UGANDA MANAGEMENT INSTITUTE

FISCAL DECENTRALISATION AND LOCAL REVENUE GENERATION SYSTEM IN BUSHENYI DISTRICT LOCAL GOVERNMENT

BY

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DECLARATION

I, David Betiina Bukomooko, do hereby declare that this dissertation is my own original work and has not been produced by any previous researcher for any award and no other person is allowed to re- produce it without permission.

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APPROVAL

This dissertation has been submitted after it has been approved by us as supervisors.

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DEDICATION

To my parents, Phoeb Betiina and late James Betiina who gave me all the educational background that is shaping my future. My wife and children should also be respected for enduring the loneliness and boredom during the period I was undertaking the study.

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ABBREVIATIONS

BDLC	Bushenyi District Local Government.
FDS	Fiscal Decentralization Strategy
CSO	Civil Society Organisation
LG	Local Government
LGS	Local Government Systems
LGFC	Local Government Finance Commission
MFPED	Ministry of Finance Planning and Economic Development
MOLG	Ministry of Local Government
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
ICOBI	Integrated Community Based Initiatives
FD	Fiscal Decentralization
SNGs	Sub National Governments
LGDP	Local Government Development Programme
GOU	Government of Uganda
UMI	Uganda Management Institute
CAO	Chief Administrative Officer

ABSTRACT

The study investigated the relationship between fiscal decentralization and local revenue generation system in Bushenyi District Local Government. The objective of the study was to examine the effect of fiscal decentralization on the local revenue generation system in Bushenyi district local government. The study took a case study design where both qualitative and quantitative methods of data collection and analysis were used. Data was collected using questionnaire and interview guide. Both descriptive and inferential statistical techniques of analysis were used. The study revealed that there is some good enabling environment favourable for revenue generation. But even when this was so, revenue generation in the district was found to be still very low. The study revealed that intergovernmental transfer system contributes the biggest portion of the local revenue generation. The study confirmed that intergovernmental transfers are regarded as the main source of revenue generation in the district. This has enabled local governments to remain financially dependent on the central government. This has not created good environment for fiscal decentralization to operate efficiently in generating of local revenues to finance their budgets. The study concluded that intergovernmental transfer system in form of conditional, unconditional and equalization grants contribute the biggest portion of the local revenue generation to district local governments. The study recommends that intergovernmental transfers that form the main revenue source to the district local governments should be reduced. This can be done by building local capacity that will be enough to generate the main source of revenues to the districts. Central government should also decentralize all the revenue sources to the district. This will enhance the fiscal decentralization to the districts and promote financial autonomy from the central government. This will enable the district local governments to be independent of the central government and be able to make their own decisions based on local situation, be able to generate enough revenues and be able to meet their own financial obligations.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study was about the relationship between fiscal decentralization and local revenue generation system in Bushenyi District local government. The study variables were fiscal decentralization which was the independent variable while local revenue generation was the dependent variable. This chapter presents the background to the study, the statement of the problem, the purpose and objectives of the study, research questions and hypotheses and conceptual framework. It also presents the significance of the study, justification of the study, scope of the study and operational definitions.

1.1 Background to the Study

1.1.1 Historical Background

The world over, decentralization is increasingly becoming one of the key development strategies in the quest to deliver goods and services efficiently and effectively to the citizenry. In the last three or so decades there has been increasing reference to the term "decentralization" as a way of managing the public sector in both the developed and developing countries. All governments in the world, no matter how centralized they are, need at the very least to transfer responsibility for the execution of their centrally decided policies to regional or locally based branches or organizations (Smoke, 2003). In many countries the role of local governments has undergone a major shift in the face of new fiscal realities characterized by new severe limitations on financial resources. This situation has led to the downloading of a large number of functions and responsibilities to the local level often an unaccompanied by the devolution of fiscal powers and financial resources.

As a result, local governments have often acquired new and unanticipated economic and social responsibilities. Financial decentralization supported by effective financial management is one of the litmus tests for genuine empowerment of the local people. The decentralization of public finances enables local areas to attract and retain skilled staff capable of implementing policies and programmes initiated by the ordinary people of their leaders (Onyach-Olaa, 2003) . Local government finance has long been a wide spread concern in most developing economies mainly because of the extremely unsatisfactory financial situation of local governments and their high level of dependency on the central and provincial or state government. Its growing importance in recent years has however been spurred by a large-scale re-appraisal at the role of local government. This is occurring amidst trends in a number of developing countries towards decentralization and the consequent re-allocation of functions and responsibilities among different levels of governments (Bahiigwa et al, 2004).

In 1986, a commission of inquiry into the local government system (the author was a member) was appointed by the central government. In 1987 the commission reported that the revenue of local authorities, under a highly centralized national system, were inadequate to perform the mandatory and non-mandatory functions assigned to those authorities. Given the fact that the central government itself did not have adequate funds to meet its financial obligations, it is hardly surprising the local authorities were financially deprived because even most of the meager resources available were spent at the centre rather than in the districts. Furthermore, grants from the central government were not predictable, transparent and predetermined. Local revenue generation was not assured. Worse still there was wide spread tax evasion and there was no proper involvement of the district council in the budgeting process. In other words, local authorities neither received the requisite financing for their functions nor were they authorities to raise the necessary revenue through taxation.

As already noted, the most important services which were transferred to the districts in 1993 were primary education, primary health care, feeder roads and agricultural extension. Those local authorities, which were given additional responsibilities for services such as hospitals and secondary schools, were given additional funding. Only the recurrent budget has been decentralized while the development one, which is funded mostly from external sources, remains with the central government. The share of central government in total local public expenditure in Uganda is high. Of total local government expenditure, 76% was undertaken directly by the centre in 1992/93, while 24% of all public expenditure was spent at the district level (only 5% of the national revenue was financed by locally raised revenue (Enemu, 2000).

Uganda has adopted an elaborate system of decentralization with all aspects enshrined in the legal framework. The responsibilities (services and functions) for which each level of government is responsible for as well as the sources of financing are well provided for in the legal framework (the Constitution and the Local Government Act). The local government finance commission (created under article 194 of the constitution) is mandated to play a crucial advisory role in this respect. The commission is mandated to provide advice to the president (Government) on all matters concerned with transfers (grants) from the consolidated fund to local governments as well as provide advice to both the president and local governments on local revenues for local governments.

The biggest challenge in economic terms is the transition from conditional to unconditional grants and the full-blown decentralization of the development budget. A de facto decentralization can only take place when this is properly in gear. However, by piloting the District Developing Project and by planning to up-scale it to cover the entire country, the government has shown a will to decentralize the development budget. Care is taken and the districts have to meet a number of criteria to receive the block grants. This is however, most understandable given the culture of mismanagement. The second persistent financing system is that the central government has tended to monopolize the sources of revenue like sales tax while leaving the non-elastic sources like market dues to local authorities. However, Andersen cautions that local taxation can have adverse distributional effects (Martinez et al, 2003). And thus local authorities in developing areas are not likely to finance their projected services by local taxation alone. Though the centre monopolises the sources of revenue, the collected revenue between the centre and local authorities should be shared equitably. The sources of revenue for local authorities were constitutionalised.

Article 191(2) of the Uganda constitution says that the fees and taxes to be levied, charged, collected and appropriated shall consist of rents, rates, royalties, stamp duties, personal graduated tax, fees on registration and licensing and any other fees and taxes that parliament may prescribe. Apart from taxes, most of these sources are not buoyant like VAT. Worse still, local authorities are poor at collecting these taxes inter alia because they lack proper tax records. Corruption also interferes with the collection of taxes. The fifth schedule of the 1997 Local Governments Act sets out the local government revenue regulations and sources. The sources are not substantially different from those listed in the constitution (MoLG, 2006).

The low revenue base is a major hindrance to increased local revenue, and it is not easy to see how it may be improved. It is an inherent danger that as long as local communities do not see any market improvement of service delivery, they will be reluctant to part with some of the little they have to tax, and the local revenue base will remain chronically weak. The inability to enhance resource mobilization is also rooted in lack of innovation. Surely, attracting businesses and production and a general revival of the private sector would enhance the local revenue base. Also, better availability to a market for food and cash crops as well as processing of fruits and vegetables would also add to the revenue base.

1.1.2 Theoretical Background

Mainstream economists have traditionally defined a suitable role for local governments in the industrialized countries using the basic theory of fiscal decentralization known as fiscal federalism. Drawing on the standard Musgrave model of public sector responsibility for stabilization, distribution and allocation (Musgrave, 1959) cited by Smoke (2001), the decentralization theory provides direction for sharing the following functions among different levels of government.

Primary responsibility for the stabilization function has conventionally been assigned to the central government, partly because of the obvious problems that would result if sub national jurisdictions had independent control over their own money supplies. In addition, local economies were considered highly open, so that the effects of local fiscal policy would be dissipated into other areas. Finally, deficit finance policies at the local level have not been considered desirable because of concern that repayment would involve substantial real income transfers to creditors, external to debtor jurisdictions. On the revenue side, the types of revenues considered most appropriate for local governments tend to be income inelastic, constraining the ability of local governments to pursue appropriate fiscal policy.

The fiscal federalism theory also places principal responsibility for distribution with the central government. First, only the central government is in a position to redistribute resources from wealthier to poorer jurisdictions. Second, differential local redistribution programmes would be expected to create problems if factors of production were mobile. Wealthy residents and businesses might move out of a jurisdiction practicing redistribution, while poor individuals eligible for benefits would try to move in, thereby undermining the redistributive base. Third, local governments tend to have access to revenue sources that are not easily levied in a way that is progressive with respect to income.

The prescribed role of decentralized levels of government in the allocation function is substantial because demand for many public services is not likely to be uniform across space. Welfare gains would thus be enhanced through decentralization because residents in different jurisdictions could choose the mix of public goods and taxes that best conforms to their preferences.

In the absence of a market and competitive pricing for public services, community demand would be articulated through the collective decision-making process that is, voting. In this framework, decentralization is desirable not only because of preference differentiation, but also because expenditure decisions are tied more closely to real resource costs in smaller jurisdictions. In addition, when there are a large number of decentralized governments, there is likely to be greater experimentation and innovation in the provision of local public goods, potentially leading to improvements in overall resource productivity.

Extensions of the logic of preference variation suggest that in a system where there are opportunities for mobility, people will move to an area where a local government provides their preferred mix of public services. This produces a market-like solution to the local service provision problem. Equilibrium occurs when people distribute themselves across differentiated communities in such a way that there is no incentive for anyone to move; everyone is satisfied with the services being provided in the jurisdiction in which they reside. The above three concepts imply the regulatory framework within which the relationship between central and sub national governments is enhanced in the endeavuour to implement fiscal decentralization. Stabilization is the process by which the central government takes it upon itself to balance the fiscal transfers to ensure equity in financial resources among the local governments. Distribution concept on the other hand refers to the ability of central government to ensure that resources are transferred from wealthier areas to poorer areas to avoid unequal resources distribution. The concept of allocation which is done entirely by local governments refers to the ability of the local governments to identify areas and their specific financial needs and later allocating necessary resources for addressing the needs. This theory is relevant to the study in that it will guide the researcher in operationalising these theoretical concepts to establish their applicability in the fiscal decentralization era in Bushenyi district

1.1.3 Conceptual Background

Fiscal decentralization refers to the systematic arrangements put in place that avail instruments which local governments can use to access/source financial resources to meet responsibilities and functions that are decentralized to them. The way fiscal decentralization regime is structured will determine the discretionary power of the local governments and therefore their autonomy and ability to determine their priorities. This is very important; for decentralization is based on the principal of “subsidiarity” which simply means that public services should be provided by the jurisdiction having control over the minimum geographical area that is capable of internalizing both the benefits and costs of providing such service. This is intended to achieve both efficiency and effectiveness in service provision (Smoke, 2001).

The concept of fiscal decentralization implies the transfer of national responsibility for generating revenue and allocating expenditure to local governments. In essence, fiscal decentralization presumes that if more revenue is transferred or generated, local governments can deliver services efficiently and effectively to the right beneficiaries according to their local priorities and needs (Olowu, 2004).

Fiscal decentralization consists of the devolution of decision-making powers to sub-national governments that will allow them to mobilize sufficient resources in order to implement the functions and responsibilities that have been delegated to them in the context of a decentralization program. A well-designed fiscal decentralization policy empowers local communities to participate in identifying, planning and implementing development projects, thus giving them a sense of ownership. The goal of a fiscal decentralization policy is not only to pursue efficiency in the provision of services at the local level, however. Fiscal decentralization also promotes sustainable development, economic growth and the reduction of poverty.

The key elements that should be included in a good fiscal decentralization programme include; an adequate enabling environment; assignment of an appropriate set of functions to local governments; assignment of an appropriate set of local own-source revenues to local governments; the establishment of an adequate intergovernmental fiscal transfer system; and the establishment of adequate access of local governments to development capital. An enabling environment for fiscal decentralization can begin with constitutional or legal mandates for some minimum level of autonomy, rights and responsibilities for local governments. The principles for assignment of services to local governments as developed in the fiscal federalism literature summarized above are fairly clear, and there is no need to elaborate on them further here. Many countries do in fact follow these principles in a broad way (Kauzya, 2007). Kauzya further observed that fiscal federalism principles for assignment of revenues to local governments, like the service assignment principles discussed above, are well defined and generally appropriate. Many developing countries basically follow these principles, with a few prominent exceptions, such as the infamous South Asian.

Because local own-source revenues generally do not cover local government expenditure responsibilities, virtually all governments have intergovernmental transfer programmes. Local governments in many developing countries get most of their capital budgets from intergovernmental transfers, but some decentralized governments, typically states, provinces and large cities, are able to borrow.

Local revenue generation refers to the means used to mobilize local revenues that effectively use the scarce resources – people, power and money in a manner that reduces the cost of compliance while maximizing the revenues collected (Local Government Finance Commission, 2003). According to this study, revenue generation refers to measures and strategies that make it conducive for local governments to mobilize financial resources for funding their budgets. Under decentralization, LGs were given powers and authority to plan for themselves, to mobilize and manage the resources required to finance local projects and to encourage ownership of those projects. The Local government Act was amended to provide the necessary legal and policy framework enabling LGs to mobilize revenue for financing LGs’ functions and projects.

1.1.4 Contextual Background

Uganda’s decentralization system empowers local governments to access revenue for effective finance of developed responsibilities. The local governments execute their functions using resources transferred from the centre, mobilized locally, and directly received from donors. Resource transfer from the centre to local governments takes the form of conditional, unconditional or equalization grant. Conditional grant (about 80% of transfers from the centre) largely comprises the Poverty Action Fund (PAF), which is to be spent on central determined priorities. Channeling local development grant through the PAF and the protection of the PAF from any emergency budget cuts has enabled resources to reach local levels without much central bureaucratic huddles (MoLG, 2006).

