has misapplied money but not wasted it. The council does have a full-time internal audit team and is also audited every year by central government. Findings of the various sets of auditors reveal that there are indeed

significant levels of transparency and accountability in terms of financial administration. Therefore, the root of the weak financial muscle of LCC is twofold: insufficient revenue collection and inadequate central government transfers. LCC should ensure that all the properties/buildings developed and developing within the jurisdiction of Lusaka are captured on the council valuation roll, and there after ensure that the valuation roll is up-dated regularly. This will contribute significantly towards widening the council's revenue base.

In view of the findings of the study, it is noted that central government transfers to LCC are inadequate. There is need for central government to intensify the transfer of funds and grants to local authorities. The investigation is of the view that the devolution of functions to local authorities by central government should be accompanied by matching financial transfers.

Nevertheless, as Davey (1994) puts it, "Local revenue generation must be part of a comprehensive and realistic framework of central-local relations, as it is in much of Western Europe, Japan and Korea. It should not be simply a way of passing the financial buck – a solution for national budget deficits or an excuse to divert national budget resources to expenditures of lower benefit to local communities. The framework must make a realistic assessment of the costs of local services at nationally acceptable levels and of the potential contribution of local revenues in the varying conditions of individual localities." GRZ, being the designer of the local government system in the country, must see to it that some of the national revenues are made available to local authorities through the process of intergovernmental transfer to fill the gap between national and local needs, and the broad revenue-sharing mechanism should be based on good arithmetic. It is worth emphasising that it is practically impossible for LCC to perform effectively all the devolved functions as stipulated by the Act in view of their weak financial muscle. If they tried, service provision would be marginal and dismal, and this actually is the case in Lusaka City.

The study has also demonstrated that whereas the institutional framework pertaining to fiscal decentralisation is useful, the legal framework is weak. Central government should up-date all the obsolete pieces of legislation such as that governing personal levy. As opposed to the levy being pegged at a maximum of K15, 000 per year, for example, it should be raised to a considerable amount like K200, 000 per year. Furthermore, the weak legal framework pertaining to fiscal decentralization in the Zambian local government system should be strengthened. The law must be clear about the sharing of revenue sources between local authorities and central government. Furthermore, regards intergovernmental transfers, the amount to be transferred to LCC, the procedure to be followed, when to effect such and so on must be clear in the law governing local government.

The majority (86 percent) of the people of Lusaka City were found to be either unsatisfied or very unsatisfied with the services received from LCC. This largely explains why there is a widespread discontent among the local people regarding their terms of trade with LCC. Peoples' tax resistance, for instance, seems to be related to deteriorating public services. It can be argued that individuals pay taxes because they value the goods provided by the council, recognising that their payments are necessary both to help finance the goods and services and to get others to contribute. Taking into account Fjeldstad and Semboja's (1999) observation, "Without material benefit, compliance becomes less assured. The existence of positive benefits may increase the probability that taxpayers will comply voluntarily, without direct coercion." For this reason, significant capital investment must be put in LCC if the local authority is to operate effectively and provide satisfactory services to the local people. The council should have enough vehicles to go round the city to collect tax, enough graders to grade roads, enough tippers to collect garbage and so on and so forth.

The majority of the people of Lusaka are unwilling to pay rates, levies and other taxes to LCC because they do not seem to see the services provided by the local

authority. Most of the council appointed officials interviewed (65 percent) were of the view that the local people are unwilling to pay rates, levies and other taxes to the local authority. In some wards such as Raphael Chota, Kamulanga, John Howard and Ngwerere, in the eyes of many residents, the council is practically non-existent. LCC must improve their work culture and show the local people that they are committed to service provision. This will raise the willingness of the local people to pay rates, levies and other taxes, thereby broadening the revenue base. In addition, the council must provide services in such a way that the local people are satisfied. The council must make good use of the little they have. To learn that 86 percent of the local people are either unsatisfied or very unsatisfied with the services received from LCC is worrying. Borrowing ideas of Fjeldstad and Semboja (1999), to minimize the costs of tax enforcement and to maximize the output that can be taxed, LCC must emphasize voluntary compliance through non-coercive strategies that produce a high level of taxpayer cooperation. It must create confidence in its capacity to deliver returns for taxes paid. Furthermore, the local authority must, through effective performance, convince the local people that their contributions make a difference in producing the desired goods and services. Thus, what needs to transpire is for central government, LCC and all the other stakeholders to strengthen the council's financial capacity and improve public service delivery to reverse the materializing ill-structured quandary where LCC cannot perform because they do not have money and the local people do not pay because the council does not perform! Furthermore, Local people must be sensitized on the necessity of paying rates, levies and other taxes to LCC. Not all the people interviewed appeared to understand that the council is their baby and thus required to support it, if it was to, in turn, perform its functions to their expectations.

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Appendices

Appendix A: 2010 Questionnaire – Council Appointed Officials

Dear Respondent,

I am Ntazana Mutungwa, a postgraduate student at the University of Zambia. I am carrying out a study to enable me partially fulfill the requirements of the Degree of Master of Public Administration (MPA).

You have been selected, and I would be most grateful if you spared a few minutes, to answer a few questions. This is a study on *Fiscal Decentralisation and Service Delivery: A Case of Lusaka City Council (LCC)*. All the information you will offer will be handled confidentially. It will be exclusively for the use of the MPA Dissertation. I encourage you to be as frank as possible in answering the questions.

Instructions:

Circle the number against the appropriate response or fill in the blank space.

Part One: Personal Data

1. Gender

(a). Male (b). Female

2. Age: _____ years

3. Highest level of education attained

(a). Lower Primary School (d). Senior Secondary School (g). None

(b). Upper Primary School (e). College

(c). Junior Secondary School (f). University

4. Department/Post (LCC)

Part Two: Service Delivery

5. What services does Lusaka City Council (LCC) provide to Lusaka residents?

6. Are there areas within the city's jurisdiction where LCC does not provide services?

7. What challenges do you face in delivering services?

Part Three: Revenue Collection

8. What are your sources of revenue?
9. What modes of revenue collection do you use?
10. How would you describe the people of Lusaka in terms of their willingness to pay rates, levies and other taxes to LCC?
11. How much money do you receive per month from all the sources?
12. Do you always issue a receipt after payment has been made?
13. What difficulties do you face in revenue collection?
14. What measures are you putting in place to expand your revenue base?

Part Four: Financial Administration

15. Which council institutions are in charge of financial administration?
16. Which stages does the council financial cycle comprise (from collection to expenditure)?
17. What criterion do you use to allocate financial resources to various developmental projects in the city?
18. What mechanisms does the council have to ensure transparency and accountability in the administration of council finances?
19. In your opinion, how effective are these mechanisms?
20. How regularly are the council books of accounts audited?
21. Does the council have a qualified internal audit team?
22. What do you think should be done to enhance fiscal decentralization in LCC?

Part Five: Expenditure Responsibilities

23. Apart from service delivery, what activities do you carry out which require council expenditure?
24. What are the top-five expenditure responsibilities which take up a huge amount of the council budget?
25. How independent are you of central government control with regard to council expenditure?
26. What challenges do you face in executing the expenditure?

Appendix B: 2010 Questionnaire - Local Councilors

Dear Respondent,

I am Ntazana Mutungwa, a postgraduate student at the University of Zambia. I am carrying out a study to enable me partially fulfill the requirements of the Degree of Master of Public Administration (MPA).

You have been selected, and I would be most grateful if you spared a few minutes, to answer a few questions. This is a study on *Fiscal Decentralisation and Service Delivery: A Case of Lusaka City Council (LCC)*. All the information you will offer will be handled confidentially. It will be exclusively for the use of the MPA Dissertation. I encourage you to be as frank as possible in answering the questions.

Instructions:

Circle the number against the appropriate response or fill in the blank space.