To fulfill its obligation to finance up to 10% of its budget, local governments exercise their powers to raise revenue locally from the cities, municipalities, town councils and rural areas. In rural areas local government revenue is collected by sub-county officials, who retain 65% of the revenue and remit the rest to their local government headquarters. Regarding donor funds, local governments are limited from contracting excessive donor support by operating within sectoral ceiling in the medium-term expenditure framework.

Decentralization also requires taxing power at the local level to link benefits (services) and costs (taxes). Citizens who pay taxes directly to the local government are more likely to hold local politicians and bureaucrats accountable. Weak or non existent local taxing power thus weakens the voice chain from the client/citizen size, and cuts incentives to strength the compact relationship. Dependence on national grants, mean while weakens local revenue-generation efforts and can lead to fiscal mismanagement.

In Bushenyi district, the state of fiscal decentralization remains wanting since the available results indicate that the realized local revenues compared to the budgeted estimates are still low as shown in the table below:-

Table 1: Local revenues collected compared to budget estimates.

Year	**Budgeted**	**Collected**
2004/2005	1,362,321,476	940,440,511
2005/2006	1,428,593,690	799,124,433
2006/2007	609,662,070	288,786,876
2007/2008	504,838,883	317,110,903
2008/2009	753,314,490	454,471,023
Total	**4,658,730,609**	**2,799,937,746**

Source: Bushenyi District Finance and Planning Department 2008

Compared to the central government transfers which have been growing steadily, the situation is alarming. In relation to this, Odoch (2004) states that fiscal transfers to local governments have grown significantly from shillings 31.6 billion in 1993/1994 to shillings 669.9 billion in 2006/2007.

The above trend in local revenue collection imply that Bushenyi district still depends heavily on central government funds to fulfill her budgets. If the situation is not revised, there is a likelihood of local revenue collection dropping further, leaving most of the development programmes unattended to. One wondered whether the decentralization of revenue collection has had any significant impact on the amount of local revenue collected annually. The study was thus aimed at establishing the relationship between fiscal decentralization and local revenue generation in the district.

1.2 Statement of the Problem

Fiscal decentralization that has been emphasized by the central government has specifically addressed the reform of the system of expenditure functions and revenue source transfers from the centre to sub-national governments. This was intended to create an enabling environment, assigning functions to sub national governments, assignment of appropriate revenues to sub national governments, developing appropriate intergovernmental transfer system and developing adequate local access to investment, all these aiming at increasing local revenue generation in order for the district local governments meet their budgets.

Bushenyi district has been vigilant in revenue collection in order to raise funds and finance her budgets and other development programmes. Over the years, this has not been possible as the district has largely continued to depend on Central Government Funds. Available records indicate that the collected revenue versus budgeted revenue in Bushenyi District has been persistently lowering. For the last 5 years, that is 2004/2005, 2005/2006, 2006/2007, 2007/2008 and 2008/2009, the collected revenue was 940,440,511, 799,124,433, 288,786,876, 317,110,903 and 454,471,023 compared to the budgeted amounts of 1,362,321,476, 1,428,593,690, 609,662,070,504,838,883 and 753,314,490 respectively. Yet Bushenyi District seems to have a potential with the mandate of fiscal decentralization of generating the needed funds particularly due to expanding economic activities. Therefore this study aimed at investigating the extent to which fiscal decentralization influences the revenue generation system in Bushenyi district local government.

1.3 General Objective

The general objective of the study was to examine the relationship between fiscal decentralization and local revenue generation system in Bushenyi district local government.

1.4. Specific Objectives

1. To examine how an enabling environment contributes to local revenue generation in Bushenyi district local government
2. To examine the extent to which assignment of appropriate functions to sub national governments contributes to local revenue generation in Bushenyi district local government
3. To determine the effect of assigning appropriate revenues to sub national governments on local revenue generation in Bushenyi district local government
4. To establish how appropriate intergovernmental transfer systems contribute to local revenue generation in Bushenyi district local government.
5. To analyse how adequate local access to investment capital contributes to local revenue generation in Bushenyi district local government.

1.5 Research questions

1. How does an enabling environment contribute to local revenue generation in Bushenyi district local government?
2. To what extent does assignment of appropriate functions to sub national governments contribute to local revenue generation in Bushenyi district local government?
3. How does assigning appropriate revenues to sub national governments contribute to local revenue generation in Bushenyi district local government?
4. How does appropriate intergovernmental transfer system contribute to local revenue generation in Bushenyi district local government?
5. How does adequate local access to investment capital contribute to local revenue generation in Bushenyi district local government?

1.6 Research Hypotheses

1. An enabling environment does not significantly contribute to local revenue generation in local governments.

2. Assignment of appropriate functions to sub national governments contributes to local revenue generation in local governments.

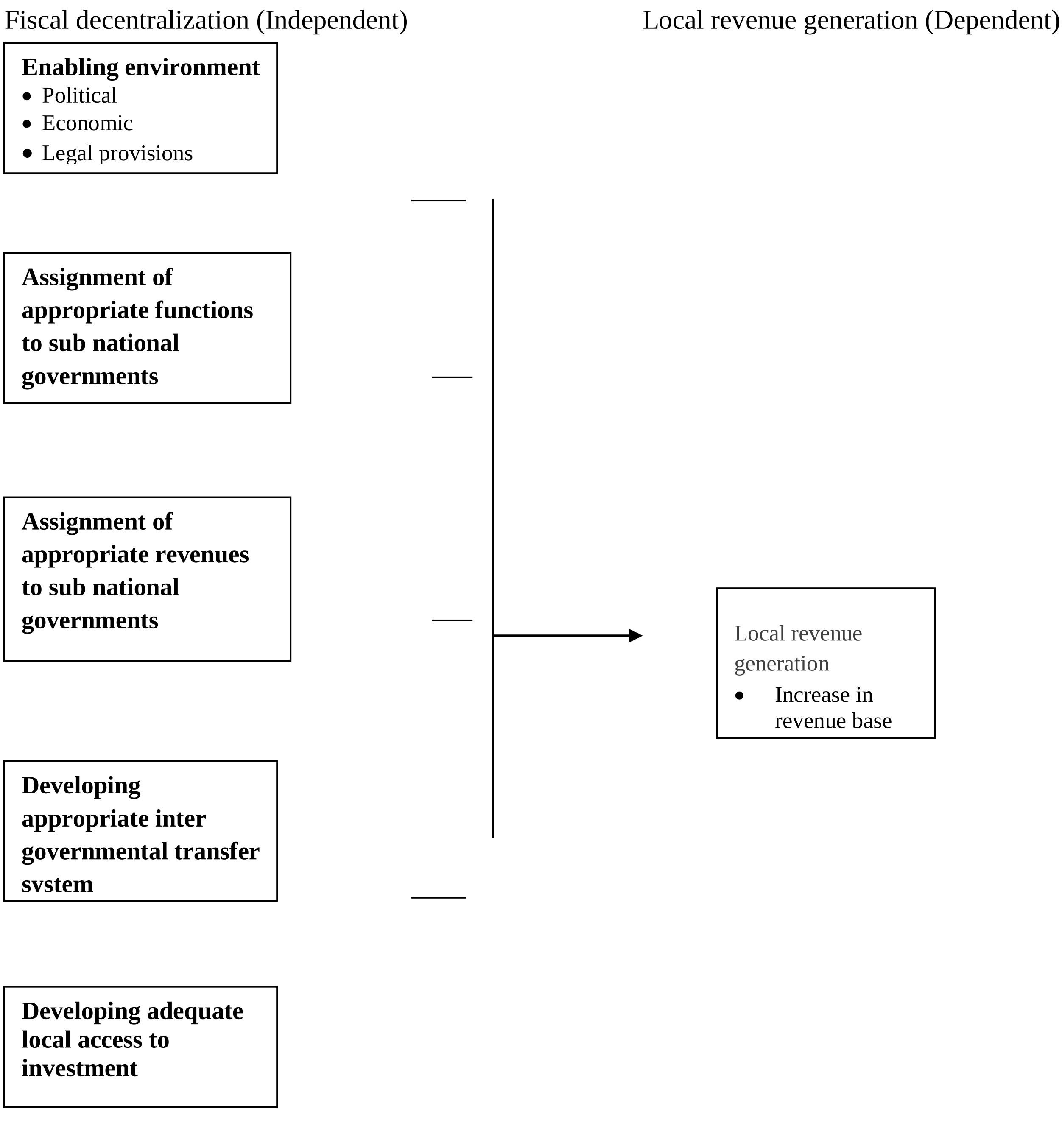
3. Assigning appropriate revenues to sub national governments does not significantly contribute to local revenue generation in local governments.

4. Appropriate intergovernmental transfer system does not significantly contribute to local revenue generation in local governments.

5. Adequate local access to investment capital does not significantly contribute to local revenue generation in local governments.

1.7 Conceptual Framework

Figure 1: Conceptual Framework on fiscal decentralization and local revenue generation



Source: Smoke, 1998. (Adopted and modified by the researcher)

Figure 1, shows the concepts related to the two-study variables namely fiscal decentralization and local revenue generation. The figure depicts how the two variables affect one another. Fiscal decentralization is the independent variable while local revenue generation is the dependent variable.

Fiscal decentralization is reflected in the five dimensions namely enabling environment, assignment of appropriate functions to sub national governments, assignment of appropriate revenues to sub national governments, developing appropriate inter governmental transfer system, and developing adequate local access to investment. Under normal circumstances it is assumed that if these dimensions are put in place and well implemented, local revenue generation can be improved in the district. Therefore the study was out to establish how these dimensions work in Bushenyi district and how they eventually impact on the local revenue generation.

1.8 Significance of the Study

The study findings may be used or may be a referral document for the accountants at all local government levels to know how far they have gone in managing local government finances and the challenges they are faced with. This would in turn enable them to improve on their performance as vital financial stakeholders.

The findings from the study are likely to empower local government officials to evaluate some of the policies governing financial management and see whether they are generating the intended results. This would give them a base on which to modify these policies to suit the demands of the people hence improving service delivery.

The study findings are likely to provide future researchers with relevant literature about the financial related issues under decentralization. It is likely to add on the existing body of knowledge as far as financial management and service delivery under local government are concerned.

1.9 Justification of the Study

The study on the relationship between fiscal decentralization and local revenue in Bushenyi was timely given the fact that since the decentralization of fiscal policies, there has been a continuous realization of limited locally collected revenues and significant reliance on central government releases yet the intention of fiscal decentralization is to enable local governments collect enough revenues to meet their budgets.

1.10 Scope of the Study

1.10.1 Geographical Scope:

The study was carried out in Bushenyi. Bushenyi District is located in South Western Uganda. It is bordered with the districts of Rubirizi in the north, Nsiika in the North East, Sheema in the south and East, Mitooma in the West and South West. The study was conducted at Bushenyi District headquarters and other ten sub counties randomly selected.

1.10.2 Content Scope

The study was limited to examining the relationship between fiscal decentralization and local revenue generation in Bushenyi District. This included but not limited to; examining whether there is an adequate enabling environment for local revenue generation, extent to which assignment of appropriate functions to sub-national governments has affected local revenue generation, determining the effect of assigning appropriate revenues to sub national governments on local revenue generation, and to establish how appropriate intergovernmental transfer systems affect local revenue generation. These systems/areas to constitute the study, would give a clear relationship between fiscal decentralization and local revenue generation in Bushenyi District.

1.10.3 Time Scope

The study was based on a period of 5 years, which is between 2004/05 to 2008/09 Financial years. This generated detailed analysis on the effects fiscal decentralization has had on the state of local revenue generation.

1.11 Operational Definitions of terms and concepts

The study was guided by the following operational terms and concepts;

Decentralization refers to the process of empowering the local government stakeholders with knowledge and resources to effectively promote financial management for better service delivery.

Fiscal decentralization refers to the statutory arrangements put in place that avail instruments which local governments can use to access and source financial resources to meet responsibilities and functions that are decentralized to them .

Local revenue refers to all the sources of finance that are being raised and mobilized by local government to finance their budgets.

Local revenue generation refers to all processes and procedures used by local governments to generate alternative sources of funding within a given local government.

Intergovernmental transfer refers to the cash flow from the central government to local governments.

Local governments refer to administrative units of governance and service delivery. This is in line with the local government act and operates within the decentralization policy that was undertaken since 1993 as an alternative to service delivery among the grass root people- the intended beneficiaries.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature presented by different scholars about fiscal decentralization and revenue generation. The chapter is arranged into three parts namely theoretical review, conceptual review and actual literature review. The rationale of the study was to establish the relationship between fiscal decentralization and local revenue generation in Bushenyi district. The sources of literature comprised local government archives, public institutions' libraries and internet among others. The actual literature review is organized according to the stated study objectives. It is sectioned into presence of adequate enabling environment for local revenue generation in Bushenyi district local government, the extent to which assignment of appropriate functions to sub national governments has affected local revenue generation, effect of assigning appropriate revenues to sub national governments on local revenue generation and ways in which appropriate intergovernmental transfer systems affects local revenue generation.

2.1 Theoretical Review

The theory this study utilized was borrowed from the theoretical concepts that relate to what is being studied. The theory about fiscal decentralization this study adopted was advanced by Musgrave (1959, and Oates , 1977) cited by Akai and Masayo (2002). The theory asserts that the "proper" distribution of tax authority and expenditure responsibility is an extremely complex issue. Economists generally focus on issues of efficiency and equity, while public administration and political science scholars tend to focus on distribution of powers, responsiveness and accountability, and tax competition and coordination. Economist Richard Musgrave's framework for analyzing roles or functions is widely accepted (Paul, 2001). The Stabilization Function involves the role of tax and spending policies and monetary policy in managing the overall level of economic activity. It is widely agreed that this macroeconomic function should be assigned to the national government. This suggests that the national government must have a broad-based tax suitable for this role. However, Oates' (1993) analysis of 58 countries demonstrated a positive relationship between economic growth and fiscal decentralization—suggesting some role for local governments, especially infrastructure development**.**

The Distribution Function involves the role of government in changing the distribution of income, wealth or other indicators of economic well being to make them more equitable than would otherwise be the case. The case for assigning this function to the national government rests on two assumptions: 1) that the national government's broad taxing powers can more easily redistribute income; and 2) that the ability of taxpayers to move from one jurisdiction to another to take advantage of more attractive spending and taxation policies weakens local government's ability to "soak the rich and redistribute to the poor." The case for regional and local redistributive policies rests on the fact that sub national levels of government provide the services most used by low-income families. However, most economists view the national role as primary.

The allocation function is sub national government's role in deciding the mix of public and private goods that are provided by the economy or by government. Each level of government may be more efficient in delivering certain governmental goods and services. The superiority of the national government in delivering national defense or national health research is obvious as is the likelihood that certain services such as fire and police protection are more suitable for local government. In attempting to match local revenues and expenditures in the allocation process, economists are concerned about efficiency, vertical imbalances (mismatches between revenues and expenditures), horizontal equity (fiscal capacity among regions), externalities (spillovers), and tax exportation. Additional public management concerns have to do with overlapping of taxes and roles, and responsiveness and accountability for service delivery.

This framework is most helpful in thinking about which taxes are levied at each level of government and the total tax authority of each level. A commonly cited public finance principal is “finance should follow function.” If certain expenditure roles are assigned to a level of government, that level must have the resources to meet those responsibilities. Taxes are the principal source of “own-source” revenue for governments at all levels. If tax collections or fiscal capacity falls short expenditure responsibilities, then that level of government must have additional taxing authority, develop user fees, or rely on intergovernmental transfers (such as grants and shared taxes) to support its expenditures.

2.2 Conceptual Review

Fiscal decentralization refers to the public finance dimension of intergovernmental relations. It specifically addresses the reform of the system of expenditure functions and revenue source transfers from the central to sub-national governments. It is a key element of any decentralization programme. Without appropriate fiscal empowerment, the autonomy of sub-national governments cannot be substantiated and, in this way, the full potential of decentralization cannot be realized.

Leiderer (2007) defines decentralization as the transfer of authority from central to peripheral organizations at the same level; for example from a government department to a parastatal agency.

According to Akai and Masayo (2002), fiscal decentralization is the dispersal of financial responsibility which is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues – either raised locally or transferred from the central government– as well as the authority to make decisions about expenditures. Breuss and Markus (2004) found that fiscal decentralization can take many forms, including: self-financing or cost recovery through user charges, co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labor contributions; expansion of local revenues through property or sales taxes, or indirect charges; intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees.

In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority.

Fiscal decentralisation – 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 (Green, 2008; Smoke, 2008, Hankla, 2008 and Leiderer, 2007). As a consequence of much dissatisfaction with the results of centralised economic planning, reformers have turned to decentralisation to break the grip of central government and induce broader participation in democratic governance (Limi , 2005; Smoke, 2001 and Olowu, 2000). Being closer to the people, it is claimed, local authorities can more easily identify people's needs, and thus supply the appropriate form and level of public services (John and Madina, 2006). In turn, it is argued, communities are likely to be willing to pay local taxes where the amounts they contribute can be related more directly to services received. As a result, it is expected that the level of tax revenue may be increased without excessive public dissatisfaction. Fiscal decentralization can also refer to the systematic arrangements, put in place that avail instruments which local governments can use to access/source financial resources to meet responsibilities and functions that are decentralized to them (Green, 2008).

The objective of the Fiscal Decentralization Strategy (FDS) is: “To strengthen the process of decentralization in Uganda through increasing local governments’ autonomy, widening local participation in decision making and streamlining of fiscal transfer modalities to local governments in order to increase the efficiency and effectiveness of local governments to achieve PEAP goals within a transparent and accountable framework”. The focus of the strategy is therefore in two areas: The promotion of local government autonomy and the widening of participation in decision making in order to enhance the efficiency in allocation of resources towards the achievement of PEAP Goals in line with local priorities (MFPED, 2009).

Fiscal decentralization (FD) is the assignment of expenditure and revenue mobilisation functions to sub-national levels of government. The term thus encompasses two distinct public sector functions – spending and taxation – and FD reform can vary in the degree to which each of the two is shifted from the central to a local government level.

It is, however, noted that the approach and the results of decentralization have varied widely between countries. According to Smoke (2008), the limited success is attributed to two factors. First, the decentralisation process has been resisted or undermined by central government institutions fearful of losing power and rationale. Second, many initiatives have been donor driven, over-ambitious, and not taking into consideration the complex institutional realities that govern the extent to which, and the pace at which, decentralization can occur in a particular country. Ouedraogo and Hubert (2003) argue that the case for decentralization has often been made in a very general and uncritical way with little systematic empirical support. Predictably, the argument for decentralisation has provoked response from some observers who assert that the case for fiscal decentralisation is much-overstated.

2.3.1 Adequate enabling environment and local revenue generation in local governments

Local revenue generation is based on the decentralization policy and the accompanying constitutional and other legal provisions making it operational (MoLG, 2006). Under clauses 1 and 2 of article 191 of the 1995 Constitution of Uganda as amended, local governments have legal powers to raise local revenue from their areas of jurisdiction. Local governments are mandated to besides grant transfers from the central government, generate and collect revenue locally. They are mandated to identify and mobilize local revenue from a variety of sources. The major sources of revenues are in form of taxes, market dues, user fees, licenses and other sources.

According to the Joint Annual Review of Decentralization (2004), local revenues are central to the principal of decentralization. Local governments are only independent and accountable but also a source of funds to compliment service delivery.

A number of elements are critical in establishing a sustainable enabling environment for fiscal decentralization. The first is adequate political will, which is necessary but must translate into action. The second is clearly defined constitutional and/or legal provisions to define a minimum level of SNG rights, responsibilities and autonomy, as well as administrative/political structures and procedures. This can include pro-poor mandates. The third is an empowered mechanism to coordinate decentralization activities, or competing and reluctant central agencies with a stake in decentralization can work against each other. Finally, the center must recognize that effective SNGs need adequate resources and capacity to meet their responsibilities (Smoke, 2005).

Good practice is hard to define because a framework is multi-faceted, and having one does not guarantee implementation. South Africa and Uganda are examples of African countries that have spent much effort developing a solid framework and substantially implementing it. Pro-poor elements are included in the frameworks of both countries Brazil is often cited among Latin American countries as having a solid SNG framework. Thailand has perhaps the most developed decentralization framework of any country in Asia, but implementation has been very slow. In the final analysis, a framework needs to be supported by a strategy to implement it (Smoke, 2005).

There are a series of enabling conditions that are required to accomplish successful municipal finance transactions. Technical assistance and training will be required to achieve the reforms needed to create these enabling conditions. City development strategies are useful for identifying a municipal vision and prioritizing strategies needed to achieve the vision. Through a successful process proven by the World Bank in numerous countries around the world, stakeholders representing citizens, civil society organizations, businesses, and governmental agencies are convened to reach a consensus on what the long-term image of the city should be. Is it a manufacturing hub, a university center of higher learning, or a tourism dominated economy? Once this is decided, a series of strategies to support the vision are identified and prioritized. Many of these will include capital projects such as water and sewerage, housing, health, and education facilities. A participatory approach to strategic planning is essential to develop committed stakeholders who are willing and interested in carrying out these strategies.

Capital improvement plans are needed to estimate the cost, and to prioritize which basic service improvement projects to undertake within budget resources that are available to the municipality. Building on the priorities identified through the city development strategy process, the capital improvement plan will estimate the total development cost of each project. It will match the cost of the projects with the resources available over the coming five years to fund projects. For countries relying on old paradigm sources of funds, projects in the early years will rely on cash transfers and own-source revenues. As the paradigm shifts, municipal finance will play an important role in increasing the number of projects to be undertaken. The last process is comparing project costs against funds available and identifying which projects can be undertaken within one year, two years, and up to five years. The first year is clearest, with the later years being less clear. The capital improvement planning process is repeated every year to take into account changes in project costs, priorities, and resources available to build the projects (Billand, 2005).

Financial management and accounting improvements are essential to identify collateral to be pledged to finance projects in the short-term, and to help build the credit rating system and replicate initial municipal borrowings over the long-term. The support needed here is to install and train municipal staff on using a double entry accounting system. Initially a series of municipalities may be identified based on willingness to participate in reforms needed to increase the supply of municipal resources through borrowing. Cash transfer incentives will help them move forward through greater revenue sharing, including a portion to pay for local accounting support. A national resource center can offer training courses and facilities for training. Focusing resources on a few municipalities to create some initial successes will provide incentives to other municipalities and gather momentum towards replication. Achieving creditworthiness, a credit rating, municipal borrowing, and the construction of a much-needed facility will demonstrate the results of initiating accounting reforms to other municipalities. Operations and maintenance improvements are needed to ensure that the asset's value will not diminish due to physical deterioration. Once substantial human and financial resources are invested in providing the basic services, they must be operated and maintained properly or the asset's value will diminish due to physical deterioration (Hankla, 2008).

Uganda‘s decentralization system empowers local governments to access revenues for effective financing of devolved responsibilities. The local governments execute their functions using resources transferred from the center, mobilized locally, and directed received from donors. Resource transfer from the center to local governments takes the form of conditional, unconditional or equalization grant. Conditional grant (about 80% of transfers from the center) largely comprises the Poverty Action Fund (PAF), which is to be spent on centrally determined priorities. Channeling local development grant through the PAF and the protection of the PAF from any emergency budget cuts has enabled resources to reach local levels without much central bureaucratic huddles. To fulfill its obligation to finance up to 10% of its budget, local governments exercise their powers to raise revenue locally from the cities, municipalities, town councils and rural areas. In rural areas, local government revenue is collected by sub-county officials, who retain 65% of the revenues and remit the rest local government headquarters (MoLG, 2008).

However, increased political freedom and power at the local level have also affected the revenue base of local governments. For example, tax assessments are reported to have come under undue influence of political leaders who have in some instances placed political supporters in lower graduated tax brackets (Peterson, 2000). In response to inefficiency and corruption in tax administration local governments have opted to privatize the collection of certain categories of revenue. However, survey evidence shows that the procedure of awarding tax collection contracts is ridden with the very shortcomings that privatization was intended to circumvent, leading to poor local revenue performance (Bahiigwa, et al. 2004). The suspension of graduated tax based on political rather than economic determination of its burden to the citizens has further deteriorated local government‘s revenue performance.

Martinez et al (2003) noted that the greatest ambiguity in the decentralization policy was the insistence by the national leaders on transferring planning and administration functions without providing localities with sufficient financial resources and adequate legal powers to collect and allocate resources.

2.3.2 The extent to which assignment of appropriate functions to sub national governments contribute to local revenue generation in local governments

Promoting fiscal responsibility at sub-national levels calls for implementation of a stable and transparent system of transfers, geared to filling any gap between the assigned spending and revenue-raising responsibilities of lower-level governments (Green, 2008). The definition of such a system is far from easy, especially given the need to preserve adequate incentives for tax effort and cost effectiveness in spending by the sub-national governments. However, in the process of fiscal decentralization it is important to be aware of the risks for macroeconomic management and fiscal discipline. Mechanisms of fiscal transfers may impose considerably rigidity to the central government budget. Therefore, substantial devolution of revenues and spending responsibilities to sub-national jurisdictions can affect the central government's ability to carry out stabilization and macroeconomic adjustment through the budget.

Article 191 (1) of the constitution empower local governments to levy, charge, collect appropriate fees and taxes in accordance with laws enacted by parliament to that effect. The taxes and fees that local governments can levy, charge and collect are provided in the fifth schedule to the Local Governments Act. These include graduated personal tax, property tax, market fees, and many others. Revenues that local governments raise by themselves are very important in advancing decentralization. These revenues ensure the autonomy and discretion of local governments to plan, budget and implement their local priorities and needs (MoLG, 2006).

Decentralization is expected to improve efficiency in resource use because residents in each SNG could choose the mix of public services and revenues that best meets residents' preferences. Thus, many services, except those that can only be efficiently provided at a larger scale, should be SNG functions.

Many countries generally follow this logic broadly. But implementation is a challenge because central agencies often resist losing powers and resources, and SNGs may not have the capacity to assume many new functions. In terms of good practice, many countries are clear about general SNG functions, including, Brazil, Indonesia, South Africa and Uganda, but follow-up regulations are invariably needed. Indonesia, for example, is engaged in a lengthy process of defining detailed SNG functions on a sector-by-sector basis to clarify 1999 decentralization legislation. South Africa is also refining constitutionally assigned municipal functions, particularly for basic services (Smoke, 2005).

When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization (John et al, 2006).

2.3.3 Effect of assigning appropriate revenues to sub national governments on local revenue generation in local government

According to Martinez et al (2003), local authorities have a fiscal base comprised of income from taxes on movables and immovable, assigned revenue, grants, trading services, borrowings, and other miscellaneous. They also receive financial transfers. These reimburse salaries and wages of local authority approved cadres in varying percentages, 35% being the case of the Colombo Municipal Council. Application of variable re-imbursements is due recognition that some LA’S manage with less, and others need more, questions the legitimacy to continue with the practices of fiscal transfers, and justifies the need to suitably replacing re-imbursements with alternate mechanisms.

The Constraints on the workings of local government authorities is evident in that (a) Whereas provincial revenue assignment accounts for about 22% of total expenditure needs of the province, (b) On the average own revenues of local authorities account for less than 60% of total expenditure, varying according to the tax base of the Local Authority. (In respect of small Pradesheeya Sabhas, own revenue may account for as little as 30% of expenditure.) Though decentralization is an institutional arrangement on the part of the government to become responsive to citizen needs and preferences there are several aspects and ensuing substance of sub-national government such as Small Size, Limited Autonomy, Fragmented Responsibilities, Imbalances in Devolved Expenditure and Revenue, Weak Public Expenditure and Management, Inadequate Capacity and Lack of Fiscal Transparency that requires change and/or improvements to make use of opportunities that decentralization provides (Ouedraogo, 2003).

A good sub national tax system is critical to an effective and sustainable system of intergovernmental fiscal relations - a need that has become increasingly important around the world as more and more public services are being delivered through sub national governments. In most developing countries potentially sound and productive taxes exist and are suitable for regional and local governments: property taxes, taxes on motor vehicles, surcharges on national personal income taxes, payroll taxes, and even, in some cases, regional value added taxes and properly designed local business taxes (Bahl, and Bird, 2008).

Article 191 (1) of the Ugandan Constitution empowers local governments to levy, charge collect and appropriate fees and taxes in accordance with laws enacted by parliament to that effect. The taxes and fees that local governments can levy, charge and collect are provided in the Fifth Schedule of the Local

Governments Act. These include graduated personal tax, property tax, market fees and many others. Revenues that local governments raise by themselves are very important in advancing decentralization. These revenues ensure the autonomy and discretion of local governments to plan, budget and implement their local priorities and needs (Local Government Act, 1997).

A widely found characteristic of local 'own' revenue systems in Africa is the huge number of revenue instruments in use by local authorities (Bahiigwa *et al.* 2004; Sander 2003; Fjeldstad et al, 2004). In many countries, local governments seem to raise whatever taxes, fees, and charges they are capable of raising, often without worrying excessively about the economic distortions and distribution effects that these instruments may create. A complicated and non- transparent local government revenue system is costly to administer and it facilitates corruption and mismanagement (Bardhan & Mookherjee 2002). Moreover, many local taxes have a distorting effect on resource allocation decisions, and, thus, an inhibiting effect on the start-up of new enterprises and the achievement of economic growth (Bahiigwa *et al.* 2004; Martiz et al 2003; Sander 2003). These effects occur when effective rates vary greatly between different goods that are traded, or when license fees are set too high for start-up small-scale enterprises to survive. In addition, the levels and types of local revenue instruments by themselves can result in the tax burden falling more on the poor than on the relatively better off in local communities (Fjeldstad et al, 2004). This is mainly due to the basic design of the local revenue system and the way revenues are collected (Ahmad, 2006).