Part One: Personal Data

1. Gender

(a). Male (b). Female

2. Age: _____ years

3. Highest level of education attained

(a). Lower Primary School (d). Senior Secondary School (g). None

(b). Upper Primary School (e). College

(c). Junior Secondary School (f). University

4. What is the name of your ward?

5. To which political party do you belong?

Part Two: Service Delivery

6. Which services does Lusaka City Council (LCC) provide in your ward?

7. How satisfied are you with the services delivered in your ward by LCC?

(a). Very satisfied (c). Very unsatisfied (e). Not sure

(b). Satisfied (d). Unsatisfied

8. What are the top-five major challenges the council faces in delivering services in your ward?

9. In which ways would you want the council to improve in its service provision?

Part Three: Financial Administration and Autonomy

10. Do you think LCC spends its finances in an appropriate way?

(a). Yes (Skip to Question 12) (b). No

11. Why do you say so & how should the council improve in executing expenditure?

12. What can you say about transparency and accountability with regard to council expenditure?

13. To what extent is LCC controlled by the central government with regard to income generation and financial management?

14. How would you assess efforts by the Government of the Republic of Zambia in fostering decentralization in general and fiscal decentralization in particular?

(a). Very Good (c). Very poor (e). Not sure

(b). Good (d). Poor

15. What do you think should be done to enhance fiscal decentralization in LCC?

Part Four: Financial Capacity and Business

16. How would you describe the financial capacity of LCC to deliver services to the local people?

17. Which business ventures does LCC run?

18. How profitable are these ventures?

Appendix C: 2010 Questionnaire – Central Government Officials (MLGH and Decentralisation Secretariat)

Dear Respondent,

I am Ntazana Mutungwa, a postgraduate student at the University of Zambia. I am carrying out a study to enable me partially fulfill the requirements of the Degree of Master of Public Administration (MPA).

You have been selected, and I would be most grateful if you spared a few minutes, to answer a few questions. This is a study on *Fiscal Decentralisation and Service Delivery: A Case of Lusaka City Council (LCC)*. All the information you will offer will be handled confidentially. It will be exclusively for the use of the MPA Dissertation. I encourage you to be as frank as possible in answering the questions.

Instructions:

Circle the number against the appropriate response or fill in the blank space.

Part One: Personal Data

1. Gender

(a). Male (b). Female

2. Age: _____ years

3. Highest level of education attained

(a). Lower Primary School (d). Senior Secondary School (g). None

(b). Upper Primary School (e). College

(c). Junior Secondary School (f). University

4. Department/Post (Central Government)

Part Two: Service Delivery

5. How satisfied are you with the services delivered to Lusaka residents by LCC?

(a). Very satisfied (c). Very Unsatisfied (e). Not sure

(b). Satisfied (d). Unsatisfied

6. What challenges do you think the council faces in delivering services?

7. In which ways would you want the council to improve in its service provision?

Part Three: Revenue Collection

8. In your quest to enhance decentralization, which sources of revenue have you left in the hands of LCC?

9. How is the sharing of revenue sources between central government and local councils (specifically LCC) determined?

10. Do you think LCC taxes are affordable to the local people?

(a). Yes (b). No

11. What do you think LCC should do to expand its revenue base?

Part Four: Council Expenditure

12. Do you think LCC spends its finances in an appropriate way?

(a). Yes (b). No

13. If *No*, why do you say so & how should the council improve in executing expenditure?

14. What can you say about transparency and accountability with regard to council expenditure?

15. Which statement is closest to your view?

(a). LCC should be largely controlled by central government regards financial administration

(b). LCC should not be controlled much by central government with regard to financial administration

16. How regularly does central government audit LCC?

17. What do you think should be done to enhance fiscal decentralization in LCC?

Part Five: Central Government Funding

18. What criterion do you use to fund LCC?

19. What procedure do you follow to effect funding to LCC?

20. How is the amount of central government funding to LCC arrived at?

21. How regular is central government funding to LCC?

22. Do you determine the use of the funds or the council makes its own decisions?

23. What is the existing legal framework (legislation) governing central government funding to LCC?

24. Are there central government institutions concerned with the funding of LCC other than the Ministry of Local Government and Housing?
25. How would you describe the efficiency and effectiveness of these institutions with regard to funding LCC?
26. In your opinion, how adequate is the funding given to LCC?
27. What challenges do you face in funding LCC?

Appendix D: 2010 Questionnaire – Local People

Dear Respondent,

I am Ntazana Mutungwa, a postgraduate student at the University of Zambia. I am carrying out a study to enable me partially fulfill the requirements of the Degree of Master of Public Administration (MPA).

You have been selected, and I would be most grateful if you spared a few minutes, to answer a few questions. This is a study on *Fiscal Decentralisation and Service Delivery: A Case of Lusaka City Council (LCC)*. All the information you will offer will be handled confidentially. It will be exclusively for the use of the MPA Dissertation. I encourage you to be as frank as possible in answering the questions.

Instructions:

Circle the number against the appropriate response or fill in the blank space.

Part One: Personal Data

1. Gender

(a). Male (b). Female

2. Age: _____ years

3. Highest level of education attained

(a). Lower Primary School (d). Senior Secondary School (g). None

(b). Upper Primary School (e). College

(c). Junior Secondary School (f). University

4. Are you in formal or informal employment, or unemployed?

(a). Formal (b). Informal (c). Unemployed

5. How adequate is your household income?

(a). Very adequate (c). Very inadequate

(b). Adequate (d). Inadequate

5. Other: Specify _____

6. In which ward is your household situated?

(a). _____ (b). Don't know

7. To which political party do you belong?

Part Two: Service Delivery

8. Which services does Lusaka City Council (LCC) provide in your area?
9. How beneficial are these services to you as a resident of this area?
10. How satisfied are you with the services delivered in your area by LCC?
(a). Very satisfied (c). Very Unsatisfied (e). Other
(b). Satisfied (d). Unsatisfied
11. What challenges do you think the council faces in delivering services in your area?
12. In which ways would you want the council to improve in its service provision?

Part Three: Revenue Collection

13. Do you pay levies, rates, rents or other charges to LCC?
(a). Yes (b). No

If No, skip to question 19

14. Specify the levy or levies and indicate mode(s) of payment
15. How much do you pay per month and how regularly do you make such payment(s)?
16. How often do you receive a receipt after making a payment?
(a). Always (b). Very Often (d). Very rarely (d). Never
(c). Often (e). Rarely
17. Do you think LCC levies are affordable?
(a).Yes (b). No
18. What difficulties do you face in paying?
19. Explain why you do not pay levies, rates, rents, or other charges to LCC
20. What do you think LCC should do to expand its revenue base?

Part Four: Council Expenditure

21. Do you think LCC spends its finances in an appropriate way?
(a). Yes (Skip to question 23) (b). No
22. Why do you say so & how should the council improve in executing expenditure?
23. Do you participate in the council's budgetary process?

(a). Yes (b). No (Skip to Question 26)

24. In what ways do you participate in the council's budgetary process?

25. What can you say about transparency and accountability with regard to council expenditure?

26. Which statement is closest to your view?

(a). LCC should be largely controlled by central government regards financial administration

(b). LCC should not be controlled much by central government with regard to financial administration

27. How would you assess efforts by the Government of the Republic of Zambia in fostering decentralization in general and fiscal decentralization in particular?

(a). Very Good (c). Very poor (e). Not sure

(b). Good (d). Poor

28. What do you think should be done to enhance fiscal decentralization in LCC?

Appendix E: Functions of a Council (Section 61 of the 1991 Local Government Act)