Despite the many comprehensive central government tax reforms during the last decade, local government revenue systems in sub-Saharan Africa have remained largely unchanged until recently. Generally, a fundamental requirement when redesigning local revenue systems is greater emphasis on the cost-effectiveness of revenue collection, taking into account not only the direct costs of revenue administration, but also the overall costs to the economy, including the compliance costs to taxpayers.

In addition, losses through corruption and evasion need to be reduced. Clearly, improved revenue administration cannot compensate for bad revenue design. Thus, reforming the revenue structure should precede the reform of revenue administration since there is not much merit in making a bad revenue system work somewhat better.

Until mid-2003, it was not uncommon that local authorities in Tanzania had more than 70 different taxes, fees, and charges. In addition, there were many sub-groups of particular revenue instruments. There were also large variations on the rates imposed by councils on similar revenue bases, which led to smuggling of tradable goods across council borders within the country. The revenue system was costly to administer and it facilitated corruption and mismanagement. Moreover, many local revenue instruments, including the business licensing system, distorted market decisions and inhibited the start-up of new enterprises. In June 2003, a comprehensive reform of the local government revenue system was carried out. A large number of so-called nuisance taxes, which were costly to administrate and generated limited revenues, were rationalized. Thereafter, in June 2004, local business licenses were abolished based on the argument that they provided disincentives for the development of local enterprises. The Tanzanian reform demonstrates that radical changes of the local revenue system are possible. However, it is too early to assess the longer-term impacts of the reform. For instance, the rationalization implied that local governments have to be compensated for the resulting revenue shortfalls by the central government, at least in the short run. Ongoing work initiated by the ministry responsible for local authorities focuses on reforming the current local revenue system and to identifying new revenue options. Among the proposals discussed are reforms of the property tax system, introduction of a unified business tax, and reintroduction and streamlining of the business license system. Moreover, many councils have started to explore methods to reduce the financial gap caused by the rationalisation by: Outsourcing revenue collection to private collectors to increase revenues from existing sources; reducing costs (for example, by limiting the number of meetings and workshops and by retrenching surplus staff); and imposing more cost-effective spending (for example, on electricity and stationery). Current attempts for economic diversification may also help to expand the local revenue base in the longer term (Fjeldstad *et al.* 2004).

However, there are important concerns about how the fiscal decentralization system is being executed on the ground, and whether the original intentions of the framework are being met. According to Onyach (2003) there are three particularly problematic concerns that remain on the revenue side. First, assigned revenues are almost never adequate to meet the local expenditure requirements. This means that central government transfer programs are inevitably required. Second, sub-national governments often use too many unproductive revenue sources that barely cover the costs of collecting them. Third, individual local revenue sources suffer from some serious design problems, such as stagnant bases, overly complex structures, and ineffective collection mechanisms. Enemu (2000) observed that while building local revenue systems is important, care must be taken to approach reform strategically. Attempts to implement too many reforms at once can overwhelm the tolerance of local residents and the capacity of sub-national governments. One of the most critical international lessons of local tax reform is that sub-national governments should focus their energies on systematic development of a few local sources of revenue that can provide substantial yields and establish a better link between the taxes local residents pay and the benefits they receive

2.3.4 How appropriate intergovernmental transfer systems affect local revenue generation in local government

Intergovernmental transfer programmes serve multiple often-interrelated purposes. First, they help to cover sub-national government fiscal imbalances, supplementing inadequate local own-source revenues to improve the ability of sub-national governments to meet their expenditure responsibilities. Second, they can be used to meet national re-distributional objectives, helping to offset capacity differences among sub-national governments. Third, they can be used to encourage local expenditures on particular goods and services that exhibit positive externalities or are considered to be basic needs that should be distributed less unequal than the ability to pay for them. Most transfer systems are intended, at least officially, to meet these objectives, and they use a variety of types of mechanism to do so (Bahl and Linn ,1994).

There are several typical issues and problems involved in designing transfer programs. First, no one type of transfer meets all desired objectives. Unconditional grants, for example, are best for income redistribution purposes, while conditional grants are more efficient way of encouraging expenditures on particular types to target services. Second, fiscal equalization grants are often considered

In final analysis, it is difficult to make general stable prescriptions about the appropriate structure of an intergovernmental transfer system, which should be expected to vary across country depending on national objectives, the extent of service and venue functions assigned to sub-national governments, the fiscal capacity of sub-national governments, and the political environment. Common reforms include carefully selecting the overall package of transfer programs to balance key objectives, moving towards consolidated programs with more transparent allocation mechanisms, building incentive for good fiscal behavior into the access criteria and distribution formulae, and starting new programs incrementally, increasing available resources as sub-national governments develop capacity to behave in a fiscal responsible manner. In spite of the challenges involved, transfer programs can generally be designed to improve on the status quo (Mann, 2004).

There has been growth in the number and diversity of transfer mechanisms from central government and donors and this has been a matter of growing concern in both central and local government. Many of these mechanisms are not well adapted to the decentralized framework, with local governments given little real power over the allocation resources, and little involvement of lower level local governments in the decision-making. Problems with management and financial accountability have arisen from the profusion of different transfer systems and bank accounts. Line Ministries are faced with major problems in dealing with quarterly reporting from a growing number of conditional grants and a growing number of districts. In addition, there is concern about the different design and type of conditionalities under the Ministry of Local Government's (MoLG) Local Government Development Programme (LGDP) and the PAF conditional grant regulations, and the bureaucratic load of multiple procedures, bank accounts and lines of reporting. It is against this background that the GoU commissioned the Fiscal Decentralization Study to examine how to streamline and harmonise the present systems and processes of transferring resources to local governments (MFPED, 2003).

Some element of central transfers will need to provide a direct incentive for a local government to increase local revenues. Therefore funds will be made available to local governments each year in order to reward those which improve tax administration and tax collection over time. Each year local governments would be scored according to their performance, and the more a local government has improved its tax administration and collection over time, the greater proportion of available funds will be allocated to it. These funds could either be transferred as part of the non-wage element of the unconditional grant or as a separate grant. Whichever option is chosen, it is important that the incentive provided is substantial enough to ensure local governments make additional efforts to raise local revenue (MFPED, 2003).

Breuss et al (2004) found out that fiscal decentralization may seem, on the surface, to be the "easiest" dimension of decentralization because it is not particularly difficult to assign additional powers and revenues to sub-national governments. The reality, however, is more complex. Even if a formal decision is made to decentralize, reluctant central agencies may be able to slow the process down. In addition, giving additional resources to sub-national governments that are not politically, managerially and technically prepared to use them responsibly can create enormous problems. Finally and perhaps most important, the degree to which fiscal decentralization should be pursued is not obvious.

Smoke (2008) did not find an empirical evidence to justify or discredit the pursuit of fiscal decentralization in developing countries because information was scanty and mixed. None of the claims on either extreme—that fiscal decentralization retards economic development and has a variety of undesirable macroeconomic effects; or that it improves local service delivery and enhances government accountability to local citizens—has been adequately tested. The main reason for the lack of solid evidence on fiscal decentralization is clear—the great variety of context across developing countries complicates meaningful comparative research and development of general rules. First, systems differ in the number of levels of government that exist and the constitutionally and legislatively mandated relationships among them. Second, they also vary in degree of political decentralization and grassroots legitimacy. Some have significant political power and are popularly elected, while others are appointed and follow directives of a more centralized level of government. Third, sub-national authorities differ in their degree of autonomy in revenue -raising and expenditure decision-making.

Even in supposedly decentralized systems, the central government continues to exert a degree of control that effectively undermines local autonomy. Finally, there are great differences in sub-national government managerial and fiscal capacity both across and within countries. These enormous differences in the way public sectors are structured and the way they share functions and resources across levels of government, combined with a lack of reliable data, have precluded a clearer understanding of how to approach (Breuss et al; 2004).

2.3.5 Ways in which adequate local access to investment capital has been developed in local government

A good fiscal decentralization program requires the development of an appropriate spectrum of options to finance capital investment, from grants and subsidized loans for poorer sub-national governments and non-self-financing projects, to various types of loans and bonds for fiscally sound sub-national government and self-financing projects. As with grants, the approach that a central government takes towards enhancing sub-national government access to loans depends on fiscal context. In cases where decentralized governments are relatively strong, efforts to develop direct access to capital markets, develop and enforce credit limits, and stop bailing out sub-national governments that default on their debt. In more typical cases, where sub-national government is investment responsibilities are smaller and they are fiscally weak, some type of municipal development fund will generally be the correct approach. Municipal credit institutions are initially regulated or managed and substantially capitalized by central governments, either with own resources or donor loans. This approach gives central fiscal authorities considerable control over borrowing activities of sub-national governments, although this power must be structured to minimize abuse (Peterson, 2000).

SNGs in many developing countries get much of their capital budget from transfers, but states, provinces and cities are able to borrow in certain cases. This may not seem relevant for many African countries, but over time, development of local borrowing can improve prospects for pro-poor expenditure. As fiscal responsibility increases and stronger SNGs gain access to credit, they can raise resources to extend basic public services to all citizens. In addition, if some SNGs can borrow, the center can target its transfer resources to disadvantaged places (Smoke, 2005).

A good intergovernmental system requires an appropriate spectrum of public investment finance options, from grants and subsidized loans for poorer SNGs and non-self-financing projects, to various types of loans for fiscally sound SNGs and self-financing projects. Where SNGs are relatively strong, efforts to develop access to capital markets make sense, but the central government must regulate borrowing and enforce a hard budget constraint. In more typical developing countries, where SNG responsibilities are smaller and they are fiscally weak, special credit institutions may be appropriate. Initial public management of these institutions gives the center control over SNG borrowing, although this must be structured to minimize abuse. Such institutions can be increasingly privatized as SNGs develop creditworthiness (Smoke, 2005).

Perhaps the most critical challenge in advanced fiscal decentralization is how to "graduate" SNGs from grants and subsidized loans to greater use of credit markets. This requires coordinated development of grant and loan options. It is critical to ensure that wealthy SNGs cannot use grants for self-financing projects, thereby diverting scarce resources from poorer SNGs unable to borrow. At the same time, grants and subsidized lending mechanisms must create incentives for weak SNGs to improve fiscal discipline and begin to borrow.

Few developing countries have made major progress in developing SNG credit access. SNG borrowing is uncommon in Africa, and even where it exists, such as Kenya and South Africa, it has not worked well in recent years. There are examples from other regions, such as Argentina, Brazil and Russia, where irresponsible borrowing by empowered SNGs precipitated major fiscal crises. More typically, in countries with limited SNG borrowing powers and capacity, there is reliance on state mechanisms. More successful countries, such as Columbia and the Czech Republic, progressively involved the private sector in SNG lending and developed solid national frameworks for SNG borrowing and fiscal responsibility. The recent sub national borrowing framework in South Africa is the most advanced development in Africa (Ahmad, 2006).

2.4 Summary of the literature review

The above information presented by different scholars indicated that fiscal decentralization is still a new strategy in many countries and thus is bound to meet a number of challenges in the course of its implementation. Respecting all the dimensions falling under fiscal decentralization as an independent variable, the study findings from the interviews (general public) conducted some how confirmed a number of challenges that are associated with the implementation of decentralization in regard to local revenue generation. The challenges/gaps raised by respondents included among others; Tax evasion, tax avoidance, embezzlement of collected revenue, delays in transfer of funds, bureaucracy and high interest rates that hinder capital investment. However, to a large extent, the field results indicated that fiscal decentralization has contributed to local revenue generation through inter governmental transfer systems in Bushenyi District Local Government.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the research design, study population, sample size and sampling procedures, data collection methods and instruments, pre-testing, procedure of data collection and data analysis.

3.1 Research Design

The study adopted a case study design where both qualitative and quantitative methods of data collection and analysis were used. A case study design was used because it enabled researcher to carry out in-depth investigation for his study. The design adopted both qualitative and quantitative approaches. This is because the data collected was both factual and numerical (quantitative) and subjective (opinionated) and text (qualitative). Appropriate methods were adopted to collect data. The research design helped the researcher to obtain representative information about the respondents. This research design was selected because different categories of respondents were studied at one point in time (Sarantos, 1988).

3.2 Study Population

The target population included Chief Administrative Officer, District planner, finance managers, heads of department and lower level civil servants. This population was selected because it was found to be the one involved in assessment, local revenue collection, budgeting implementation and public service delivery in their area of locality. The Chief Administrative Officer was chosen because he is the accounting officer for the district and therefore knowledgeable about the subject matter. A district planner was also used because he is the one responsible for making district budget and therefore the study took him to be among the key informants.

3.3.1 Sample Size

The sample size of 192 respondents was selected from different categories of people under the study who included: Chief Administrative Officer, Planner, Finance Officers, Heads of Departments and Lower level civil servants. The categories and number of respondents selected for the study were shown in Table 2;

Table 2: Categories and number of respondents to be selected for the study

Category of people from selected study areas	Targeted population	Sample size	Sampling technique
CAO & Planner	2	2	Purposive/ Census
Finance officers	20	19	Purposive
Heads of department	40	36	Simple random sampling
Lower level civil servants	210	135	Simple random sampling
Total	275	192	

The sample size was 192 respondents from the 10 Sub counties in the district. These included Bushenyi Ishaka town council, Nyabubare, Bumbaire, Ibaare, Kyamuhunga, Bitooma, Kyabugimbi, Kyeizooba, Kakanju and Ruhumuro. The sample was generated according to the given categories in a bid to avoid biasness.

3.3.2 Sampling Techniques and Procedure

For sampling, all the sub counties in the district were considered for equal representation of views and avoidance of biasness. Sampling of respondents was done using simple random and purposive sampling techniques. Simple random sampling was used to select the respondents from Heads of department and lower level civil servants while purposive sampling was applied to the finance officers, Chief Administrative Officer and District planner. The key respondents were selected because of their positions and knowledge about fiscal decentralization and local revenue generation. The selection provided for each element within the population studied an equal chance of being selected for the study.

3.4 Data Collection Methods

The research relied on both primary and secondary data collection methods. The primary data collection methods comprised face-to-face interviews and questionnaire while secondary methods included documentary review and use of internet services.

3.4.1 Interviews

The interview method basically relied on face-to-face interviews with the respondents in a bid to generate detailed and first hand information. This involved the researcher personally visiting the selected respondents and with a set of pre determined questions holding interviews on a one by one basis. The method applied to the general public.

3.4.2 Survey

This method involved the researcher preparing a set of questions pertaining to the field of enquiry (Chandan, 1995). The researcher used research assistants to assist in distributing the questionnaires to the intended respondents. The questionnaire included the aims and objectives of collecting the information. It applied to the Categories of finance officers, Heads of department and lower level civil servants.

3.4.3 Documentary review

The method aimed at collecting information from the already existing sources by different scholars about a study phenomenon. The chief sources of documentary review was broadly classified into two groups namely; published sources and unpublished sources.