1. *To establish and maintain offices and buildings for the purpose of transacting the business of the council and for public meetings and assemblies.*
2. *To insure against losses, damages, risks and liabilities which the council may incur.*
3. *To maintain law and order and ensure national security and the good administration of the Council.*
4. *To prohibit and control the erection and display of advertisements and advertising devices in, or in view of, streets and other public places.*
5. *To establish and maintain farms and allotment gardens.*
6. *To take and require the taking of measures for-*
 - (a) *storage, market and preservation of agricultural produce;*
 - (b) *conservation of natural resources*
 - (c) *prevention of soil erosion, including the prohibition and control of cultivation.*
7. *To take and require the taking of measures for control of grass weeds and wild vegetation and for the suppression and control of plant and insect pests and diseases.*
8. *To maintain, protect and control local forests and woodlands.*
9. *To control the keeping and movement of livestock.*
10. *To establish and maintain ponds.*
11. *To establish and maintain grazing grounds.*
12. *To take measures for the destruction and control of bees and of dangerous animals and reptiles.*
13. *To control the slaughtering of animals, the meat of which is intended for human consumption; to control the sale of such meat; and to require the disposal of diseased animals and carcasses and of meat which is unfit*
14. *To establish and maintain abattoirs, cold storage facilities and plans for the processing of by-products from abattoirs.*
15. *To control the movement of carcasses of animals.*
16. *(a) to establish and maintain roads;*
 - (b) *to exercise general control, care and maintenance of all public roads, streets, avenues, lanes, sanitary lanes and foot-walks forming part thereof, bridges, squares, ferries and water courses and to remove all obstacles there from;*
 - (c) *to close or divert any public road, street or thoroughfare;*
 - (d) *to close or divert ferries and water courses;*
 - (e) *to declare a street or road to be a public street or road;*
 - (f) *to compile and maintain a register of all public streets or roads;*
 - (g) *to make up to tar macadamised standard any private street and to charge the statutory leaseholders or occupiers of the land abutting on such streets in proportion to frontage and to recover the costs the costs as a civil debt; and*

17. *To prohibit and control the erection and laying in, under or over, and the removal from, streets and other public places of-*
 - (a) *posts, wires, pipes, conduits, cables and other apparatus;*
 - (b) *temporary platforms, seats and other structures;*
 - (c) *street decorations;*
18. *To control traffic and the parking of vehicles and, for that purpose to establish and maintain parking meters and premises for the parking of vehicles.*
19. *To take measures for the promotion of road safety.*
20. *To prepare and administer schemes for the encouragement of and participation in, community development.*
21. *To establish and maintain a system of lighting in streets and other public places.*
22. *To establish and maintain fire fighting and prevention services, and to take and require the taking of measures for the protection of life, property and natural resources from damage by fire.*
23. *To control persons and premises engaged in or used for the manufacture, preparation, storage, handling, sale or distribution of items of food or drink.*
24. *To brew beer.*
25. *To establish and maintain premises for the sale of and to sell there from, items of food and drink (including beer and other intoxication liquor) for consumption on or off the premises.*
26. *To establish and maintain catering services.*
27. *To erect, purchase and maintain buildings used as dwellings or clubs and, where it is in the public interest, for use for business or professional purposes.*
28. *To erect, purchase and maintain buildings and facilities and encourage the erection of dwellings needed for the accommodation of persons residing in the area of the council.*
29. *To prohibit and control the development and use of land and buildings and the erection of buildings, in the interest of public health, public safety, and the proper and orderly development of the area of the council.*
30. *To control and demolition and removal of building(s) and to require the altering demolition and removal of buildings which -*
 - (a) *do not conform to plans and specifications in respect thereof approved by the council; and or*
 - (b) *are a danger to public health or public safety.*
31. (1) *To require the statutory leaseholder or occupier of land to do all or any of the following acts -*
 - (a) *to remove, lower or trim to the satisfaction of the council any tree shrub or hedge over-hanging or interfering with traffic in any street or with any wires, or with any works of the council*
 - (b) *to remove any dilapidated fence or structure*
 - (c) *to paint, distemper, whitewash or colourwash the outside walls or roof of any building forming part of the premises*