3.5 Data collection instruments

For primary data collection, the study used two research instruments for data collection that is, questionnaire and interview guide. Secondary data collection relied on documentary sources to generate the needed information from University and public libraries, Internet and Bushenyi district local government archives.

3.5.1 Interview guide

The researcher used an interview guide as data collection instrument to obtain information from the respondents. The interview guide as data collection instrument was both structured and unstructured in nature for the convenience of the interviewer. It also involved meeting respondents face-to- face and collecting information from the selected respondents. The instrument also involved probes in addition to asking predetermined questions so as to create a rapport between the interviewer and the respondent. The instrument was directed to the general public to enable them give their views at length.

The instrument was preferred because it has better completion rates than the questionnaire and the interviewer is sure that the selected respondent is the one who answered the questions unlike under questionnaire method. Besides it was intended to tap knowledge and experience of respondents regarding the effect of fiscal decentralization on local revenue generation given the fact that with the method, a variety of ideas are obtained and given in details by respondents. This is different under questionnaire since answers are pre determined and hence limited space for detailed answers.

3.5.2 **The Questionnaires**

These were self-administered by finance officers and civil servants to find out their knowledge, opinions and attitudes on the relationship between fiscal decentralization and local revenue generation. The questionnaires were semi structured in nature containing both open and closed ended questions.

The instrument was preferred because it is time saving as one spends little time in moving from one respondent to another during data collection unlike in interview method. Besides, with the questionnaire, the respondent could freely answer sensitive and true questions and the respondent is given enough time to consult other documents for accurate and detailed information.

3.5.3 **Documentary Review Guide**

Documentary sources were also used to gather relevant information about the effect of fiscal decentralization on local revenue generation. The information from secondary data was collected by visiting the libraries in different learning institutions including university and public libraries, visiting Bushenyi district local government archives and accessing the Internet cafes for related data about effect of fiscal decentralization on local revenue generation. These included textbooks about decentralization and fiscal policies, websites, newspapers, magazines and journals that highlight information about the effect of fiscal decentralization on local revenue generation

3.5.4 Pre-testing

The pre testing of the research instruments was done using both validity and reliability techniques.

3.5.4.1 Validity of research instrument

It is the ability of the research instrument to produce findings that are in agreement with the theoretical or conceptual values. That is, to produce accurate results and to measure what is supposed to be measured (Amin; 2005). Validity of research instruments was tested using Content Validity. Content Validity is a measure of the degree to which data collected using a particular instrument represents a specific domain of indicators/content of a particular concept (Mugenda and Mugenda, 1999). Further, validity was investigated using sampling validity. The choice of this instrument is that it contains all possible items that should be used in measuring the concepts. Content validity index for this study was 0.79 implying that the contents of the study instruments were highly valid in relation to study variables.

3.5.4.2 Reliability

It is a measure of the degree to which a research instrument yields consistent results/data after repeated tests. Reliability of research instrument was tested using test and retest technique. Test -retest reliability refers to the degree to which scores on the same test by the same individuals are consistent over time (Amin, 2005). The choice for this technique is that it provides evidence that scores obtained on a test at one time (test) are the same or close to the same when the test is re-administered some other time (retest). Reliability was done by administering the test to a group of five people, then after some time the same test was administered to the same group of people. The two sets of scores were correlated and results evaluated.

Table 3: Results of reliability.

Alpha	Variable	No. of items
0.86	Enabling environment	5
0.84	Assignment of fiscal functions to sub national governments	5
0.89	Assignment of local revenues to sub national governments	5
0.87	Intergovernmental transfer system	5
0.83	Adequate local access to investment capital	5
0.84	Local revenue generation	8

The results in table 3 indicated high coefficients for all the variables which meant that the instruments had good test re-test reliability (Amin, 2005; 296). The method of test-retest helped in capturing the two different meanings of reliability; true consistency and internal consistency given that all tested variables had their alpha exceeding 0.7.

3.6 Procedure of data collection

The researcher obtained an introductory letter from Uganda Management Institute. It was taken to the relevant authorities at the district and selected officers to get permission to conduct the study by the researcher. The Accounting Officer was approached first and when permission was granted, the researcher approached other key informants selected at the district by making appointments with each to be interviewed. For the sub counties, the letter of introduction was taken to the sub county chief and LC III chairpersons of all the selected sub counties since they head the sub counties and the administered questionnaires were then given to them. Filled in questionnaires and interview guides were collected by the researcher for coding and analysis.

3.7. Data analysis

3.7.1 Quantitative analysis

Quantitative analysis was based on factual and numerical field data. The coded data was entered in the computer using a software programme known as (Statistical Package for Social Scientists) SPSS where data was processed into descriptive statistics to ease analysis. SPSS was also used to generate tables, charts and figures to aid in the presentation. The study used correlation techniques (Pearson product-moment correlation and Linear regression analysis) to assess the relationship between fiscal decentralization and local revenue generation in the district.

3.7.2 Qualitative analysis

Qualitatively, thematic analysis was used whereby different themes and sub themes were developed under which the presentation and interpretation were done. Subjective and text analysis were part of qualitative analysis methods. Other qualitative methods included the pilot study, use of relevant quotes from the respondents in addition to secondary data to compare with the primary data.

3.8 Measurement of variables

The variables were measured using a likert scale. A likert scale consists of a number of statements which express either favourable or unfavourable attitudes towards the given opinions to which the respondent is asked to respond. Each response was given a numerical score, indicating its favourableness or unfavourableness and the scores were totaled to measure the respondents' attitudes. The scale of 1-5 was used to help the researcher measure the extent to which research objectives were achieved whereby 5=strongly agree, 4 =Agree, 3 =undecided, 2 =Disagree and 1 =Strongly disagree

(Denscombe, 2000). The choice of this measurement was that each point on the scale carries a score and it’s the most frequently used summated scale in the study of social attitudes.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter contains presentation and interpretation of the study findings. The chapter contains demographic characteristics of respondents and presentation of findings in line with the study objectives and research hypotheses.

4.1 The response rate

Not all the targeted respondents were able to respondent to the questionnaires. Of the 192 targeted respondents, responses were solicited from 159 respondents implying a response rate of 82.8%, meaning that 17.2% of the targeted respondents did not return the questionnaires. However, the response was representative to arrive at reliable and valid conclusions.

Table 4: Specific response rates per category

Category of respondents	**Targeted sample**	**Actual response**	**Percentage response rate**
CAO & Planner	2	2	100
Finance officers	19	19	100
Heads of department	36	22	52.8
Other Civil servants	135	116	85.9
Total	192	159	82.8

Source: Field data

Results in table 4 show that different categories of respondents were involved in the study and in proportionate percentages. However, not all the targeted respondents in the sample gave the data. Out of 192 targeted respondents, only 159 respondents were accessed making a percentage of 82.8% response rates. This was taken to be a good and reasonable response rate for the findings to be reliable.

4.2: Background Characteristics of Respondents.

They included age, sex, level of education, position held and duration of service in the position mentioned. This information was presumed by the study to be important because such aspects can influence the opinion of the respondents on how fiscal decentralization affects local revenue generation in Bushenyi local government system.

4.2.1 The age group of the respondents

The study tried to find out the age distribution of the respondents. This was intended to find out whether the sample was selected in terms of age category. This would in turn help us find out whether the sample is a true representative of the population. The findings are presented in table 5;

Table 5: Age distribution of respondents

Age group (years)	Frequency	Percent
21-30	37	23.3
31-40	51	32.1
41-50	67	42.1
51 and above	4	2.5
Total	159	100.0

Source: Primary data

Table 5 shows that majority of the respondents that participated in the study were in the age bracket of 41-50 years (42.1%), followed by those aged 31-40 years at 32.1%, followed by those aged 21-30 years at 23.3% and the least were aged 51 years and above at 2.5%. Majority of the respondents were in the age bracket of 41-50 years which is the experienced working class hence they are able to give informed views on decentralization and revenue performance. However, looking at the age distribution one can draw the conclusion that the sample was a representative of the population.

4.2.2: Gender distribution of the respondents

The study tried to find out the gender distribution of the respondents. This was intended to find out whether the sample was selected in terms of gender category. This in turn would help us find out whether the sample should be taken to be the a true representative of the population. The elicited response was presented in figure 2;

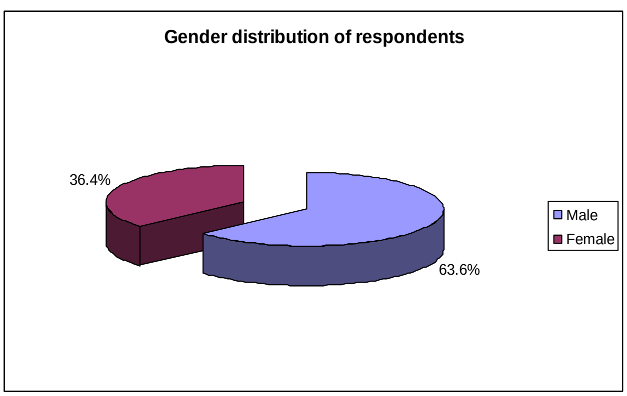


Figure 2: Distribution of the respondents by Gender

Figure 2 shows that majority of the respondents (63.6%) were males and the least (36.4%) were females. This gender disparity could be explained by the trend in Uganda's formal employment where males than females are employed. Although there was gender disparity, the sample was representative for the results to be reliable and valid because it was scientifically selected.

4.2.3 The education level of respondents

The Education levels of respondents were another variable considered for this study. This was intended to find out whether the sample was selected in terms of education levels. This in turn would help us find out the degree of understanding of the respondents to be utilized in the sample selected. The elicited responses are presented in table 6;

Table 6: Education level of respondents.

Level of education	**Frequency**	**Percent**
Certificate	10	6.3
Diploma	37	23.3
Degree	97	61.0
Post graduate degree	15	9.4
Total	159	100.0

Source: Primary data

From table 6, the study revealed that majority of the respondents (61%) were degree holders, followed by those with diplomas at 23.3% and the least (6.3%) were certificate holders. This shows that all the respondents the study utilized were knowledgeable enough to interpret the questions put to them and at the same time to give reliable information.

4.2.4: Positions held by respondents

The positions held by the respondents in Bushenyi local government included Chief Administrative Officer, District Planner, Finance Officers, Sub County Chiefs, Accountants, Cashiers, Heads of Department and lower level civil servants. The elicited responses are presented in table 7 below;

Table 7: Position held by respondents

Position held	**Frequency**	**Percent**
Finance Officer	3	1.9
Sub county chief	10	13.8
District planner	1	0.6
Chief Administrative Officer	1	0.6
Accountant	33	20.7
Cashiers	21	13.2
Head of Department	22	9.4
Other civil servants	68	42.8
Total	159	100.0

Source: Private data

From table 7 above, the study revealed that majority of the respondents (42.8%) were other civil servants, followed by accountants at 20.7% and the least were district planner, chief administrative officer and all at 0.6%. Looking at the position held, one can easily tell that the sample was representative enough for the respondents to give balanced information.

4.2.5: Duration of service in the above Position

The researcher categorized the duration of service in the above positions held by the respondents as those who have served between two to five years, between five to ten years and those with more than ten years. The intention of finding out the duration of service was to get to find out whether the respondents were experienced enough to give accurate and reliable information about fiscal decentralization and local revenue generation. The results are presented in the figure 3 below;

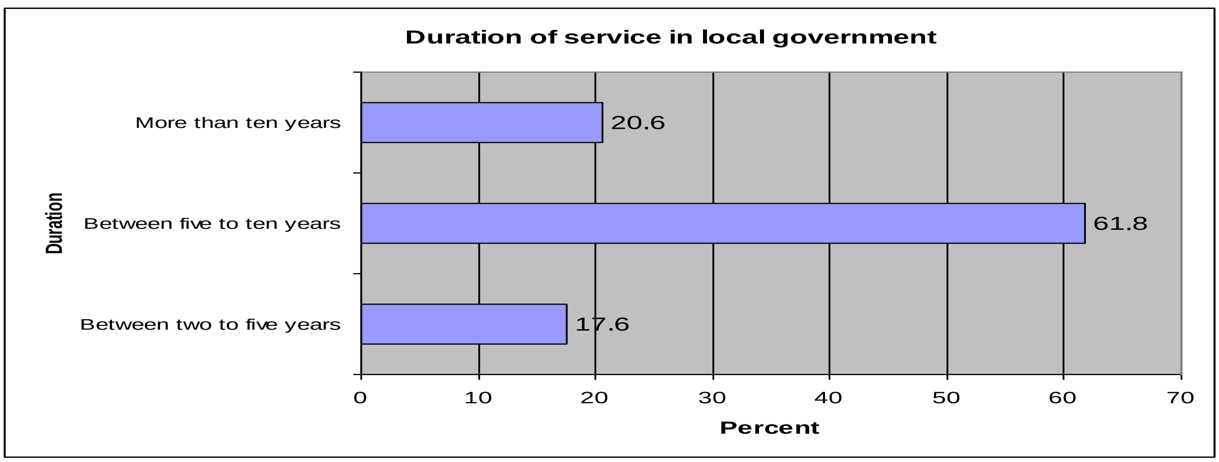


Figure3: Duration of service in the above position.

The study revealed that majority of the respondents (61.8%) had worked for a period of between 5 to 10 years, 20.6% had worked for more than 10 years and 17.6% had worked for 2-5 years. This analysis shows that majority of the respondents were taken to be experienced about the subject matter which was under investigation.

4.3. Findings based on Study Objectives

4.3.1 Enabling environment for local revenue generation

The respondents were asked to reveal whether decentralization has led to the enabling environment for local revenue generation. Respondents were asked to indicate whether they strongly agree (SA), agree (A), undecided (UD), disagree (D) and strongly disagree (SD) using 5-likert scale. The analysis was done using the mean and standard deviation. A mean above 3 indicates an agreement of respondents; a mean of 3 shows undecided and a mean of below 3 shows disagree by respondents. The standard deviation (SD) of close to 1 shows agreement, while the standard deviation of close to 0 indicates disagreement of the respondents. The analysis further grouped strongly agree and agree to mean agree and strongly disagree and disagree to disagree and percentages were computed which were used for further analysis. The elicited results were shown on table 8;

Table 8: Enabling environment for local revenue generation (N=157)

Enabling environment for local revenue generation	**Response Category**					**Mean**	**S.D**
	SA (%)	A (%)	UD (%)	D (%)	SD (%)		
Policies are favorable for local revenue generation	51 (32.5%)	79 (50.3%)	0 (0%)	20 (12.7)	7 (4.4%)	4.12	1.20
Fiscal decentralization operates in a good economic environment	49 (31.2%)	81 (51.6%)	2 (1.3%)	21 (13.4%)	4 (2.5%)	4.10	1.01
Local revenue generation is done within the legal framework that is	65 (41.4%)	63 (40.1%)	1 (0.6%)	15 (9.5%)	13 (8.3%)	4.45	1.11

favourable							
Decentralized levels of government have been strengthened to manage Local revenue generation in the district	72 (45.8%)	43 (27.4%)	0 (0%)	25 (15.9%)	17 (10.8%)	3.98	.98
Decentralization has generated adequate resources for districts to meet their responsibilities of generating local revenue	15 (9.5%)	37 (23.6%)	4 (2.5%)	59 (37.6%)	42 (26.7%)	2.37	.41

Source: Primary data

Table 8 shows that majority of the respondents agreed that there is an enabling environment for local revenue generation in local governments. This is explained by the fact that the mean of most of the responses was above 3, while the standard deviation was close to 1. The study revealed that enabling environment was created by: policies which are favourable for local revenue generation (82.8%), fiscal decentralization that is operating in a good economic environment at (82.8%), local revenue generation which is done within the legal framework that is favourable (81.5%), decentralized levels of government that have strengthened to manage Local revenue generation in the district (73.2%). However, the study found out that decentralization has not generated adequate resources for districts to meet their responsibilities of generating local revenue. This is because it's computed mean was found to be below 3 (Mean=2.37) and standard deviation was close to zero (SD=0.41). Majority of the respondents (64.3%) disagreed that decentralization has generated adequate resources for districts to meet their responsibilities of generating local revenues. This observation was also confirmed by the key respondents that included the Chief administrative officer and the district planner who confirmed that decentralization has created an enabling environment for local revenue generation but it has not generated adequate resources for districts to meet their responsibilities of generating local revenue.

4.3.2 Local revenue generation in local governments under decentralization

The respondents were asked to respond to elements that were used to measure local revenue generation in local governments. Respondents were asked to indicate whether they strongly agree (SA), agree (A), undecided (UD), disagree (D) and strongly disagree (SD) using 5-likert scale. Descriptive statistics as a technique of analysis was employed using the mean and standard deviation. A mean above 3 indicates an agreement of respondents; a mean of 3 shows undecided and a mean of below 3 shows disagreement by respondents. The standard deviation (SD) of close to 1 shows agreement, while the standard deviation of close to 0 indicates disagreement of the respondents. The elicited results were shown on table 9

Table 9: Elements of local revenue generation in local government (N=157)

Local revenue generation	**Response Category**					**Mean**	**S.D**
	SA (%)	A (%)	UD (%)	D (%)	SD (%)		
Market dues are a source of local revenue generation for the district	63 (40.1%)	73 (46.5%)		21 (13.4%)	0 (0%)	4.12	1.10
The district gets its revenue for local service tax	59 (37.6%)	47 (29.9%)	2 (1.3%)	23 (14.6%)	26 (16.6%)	4.10	1.01
The district gets a big portion of revenue	99	58	0 (0%)	0 ()%	0 ()%	4.45	1.12

from central government in form of grants as a away of promoting development in local governments	(63%)	(36.9%)					
Investment in the district has led to increase in various taxes that include; rates, capital gains tax and others which have increased revenue base for the district	47 (29.9%)	61 (38.8%)		34 (21.6%)	15 (9.5%)	3.37	.69
The district gets revenues from donors as supplement to her revenue generation to finance specific projects	60 (38.2%))	69 (43.9%))	1 (6.4%)	17 (10.8%))	10 (6.4%))	3.48	.89
The local government has brought services near to the communities and this has led to increase in tax compliance by the communities	15 (9.5%)	20 (12.7%)	0 (0%)	68 (43.3%)	54 (34.4%)	2.01	.45

Source: Primary data

Table 9 shows that majority of the respondents agreed that local governments have various ways in which they generate revenues. This was explained by the fact that the mean of most of the responses were above 3, while the standard deviation was close to 1. The study revealed that there are various sources of local revenue generation: majority of the respondents (86.6%) revealed that market dues are a source of local revenue generation to the district, (90.4%), those who responded that the district gets its revenue from local service tax were 67.5%, all respondents (100%) agreed that the district gets a big portion of revenue from central government in form of grants as a way promoting development in local governments, 82.1% revealed that the district gets revenue from donor as a supplement to her revenue generation to finance specific projects. However, 77% of the respondents revealed that local government has not brought services near to the communities and this has led to lack of tax compliance. This observation was also confirmed by the key informants who revealed that people are not willing to pay the tax assessed on them as they claim that they do not see the services for which they are paying taxes for, yet it is when they pay their taxes that they can be provided public services.

4.3.3 Relationship between enabling environment and local revenue generation

The study tried to find out whether there was any relationship between enabling environment and local revenue generation in local governments. The analysis was made using Pearson coefficient of rank correlation. The elicited response was presented in table 10

Table 10: correlation results of enabling environment and local revenue generation

		Enabling Environment	Local revenue generation
Enabling environment	Pearson Correlation	1.000	.431**
	Sig. (2-tailed)	.	.005
	N	157	157
Local revenue generation	Pearson Correlation	.431**	1.000
	Sig. (2-tailed)	.005	.
	N	157	157
** Correlation is Significant at the 0.01 (2-tailed) ** Correlation is significant at the 0.05 (1-tailed)			

Source: Primary data

Table 10 shows a moderate positive correlation between enabling environment and local revenue generation ($r=0.431$; $p<0.05$). This analysis shows if there is a unit improvement in conducive environment, revenue generation is likely to increase by 18.6%. The study found out that what makes an enabling environment was creation of good political environment which creates autonomy to local governments, creation of stable and conducive economic environment, creation and implementation of legal provisions that empowers and strengthens local governments to assess and collect revenues. However, the response from the key informants revealed that even when there is good enabling environment in which local governments operate, local revenue generation has remained low. This is because there is a very narrow tax base due to low levels of investment in the district and the problem was intensified by political interference that led to the suspension of graduated tax which was a major source of revenue for local governments.

4.3.4 Assignment of appropriate functions to sub-national governments

The respondents were asked to reveal whether assignment of appropriate functions to sub-national governments is favourable for local revenue generation. Respondents were asked to indicate whether they strongly agree (SA), agree (A), undecided (UD), disagree (D) and strongly disagree (SD) using 5-likert scale. The analysis was done using the mean and standard deviation. A mean above 3 indicates an agreement of respondents; a mean of 3 shows undecided and a mean of below 3 shows disagreement by respondents. The standard deviation (SD) of close to 1 shows agreement, while the standard deviation of close to 0 indicates disagreement of the respondents. The analysis further grouped strongly agree and agree to mean agree and strongly disagree and disagree to disagree. The elicited results were shown on table 11

Table 11: Appropriate functions to sub-national governments

Appropriate functions to sub-national government	Response Category					Mean	S.D
	SA (%)	A (%)	UD (%)	D (%)	SD (%)		
There is political will by central government to decentralize fiscal functions	20 (12.7)	7 (4.4%)	0 (0%)	51 (32.5%)	79 (50.3%	2.12	.40
The district has enough capacity to handle the given fiscal responsibilities	49 (31.2%)	81 (51.6%)	2 (1.3%)	21 (13.4%)	4 (2.5%)	4.10	.49
Assigned fiscal functions are well understood by the implementers	65 (41.4%)	63 (40.1%)	1 (0.6%)	15 (9.5%)	13 (8.3%)	4.45	.49
Assigning appropriate fiscal functions has led to improved local revenue generation in the district	72 (45.8%)	43 (27.4%)	0 (0%)	25 (15.9%)	17 (10.8%)	3.98	1.29
There is appropriate legal mandate that allows local government to operate autonomously	42 (26.7%)	49 (31.2%)	4 (2.5%)	47 (29.9%)	15 (9.5%)	3.37	1.41

Source: Primary data

Table 11 shows that majority of the respondents agreed that there is assignment of appropriate functions to sub-national governments for revenue generation. This is supported by the fact that the mean of most of the responses were above 3, while the standard deviations were close to 1. The study revealed that assignment of appropriate functions for sub-national governments is created by: the capacity of the district to handle the given fiscal responsibilities (82.8%), assigned fiscal functions are well understood by implementers (81.5%), assigning appropriate fiscal functions has led to improved local revenue generation in the district (77%) and there is an appropriate legal mandate that allows local governments to operate autonomously (57.9%.). However, assigning appropriate functions to sub-national governments has been hampered by lack of political will by the central government to decentralize fiscal functions. This is because the response has a mean of 2.12 and standard deviation 0.4. This was also confirmed by majority of the respondents (82.8%) who revealed that there is no political will by the central government to decentralize fiscal functions.

4.3.5 The extent to which assignment of appropriate functions to sub-national governments contribute to local revenue generation

In determining the extent to which assignment of appropriate functions to sub-national governments contribute to local revenue generation, coefficient of determination was computed. The elicited response was presented in table 12.

Table 12: Coefficient of determination showing the extent of relationship between assignment of appropriate functions and local revenue generation (N=157)

	Dependent variable	R	R squared	Adjusted R2	Sig.
Assignment of functions to sub-national governments	Local revenue generation	.545	. .297	.288	.0013

Table 12 shows R square referred as coefficient of determination, which shows the degree and extent to which the independent variable is related to dependent variable. R square was adjusted to obtain adjusted R Square which is the coefficient of determination considered for the analysis and it was considered significant (sig. value <0.05). The results revealed that assignment of functions to sub-national governments contributes 28.8% on the local revenue generation. However, information from key informants revealed that assignment of functions to sub-national governments has not been appropriate to generate local revenue because the districts were not given proper mandate to determine what is required for the district. This is because district local governments are not independent to determine the various sources of revenue as they are always disrupted by political interference. One of the key respondent had this to say, 'many times the district has suggested to expand on the tax revenues by proposing the various sources as a way of expanding the local revenue base but because there has been a lot of public out cry, the government has many times suspended the implementation of such taxes'.

4.3.6 Effect of assigning appropriate revenues to sub-national governments

The respondents were asked to reveal the effect of fiscal decentralization in revenues to sub-national governments. Respondents were asked to indicate whether they strongly agree (SA), agree (A), undecided (UD), disagree (D) and strongly disagree (SD) using 5-likert scale. The analysis was done using the mean and standard deviation. A mean above 3 indicates an agreement of respondents; a mean of 3 shows undecided and a mean of below 3 shows disagreement by respondents. The standard deviation (SD) of close to 1 shows agreement, while the standard deviation of close to 0 indicates disagreement of the respondents. The analysis further grouped strongly agree and agree to mean agree and strongly disagree and disagree to mean disagree. The elicited results were shown on table 13

Table 13: Assigning appropriate revenues to sub-national governments

Appropriate revenues to sub-national government	**Response Category**					**Mean**	**S.D**
	SA (%)	A (%)	UD (%)	D (%)	SD (%)		
The central government has assigned adequate revenue sources to the district	51 (32.5%)	79 (50.3%)	0 (0%)	20 (12.7)	7 (4.4%)	2.12	.40
The collection of assigned revenues has been cost effective	49 (31.2%)	81 (51.6%)	2 (1.3%)	21 (13.4%)	4 (2.5%)	4.10	.49
There is effectiveness in managing and collecting assigned local revenue sources	65 (41.4%)	63 (40.1%)	1 (0.6%)	15 (9.5%)	13 (8.3%)	4.45	.49
Fiscal decentralization has increased investment which has increased revenue base for the district	72 (45.8%)	43 (27.4%)	0 (0%)	25 (15.9%)	17 (10.8%)	3.98	1.29
The assigned revenues have boosted local revenue generation	42 (26.7%)	49 (31.2%)	4 (2.5%)	47 (29.9%)	15 (9.5%)	3.37	1.41

Source: Primary data

Table 13 shows that majority of the respondents agreed that there is assignment of appropriate revenues to sub national governments. This is explained by the fact that the mean response was above 3, while the standard deviation is close to 1. The study further revealed that assignment of appropriate revenues to sub national governments is influenced by the collection of assigned revenues that has been cost effective. It was revealed by the majority of the respondents (82.8%) who agreed that local revenue generation is collected cost effectively in Bushenyi district**.** The study findings further revealed that majority of the respondents agree that there is effectiveness in managing and collecting assigned revenue sources. This means that assignment of appropriate revenues to sub national governments favours local revenue generation in Bushenyi district local government. This observation was also confirmed by the key respondents that included the Chief administrative officer and district planner who confirmed that assignment of appropriate revenues to sub national governments has increased local revenue generation though the suspension of graduated tax which was the main source of revenue left a big gap in Bushenyi district.

4.3.7 Assigning appropriate revenues to sub-national governments and local revenue generation

In determining the extent to which assignment of appropriate revenues to sub-national governments' influences local revenue generation, coefficient of determination was computed. The elicited response was presented in table 14.

Table 14: Coefficient of determination showing assigning appropriate revenues and local revenue generation (N=157)

	Dependent variable	R	R squared	Adjusted R2	Sig.
Assignment of appropriate revenue to sub-national governments	Local revenue generation	.423	. .1789	.168	.0021

Source: Primary data

Table 14 shows R square referred to as coefficient of determination, which shows the degree and extent to which the independent variable is related to dependent variable. R square was adjusted to obtain adjusted R Square which is the coefficient of determination considered for the analysis and it was considered significant (sig. value <0.05). The results revealed that assignment of appropriate revenues and local revenue generation contributes 16.8% on the local revenue generation to local governments. However, information received from key informants revealed that much as the central government has assigned revenues to sub-national governments, revenues have remained low. This is because decentralization has not increased investment in the district as the district cannot afford to offer investment incentives such as subsidies, tax rebates as well as infrastructure which is conducive for investment. As a result the revenue base is still low thus subjecting the district to be dependent on the central government as the main source.

4.3.8 Establishing an appropriate intergovernmental transfer systems to local governments

The respondents were asked to reveal effect of fiscal decentralization in establishing appropriate intergovernmental transfer system to local governments. Respondents were asked to indicate whether they strongly agree (SA), agree (A), undecided (UD), disagree (D) and strongly disagree (SD) using 5-likert scale. The analysis was done using the mean and standard deviation. A mean above 3 indicates an agreement of respondents; a mean of 3 shows undecided and a mean of below 3 shows disagreement by respondents. The standard deviation (SD) of close to 1 shows agreement, while the standard deviation of close to 0 indicates disagreement of the respondents. The analysis further grouped strongly agree and agree to mean agree and strongly disagree and disagree to mean disagree. The elicited results were shown on table 15.