- (d) *to tidy the premises.*
- (e) *to remove from the premises any unsightly debris, including derelict vehicles.*
- (2) *To provide space (on) which debris and derelict vehicles may be deposited.*
- (3) *To prohibit, control and require the fencing of land to control the use of barbed wire and other dangerous materials for fencing.*
- (4) *In the event of the statutory leaseholder or occupier failing to comply with a notice from the council requiring him to perform any of the acts specified in sub-paragraph (1), to undertake the work and charge the statutory leaseholder or occupier with the cost thereof.*
- 32. *To assign names to localities and numbers to premises and to require the number assigned to any premises to be displayed thereon*
- 33. *To establish and maintain parks, zoos, gardens, pleasure grounds, camping grounds, caravan sites and open spaces.*
- 34. *To plant, trim and remove trees, shrubs and plants and other public places, and to prohibit and control the planting, camping, destruction and removal of trees, shrubs, and plants in streets and other public places.*
- 35. *To establish and maintain swimming baths and bathing places.*
- 36. *To establish and maintain art galleries, libraries, museum(s) and film services.*
- 37. *To establish and maintain social and recreational facilities and public entertainments.*
- 38. *To establish and maintain a public transport service.*
- 39. *To establish and maintain colleges, schools and day nurseries.*
- 40. (a) *To establish and maintain hospitals, clinics and health centres;*
(b) *To establish and maintain environmental health services.*
- 41. *To establish and maintain cemeteries, crematoria, and mortuaries and otherwise to provide for and control the burial of the dead, and destitute persons who die in the area of the council.*
- 42. *To control the manufacture, storage, sales and use of petroleum, fireworks, gas and other combustible or dangerous substances; and to establish and maintain magazines and other facilities for the storage thereof.*
- 43. *To take and require the taking of measures for the preservation and improvement of public health and the prevention and abatement of nuisances including measures for the extermination of mosquitoes and other insects, rats, mice and other vermin.*
- 44. *To control persons, premises and land engaged in or used for the holding of any fair, circus, fete or other entertainment, recreation or assembly to which the public are entitled or permitted to have access, whether on payment or otherwise.*
- 45. *To prohibit or control the collection of money from door to door and in streets and other public places.*

46. *To preserve public decency.*
47. *To prevent damage and trespass to property, whether public or private.*
48. *To establish and maintain public information services; and to advertise and give publicity to the advantages and amenities of the areas of the council.*
49. *To provide for and maintain –*
 - (a) *the enumeration and registration of persons or property for any purpose connected with the administration of the area of the council;*
 - (b) *the registration of births, marriages and deaths;*
 - (c) *the registration of clubs; and*
 - (d) *the registration of such transactions in connection with land charges as may be prescribed in any written law relating to land charges.*
50. *To establish and maintain sanitary convenience and ablution facilities, and to require, whenever necessary, the establishment and maintenance of such facilities.*
51. *To establish and maintain sanitary services for the removal and destruction of, or otherwise dealing with, all kinds of refuse and effluent, and compel the use of such services.*
52. *To establish and maintain drains, sewers and works for the disposal of sewerage and refuse.*
53. *To take and require the taking of measures for the drainage of water.*
54. *To require and control the provision of drains and sewers and to compel the connection of any drains and sewers established by the council.*
55. *To prohibit and control the carrying on of offensive, unhealthy or dangerous trade.*
56. *To establish and maintain weighing machines.*
57. *To sell products and by-products resulting from the carrying on of any of the undertakings or services of the council.*
58. *To establish and maintain the business of –*
 - (a) *manufacture;*
 - (b) *wholesale;*
 - (c) *retailer.*
59. *To undertake mining operations.*
60. *To provide and maintain supplies of water and, for that purpose, to establish and maintain waterworks and water mains.*
61. *To take and require the taking of measures for the conservation and the prevention of the pollution of supplies of water.*
62. *With the consent of the Director-General of [the] Posts and Telecommunications Corporation, and subject to such conditions as he may impose, to establish and maintain postal services.*
63. *To establish and maintain twin-town contacts.*

Appendix F: 2010 Photos from Lusaka City



PHOTO 1: Linda residents drawing water from a shallow well. LCC has not supplied piped water to their area. Boreholes are far away from their vicinity.



PHOTO 2: A shallow well few meters from a pit latrine in Linda compound



PHOTO 3: Old woman, pregnant woman and a child of Linda compound forced to walk long distances to find a shallow well in order to draw water



PHOTO 4: LCC delaying to collect garbage, yet the Chigwilizano Market Advisory Committee of Linda Market has already paid for the collection



PHOTO 5: Local Residents dumping garbage inside drainage in Kalingalinga Ward



PHOTO 6: LCC at work! Removing soil from drainage along Kudu Road in Kabulonga Ward



PHOTO 7: Deteriorating road in Kabwata Ward (forming junction with Burma Road at Lutheran Church)



PHOTO 8: LCC at work! Construction of a Vegetable Shelter at Linda Market

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