Table 15: Appropriate Intergovernmental transfer system to local governments (N=157)

Appropriate Intergovernmental transfer system to local governments	Response Category					Mean	S.D
	SA (%)	A (%)	UD (%)	D (%)	SD (%)		
Conditional grants, Unconditional grants and Equalization grants are the main transfers made to the district	147 (93.6%)	10 (6.4%)	0 (0%)	0 (0%)	0 (0%)	4.94	1.40
Intergovernmental transfer system is done in an appropriate manner	49 (31.2%)	81 (51.6%)	2 (1.3%)	21 (13.4%)	4 (2.5%)	4.10	1.29
Proper guidelines are followed when making transfers	65 (41.4%)	63 (40.1%)	1 (0.6%)	15 (9.5%)	13 (8.3%)	4.45	1.39
Intergovernmental transfers have improved local revenue generation	72 (45.8%)	43 (27.4%)	0 (0%)	25 (15.9%)	17 (10.8%)	3.98	1.29
.Fiscal decentralization has been achieved through intergovernmental transfer system	42 (26.7%)	49 (31.2%)	4 (2.5%)	47 (29.9%)	15 (9.5%)	3.37	1.41

Table 15 shows that respondents agreed that there is an appropriate intergovernmental transfer system to local governments. This is explained by the fact that the mean response was above 3, while the standard deviation was close to 1. The study found out that all respondents (100%) agreed that conditional grants, unconditional grants and equalization grants are the main transfers made to the districts, 82.8% agreed that intergovernmental transfer system is done in an appropriate manner, 81.5%

agreed that proper guidelines are followed when making transfers, 73.2% agreed that intergovernmental transfers have improved local revenue generation and 57.9% agreed that fiscal decentralization has been achieved through intergovernmental transfer system.

4.3.9 Relationship between appropriate Intergovernmental transfer system to local governments and local revenue generation

In determining the extent to which appropriate intergovernmental transfer system to local governments influences local revenue generation, coefficient of determination was computed. The elicited response was presented in table 16.

Table 16: Coefficient of determination showing appropriate intergovernmental and local revenue generation (N=157)

	Dependent variable	R	R squared	Adjusted R2	Sig.
Intergovernmental transfers to local governments	Local revenue generation	.789	. .622	.618	.000

Source: Primary data

Table 16 shows R square referred to as coefficient of determination, which shows the degree and extent to which the independent variable is related to dependent variable. R square was adjusted to obtain adjusted R Square which is the coefficient of determination considered for the analysis and it was considered significant (sig. value <0.000). The results revealed that appropriate Intergovernmental transfer system to local governments' contributes 61.8% on the local revenue generation to local governments. This observation was confirmed by key respondents who revealed that intergovernmental transfers in form of conditional and non-conditional grants are the main sources of revenue to the district.

4.3.10 Developing adequate local access to investment

The respondents were asked to reveal effect of fiscal decentralization in developing adequate local access to investment in the district. Respondents were asked to indicate whether they strongly agree (SA), agree (A), undecided (UD), disagree (D) and strongly disagree (SD) using 5-likert scale. The analysis was done using the mean and standard deviation. A mean above 3 indicates an agreement of respondents; a mean of 3 shows undecided and a mean of below 3 shows disagree by respondents. The standard deviation (SD) of close to 1 shows agreement, while the standard deviation of close to 0 indicates disagreement of the respondents. The analysis further grouped strongly agree and agree to mean agree and strongly disagree and disagree to mean disagree. The elicited results were shown on table 17.

Table 17: Developing adequate local access to investment in the district

Developing adequate local access to investment	**Response Category**					**Mean**	**S.D**
	SA (%)	A (%)	UD (%)	D (%)	SD (%)		
The district subsidizes potential and existing investors in the way of encouraging investment in the district in order to increase revenue base	0 (0%)	0 (0%)	0 (0%)	147 (93.6%)	10 (6.4%)	1.94	.43
Investors in the district have easy access	4 (2.5%)	21	2	81	49	2.04	0.09

to subsidized loans to encourage investment		(13.4%)	(1.3%)	(51.6%) 21	(31.2%)		
Part of transfers from the central government to local government is used to subsidize potential investors in the district with intention of increasing revenue base for the district	13 (8.3%)	48 (30.6%)	1 (0.6%)	30 (19.1%)	65 (41.4%)	2.64	0.32
The district gives adequate grants to young entrepreneurs to promote investment	25 (15.9%)	43 (27.4%)	0 (0%)	72 (45.8%)	17 (10.8%)	2.898	.129
The district gets adequate capital development fund for infrastructure development which is a perquisite for promoting investment in the district	42 (26.7%)	15 (9.5%)	4 (2.5%)	47 (29.9%)	49 (26.7%)	2.17	.141

Source: Primary data

Table 17 shows that respondents disagreed that there is no developing local access to investment in the district. This is explained by the fact that the mean response was below 3, and the standard deviation was close to 0. The study found out that most respondents disagreed that the district subsidizes potential and existing investors in the way of encouraging investment in the district in order to increase revenue base (100%), that Investors in the district have no easy access to subsidized loans to encourage investment (82.5%), respondents also disagreed that part of transfers from the central government to local government is used to subsidize potential investors in the district with intention of increasing revenue base for the district (60.5%), the district does not avail adequate grants to young entrepreneurs to promote investment in the district (56.6%) and respondents disagreed that the district does not get adequate capital development fund for infrastructure development which is a perquisite for promoting investment in the district (56.6%). These findings were also confirmed by the informants who said the district has not done much in putting aside funds to be accessed by the potential and existing investors in the district. This is because the district does not generate enough funds due to suspension of graduated tax by the central government.

4.3.11 Relationship between local access to investment capital and local revenue generation

The study tried to find out whether there was any relationship between developing adequate local access to investment and local revenue generation in local governments. The analysis was made using Pearson coefficient of rank correlation. The elicited response was presented in table 18

Table 18: Correlation between local investment capital and revenue generation

		Local access to investment	Local revenue generation
Local access to investment	Pearson Correlation	1.000	.191**
	Sig. (2-tailed)	.	.008
	N	157	157
Local revenue generation	Pearson Correlation	.191**	1.000
	Sig. (2-tailed)	.008	.
	N	157	157
** Correlation is Significant at the 0.01 (2-tailed) ** Correlation is significant at the 0.05 (1-tailed)			

Table 18 shows a weak positive correlation between developing adequate local access to investment and local revenue generation ($r=0.191; p<0.05$). The analysis further computed the coefficient of determination (r square multiplied by 100). This analysis shows if there is a unit improvement in developing adequate local access to investment, local revenue is likely to increase by 3.6% which seemed to be a very small contribution. This observation was also confirmed by key respondents who revealed that even when a need for promotion of local investment is there, the district has no enough funds to give in form of subsidies, tax concessions and easy access to credit. Although the district is trying to promote infrastructure development such as roads, telecommunication system, schools, health centers favourable for investment, investment in the district is still low yet under fiscal decentralization, the district should be able increase its revenue base.

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There was a need to find out the contribution of each independent variable on the dependent variable. The intention for this analysis was to find out the correlation in terms of magnitude each variable is contributing on dependent variable. This interaction was done using linear regression analysis where revenue generation was taken as dependent variable; enabling environment (Environment), assignment of appropriate functions to sub-national governments (Appropriate functions), assigning of appropriate revenues to sub-national governments(Appropriate revenues) developing appropriate intergovernmental transfer system (Intergovernmental transfer), developing adequate local access to investment (local investment) as predictor variables. The results were presented in table 19.

Table 19: Linear regression result for the predictors of revenue generation

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	31.965	6.063		10.436	.000
	Environment	.258	.136	.224	4.250	.007
	Appropriate functions	3.275	.154	2.110	21.266	.001
	Appropriate revenues	1.220	.022	1.192	11.737	.011
	Intergovernmental transfers	4.435	.042	3.628	23.762	.000
	Local investment	.497	.378	.4112	3.127	.008

Table 19 shows that the predictor variables positively influence the dependent variable by 53.4% (Adjusted R square = 0.534, F =12.321; p <0.006). The findings show that if an enabling environment improves by one unit, revenue generation will improve by 0.258. A unit increase in assignment of appropriate functions to sub-national governments by the central government, revenue generation is likely to increase by 3.275. The analysis further revealed that a unit increase in assigning of appropriate revenues to sub-national governments is likely to increase revenue generation by 1.220. It was further found out that a unit improvement in developing appropriate intergovernmental transfer system is likely to increase revenue generation by 4.435 and a unit increase in developing local access to investment is likely to increase revenue generation by 0.497.

Hypotheses testing

The study tested hypotheses as a way of accepting or rejecting them as this was the basis on which the analysis was based from where the conclusions were drawn.

Hypothesis One

This hypothesis predicted that “An enabling environment does not significantly contribute to local revenue generation in local governments”.

Null hypothesis:

H_0: enabling environment does not significantly contribute to local revenue generation in local governments.

Alternative hypothesis:

H_1: there is significant relationship between them

α level: α =.05

The hypothesis was tested using Pearson’s coefficient correlation and the results were summarized in the table 20;

Table 20: Correlation between enabling environment and revenue generation

		Enabling environment	Local revenue generation
Enabling environment	Pearson Correlation	1.000	.223**
	Sig. (2-tailed)	.	.004
	N	157	157
Local revenue generation	Pearson Correlation	.223**	1.000
	Sig. (2-tailed)	.004	.
	N	157	157
** Correlation is Significant at the 0.01 (2-tailed) ** Correlation is significant at the 0.05 (1-tailed)			

Table 20 shows that there is a weak positive relationship between an enabling environment and local revenue generation in Bushenyi district local government (r =0.223; p =0.004 lower than 0.05). Since the correlation was found not to be statistically significant, the null hypothesis (H_0) was accepted and the alternative hypothesis (H_1) which recognizes the existence of significant relationship between enabling environment and local revenue generation is rejected.

Hypothesis two

This hypothesis predicted that "Assignment of appropriate functions to sub-national governments contributes to local revenue generation in local governments".

Null hypothesis:

H_0: Assignment of appropriate functions to sub-national government contributes to local revenue generation in local governments.

Alternative hypothesis:

H_1: there is significant relationship between them

α level: α =.05

The hypothesis was tested using coefficient of determination and the results were summarized in the table 21.

Table 21: Coefficient of determination showing the extent of relationship between assignment of appropriate functions and local revenue generation (N=157)

	Dependent variable	R	R squared	Adjusted R2	Sig.
Assignment of functions to sub-national governments	Local revenue generation	.545	. .297	.288	.0013

Table 21 shows R square referred as coefficient of determination, which shows the degree and extent to which the independent variable is related to dependent variable. R square was adjusted to obtain adjusted R Square which is the coefficient of determination considered for the analysis and it was considered significant (sig. value <0.05). The results revealed that assignment of functions to sub-national governments contributes 28.8% on the local revenue generation. Since this percentage is less than 50%, the null hypothesis (H_0) was accepted.

Hypothesis Three

This hypothesis stated that "Assigning appropriate revenues to sub-national governments does not significantly contribute to local revenue generation in local governments".

Null hypothesis:

H_0: Assigning appropriate revenues to sub-national governments does not significantly contribute to local revenue generation in local governments.

Alternative hypothesis:

H_1: There is significant relationship between them

α level: α =.05

The hypothesis was tested using Pearson's coefficient correlation and the results were summarized in the table 22

Table 22: Correlation between assigning appropriate revenue and local revenue generation

		Assigning appropriate revenues	Local revenue generation
Assigning appropriate revenues	Pearson Correlation	1.000	.311**
	Sig. (2-tailed)	.	.006
	N	157	157
Local revenue generation	Pearson Correlation	.311**	1.000
	Sig. (2-tailed)	.006	.
	N	157	157
** Correlation is Significant at the 0.01 (2-tailed)			
** Correlation is significant at the 0.05 (1-tailed)			

Table 22 shows that there is a weak positive relationship between assigning appropriate revenues and local revenue generation in Bushenyi district local government (r =0.311; p =0.006 lower than 0.05). Since the correlation was found not to be statistically significant, the null hypothesis (H_0) was accepted and the alternative hypothesis (H_1) which recognizes the existence of significant relationship between them was rejected.

Hypothesis Four

This hypothesis predicted that "Appropriate intergovernmental transfer system does not significantly contribute to local revenue generation in local governments".

$$H_o: \mu_{Intergovenmentaltrasfers} = \mu_{Localrevenuegeneration}$$

Where μ represents the mean of local revenue generation

Alternative hypothesis:

H_1 : not H_o

α level: α =.05

One –way ANOVA was used to analyze the variances in means between assigning appropriate revenues and local revenue generation using the levene statistic and f-test. The results are summarized in table 23 and 24.

Table 23: Levene statistic test for Homogeneity of variances between Intergovernmental transfer and local revenue generation

Levene statistic	Df1	Df2	Sig.
1.001	1	318	.076

The levene statistic tested for homogeneity of variances of assigning intergovernmental transfer and local revenue generation. Since the significance value (Sig.) is greater than 0.05 level of significance, we accept the assertion that variances are equal. However, further analysis is done using the F-test to find out whether to reject or accept the null hypothesis. The elicited responses were shown in table 24.

Table 24: **F-test Results for Differences in means of intergovernmental transfer and local revenue generation**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	335.961	1	11.987	5.529	.005
Within Groups	48.102	318	2 .163		
Total	384.063	319			

Table 24 shows the values of F-ratio, degrees of freedom and significance. Since F (1, 318) =5.529; p< 0.05), H_o is rejected and (H_1) is accepted. This means that assigning intergovernmental transfers significantly contributes to local revenue generation.

Hypothesis Five

This hypothesis predicted that "Adequate local access to investment capital does not significantly contribute to local revenue collection in local governments".

Null hypothesis:

H_0: Adequate local access to investment capital does not significantly contribute to local revenue collection in local governments.

Alternative hypothesis:

H_1: There is significant relationship between them

α level: α =.05

The hypothesis was tested using Pearson's coefficient correlation and the results were summarized in the table 25

Table 25: Correlation between local access to investment and local revenue generation

		Local access to investment	Local revenue collection
Local access to investment	Pearson Correlation	1.000	.123**
	Sig. (2-tailed)	.	.007
	N	157	157
Local revenue collection	Pearson Correlation	.123**	1.000
	Sig. (2-tailed)	.007	.
	N	157	157
** Correlation is Significant at the 0.01 (2-tailed) ** Correlation is significant at the 0.05 (1-tailed)			

Table 25 shows that there is a weak positive relationship between local access to investment and local revenue collection in Bushenyi district local government (r =0.123; p =0.007 lower than 0.05). Since the correlation was found not to be statistically significant, the null hypothesis (H_0) was accepted and the alternative hypothesis (H_1) which recognizes the existence of significant relationship between them is rejected.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the study, discussion of the findings, conclusions and recommendations. It also presents contributions of the study and areas for further research. The discussion of the findings, conclusion and recommendations are presented objective by objective.

5.1 Summary of findings

The purpose of the study was to assess the fiscal decentralization and local revenue generation in Bushenyi District local government system. Fiscal decentralization was taken as independent variable with components of enabling environment, assignment of appropriate functions to sub-national governments, assignment of appropriate revenues to sub-national governments and developing appropriate intergovernmental transfer system and developing adequate local access to investment. On the other hand local revenue generation was taken as dependent variable with components of increase in revenue base, effectiveness revenue collection and increase in tax compliance.

The objectives of the study were: to examine how enabling environment contributes to local revenue generation in Bushenyi district local government, to examine the extent to which assignment of appropriate functions to sub national governments contributes to local revenue generation in Bushenyi district local government, to determine the effect of assigning appropriate revenues to sub-national government on local revenue generation in Bushenyi district local government, to establish how appropriate intergovernmental transfer systems contributes to local revenue generation in Bushenyi district local government and to analysis how adequate local access to investment capital contributes to local revenue collection in Bushenyi district local government.

The study took a case study design where both qualitative and quantitative methods of data collection and analysis were used. Data was collected using questionnaire and interview guide. Both descriptive and inferential statistical techniques of analyses were used.

The study revealed that there is enabling environment favourable for revenue generation. But even when this was so, revenue generation in the district was found to be still very low.

The results showed that assignment of functions to sub-national governments contributes to the local revenue generation. However, the study found out that assignment of functions to sub-national governments has not been appropriate to generate local revenue because the districts were not given proper independency to determine what is required for the district there is lack of political will by the central government to decentralize services.

The study further revealed that much as the central government has assigned revenues to sub-national governments, revenues to run the districts have remained insufficient. This is because decentralization has not increased investment in the district and as a result, the revenue base is still low and at the same time some revenue sources in the district have remained in the hands of the central government.

5.2 Discussion of findings

Discussion of findings for the study was done according to the objectives.

5.2.1 To examine how enabling environment contributes to local revenue generation in Bushenyi district local government.

The study findings revealed a moderate positive correlation between enabling environment and local revenue generation ($r=0.431$; $p<0.05$). This analysis shows if there is a unit improvement in conducive environment for local governments to operate in, revenue generation is likely to increase by 0.431. However, the response from the key informants revealed that even when there is good enabling environment in which local governments operate, local revenue generation has remained low. This is because there is a very narrow tax base due to low levels of investment in the district and the problem was intensified by political interference that led to the suspension of graduated tax which was a major source of revenue for local governments. This finding was in conformity with that of MoLG (2006) that local revenue generation is based on the decentralization policy and the accompanying constitutional and other legal provisions making it operational. Under clauses 1 and 2 of article 191 of the 1995 Constitution of Uganda as amended, local governments have legal powers to raise local revenue from their areas of jurisdiction. Local governments are mandated to besides grant transfers from the central government, generate and collect revenue locally. They are mandated to identify and mobilize local revenue from a variety of sources.

The findings are also in conformity with that of Joint Annual Review of Decentralization (2004) which emphasized that local revenues are central to the principal of decentralization. Local governments are only independent and accountable but also a source of funds to compliment service delivery.

The findings are also in conformity with that of (MoLG, 2006) which confirmed that Uganda‘s decentralization system empowers local governments to access revenues for effective financing of devolved responsibilities. The local governments execute their functions using resources transferred from the center, mobilized locally, and directly received from donors. Resource transfer from the center to local governments takes the form of conditional, unconditional or equalization grant.

However, the findings from key informants was also in agreement with that of (Bahiigwa, et al, 2004) who found that increased political freedom and power at the local level have also affected the revenue base of local governments. For example, tax assessments are reported to have come under undue influence of political leaders who have in some instances placed political supporters in lower graduated tax brackets. Local revenue performance (Bahiigwa, et al. 2004). The suspension of graduated tax based on political rather than economic determination of its burden to the citizens has further deteriorated local government‘s revenue performance.

The findings were also in conformity with that of (Cheema and Rodinelli, 1983) cited by Kyeyune (2008) which noted that the greatest ambiguity in the decentralization policy was the insistence by the national leaders on transferring planning and administration functions without providing localities with sufficient financial resources and adequate legal powers to collect and allocate resources.

5.2.2 To examine the extent to which assignment of appropriate functions to sub-national governments contributes to local revenue generation

The study findings using coefficient of determination was significant (sig. value <0.05). The results revealed that assignment of functions to sub-national governments contributes 28.8% on the local revenue generation. However, information from key informants revealed that assignment of functions to sub-national governments has not been appropriate to generate local revenue because the districts were not given proper independency to determine what is required for the district there is lack of political will by the central government to decentralize services.

The findings were in conformity with that of Article 191 (1) of the constitution of Uganda which empowers local governments to levy, charge, collect appropriate fees and taxes in accordance with laws enacted by parliament to that effect. The taxes and fees that local governments can levy, charge and collect are provided in the fifth schedule to the Local Governments Act. These include graduated personal tax, property tax, market fees, and many others. Revenues that local governments raise by themselves are very important in advancing decentralization. These revenues ensure the autonomy and discretion of local governments to plan, budget and implement their local priorities and needs ((MoLG, 2006).

The findings were also in conformity with that of (John et al, 2006), who found out that when governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization

The finding was also in agreement with that of (Smoke, 2005) who revealed that implementation of functions given to the local governments is a challenge because central agencies often resist losing powers and resources, the reason why there is no independent autonomy by the local governments.

5.2.3 To determine the effect of assigning appropriate revenues to sub national governments on local revenue generation in Bushenyi district local government

The findings revealed that the coefficient of determination linking assigning appropriate revenues to sub-national governments and local revenue generation was considered significant (sig. value <0.05). The results revealed that assignment of appropriate revenues to sub national governments contributes 16.8% on the local revenue generation to local governments and this was seen to be a very small contribution.

This observation was got from the informants who revealed that much as the central government has assigned revenues to sub-national governments, revenues to run the districts have remained insufficient. This is because decentralization has not increased investment in the district and as a result the revenue base is still low and at the same time some revenue sources in the district have remained in the hands of the central government.

The findings were in agreement with (Government Act, 1997),article 191 (1) of the Ugandan Constitution that empowers local governments to levy, charge collect an appropriate fees and taxes in accordance with laws enacted by parliament to that effect. The taxes and fees that local governments can levy, charge and collect are provided in the Fifth Schedule of the Local Governments Act. These include graduated personal tax, property tax, market fees and many others. Revenues that local governments raise by themselves are very important in advancing decentralization. These revenues ensure the autonomy and discretion of local governments to plan, budget and implement their local priorities and needs.

The finding was also in agreement with that of (Bahl,and Bird, 2008) who found out that in most developing countries potentially sound and productive taxes exist and are suitable for regional and local governments: property taxes, taxes on motor vehicles, surcharges on national personal income taxes, payroll taxes, and even, in some cases, regional value added taxes and properly designed local business taxes.

The study findings from key informants was also in conformity with that of (Onyach,2003) who observed that although there are important concerns about how the fiscal decentralization system is being executed on the ground, the original intentions of the framework is not being met. This finding was in agreement with that of (Enemu, 2000) who found out that there are three particularly problematic concerns that remain on the revenue side in local governments: First, assigned revenues are almost never adequate to meet the local expenditure requirements. This means that central government transfer programs are definitely required. Second, sub-national governments often use too many unproductive revenue sources that barely cover the costs of collecting them. Third, individual local revenue sources suffer from some serious design problems, such as stagnant bases, overly complex structures, and ineffective collection mechanisms.

5.2.4 To establish how appropriate intergovernmental transfer systems contributes to local revenue generation in Bushenyi district local government.

The findings revealed that the coefficient of determination linking appropriate intergovernmental transfer systems and local revenue generation was statistically considered significant (sig. value <0.05). The results revealed that intergovernmental transfer system contributes 61.8% of the local revenue generation. This observation was also confirmed by key respondents who revealed that intergovernmental transfers are regarded as the main source revenue generation in the district.

The finding was in agreement with that of (Bahl and Linn,1994) who found out that Intergovernmental transfer programmes serve multiple, often-interrelated purposes. First, they help to cover sub-national government fiscal imbalances, supplementing inadequate local own-source revenues to improve the ability of sub-national governments to meet their expenditure responsibilities. Second, they can be used to meet national re-distributional objectives, helping to offset capacity differences among sub-national governments. Third, they can be used to encourage local expenditures on particular goods and services that exhibit positive externalities or are considered to be basic needs that should be distributed less unequal than the ability to pay for them. Most transfer systems are intended, at least officially, to meet these objectives, and they use a variety of types of mechanisms to do so.

However, the study findings is in disagreement with that of (Smoke, 2008) who did not find an empirical evidence to justify or discredit the pursuit of fiscal decentralization in developing countries because information was scanty and mixed. None of the claims on either extreme—that fiscal decentralization retards economic development and has a variety of undesirable macroeconomic effects; or that it improves local service delivery and enhances government accountability to local citizens—has been adequately tested.

5.2.5 To analyze how adequate local access to investment capital contributes to local revenue collection in Bushenyi district local government

The study findings revealed a weak but positive correlation between developing adequate local access to investment and local revenue generation ($r=0.191$; $p<0.05$). This analysis shows if there is a unit improvement in developing adequate local access to investment, local revenue is likely to increase by only 0.191. This observation was also confirmed by key respondents who revealed that even when a need for promoting the local investment is there, the district has no enough funds to give in form of subsidies, tax concessions and easy access to credit, although the district is trying to develop infrastructure favourable for investment. Investment in the district is still low yet under decentralization, the district should increase its revenue base by promoting both local and foreign investors with the intention of increasing the tax base.

The study findings is in agreement with that of (Smoke, 2005) who found out that a good intergovernmental system requires an appropriate spectrum of public investment finance options, from grants and subsidized loans for poorer SNGs and non-self-financing projects, to various types of loans for fiscally sound SNGs and self-financing projects. Where SNGs are relatively strong, efforts to develop access to capital markets make sense, but the central government must regulate borrowing and enforce a hard budget constraint. In more typical developing countries, where SNG responsibilities are smaller and they are fiscally weak, special credit institutions may be appropriate. Initial public management of these institutions gives the center control over SNG borrowing, although this must be structured to minimize abuse. Such institutions can be increasingly privatized as SNGs develop creditworthiness

The study is also in support of (Peterson, 2000) who discovered that a good fiscal decentralization program requires the development of an appropriate spectrum of options to finance capital investment, from grants and subsidized loans for poorer sub-national governments and non-self-financing projects, to various types of loans and bonds for fiscally sound sub-national government and self-financing projects. As with grants, the approach that a central government takes towards enhancing sub-national government access to loans depends on fiscal context. In cases where decentralized governments are relatively strong, efforts to develop direct access to capital markets, develop and enforce credit limits, and stop bailing out sub-national governments that default on their debt. In more typical cases, where sub-national government is investment responsibilities are smaller and they are fiscally weak, some type of government development fund will generally be the correct approach. But in most of the less developing countries do not assign enough funds to support local investment.

5.3 Conclusions

From the analysis that was made accompanied by discussions of findings, the study went ahead to draw conclusions based on the objectives of the study. Specifically the conclusions were based on the following objectives:

5.3.1 To examine how enabling environment contributes to local revenue generation in Bushenyi district local government.

Much as there is environment in which local governments operate that is favourable for revenue generation, local revenues in the district have remained low. This is because there is a narrow tax base due to low levels of investment in the district and the problem was found to be intensified by political interference that led to suspension of graduated tax which was a major source of revenue for local governments.

5.3.2 To examine the extent to which assignment of appropriate functions to sub-national governments contributes to local revenue generation

The study further concluded that much as assignment of functions to sub-national governments by the central government under fiscal decentralization has led to some increase in local revenue generation, sub-national governments have not been appropriate to generate enough local revenue. This is because the districts were not given proper independency to determine what is required for the district, and there is lack of political will by the central government to decentralize all the services to the districts. This has put the district local government not to have enough mandates in making decisions that can help the district to mobilize enough local revenue to meet their financial obligation.

5.3.3 To determine the effect of assigning appropriate revenues to sub national governments on local revenue generation in Bushenyi district local government

The study concluded that assigning appropriate revenues to sub national governments has contributed little on the local revenue generation to local governments. This is because much as the central government has assigned revenues to sub-national governments, revenues to run the districts have remained insufficient. This is because decentralization has not increased investment in the district and as a result the revenue base is still low and at the same time some revenue sources in the district have remained in the hands of the central government thus reducing the capacity of the district local governments to generate sufficient local revenue required for efficient service delivery.

5.3.4 To establish how appropriate intergovernmental transfer systems contributes to local revenue generation in Bushenyi district local government.

The study concluded that intergovernmental transfer system contributes the biggest portion of the local revenue generation. The study confirmed that intergovernmental transfers which are in form of conditional grants and unconditional grants as well as equalization grants are regarded as the main source of revenue generation in the district local governments. This has enabled local governments to remain financially dependent on the central governments. This has not created good environment for fiscal decentralization to operate efficiently in generating local revenues for the district local governments to finance their budgets.

5.3.5 To analyze how adequate local access to investment capital contributes to local revenue collection in Bushenyi district local government

The study findings came up with the conclusion that there is still inadequate local access to investment capital in the district. This has led to limited contribution to local revenue collection in the district. The study found out that even when a need for promoting the local investment is there, the district has no enough funds to give in form of subsidies, tax concessions and easy access to credit, although the district is trying to develop infrastructure favourable for investment. It is due to this that districts have narrow tax bases that have not been enough for them to generate enough local revenues to meet their fiscal decentralization obligation.

5.4 Recommendations

Basing on the study findings and conclusions, the following recommendations based on the objectives of the study do emerge:

5.4.1 To examine how enabling environment contributes to local revenue generation in Bushenyi district local government.

There is a need to establish policies which provide enabling environment in enhancing local revenue generation. This is only achieved through good political will that will enhance transforming policies into action. It is important that actors like Local government Finance Commission should examine alternative sources of LG financing such as royalties, agency fees and devolution of some of the taxes that could be effectively managed by the LGs. The study also recommends that clauses 1 and 2 of article 191 of the 1995 constitution that gives local governments legal powers to raise local revenue from their areas of jurisdiction be operational zed. This will empower local governments to act independently without political interference.

5.4.2 To examine the extent to which assignment of appropriate functions to sub-national governments contributes to local revenue generation

The study found out that assignment of functions to sub-national governments by the central government under fiscal decentralization has not done efficiently. This is because the districts were not given proper independency to determine what is required for the district. The study therefore recommends that clauses 1 and 2 of article 191 of the 1995 Constitution of Uganda that empowers local governments have legal powers to raise local revenue from their areas of jurisdiction be operational zed and be adhered to.

5.4.3 To determine the effect of assigning appropriate revenues to sub national governments on local revenue generation in Bushenyi district local government

Since the study found that assigning appropriate revenues to sub national governments has contributed something little on the local revenue generation to local governments. The study recommends that local governments should put in place conducive policies that lead to increase on the level of investment to increase the tax base. This can be done by promoting investment policies such as subsidies, tax holidays, and access to cheap credit as well as promoting the development of the infrastructure. This can be done in collaboration with the government as well as donors outside the district.

5.4.4 To establish how appropriate intergovernmental transfer systems contributes to local revenue generation in Bushenyi district local government

Intergovernmental transfers form the main revenue source to the district local governments. This has created financial dependencies where the district local governments have depended upon the central government. This has created political interference in the decision making of districts that has led to reduction of some tax revenues to the districts. The study recommends that there is need to build local capacity that will be enough to generate the main source of revenues to the districts. Government transfers should keep on reducing with time and all revenue sources in the districts should be decentralized. This will enhance the fiscal decentralization to the districts and promote financial autonomy from the central government.

5.4.5 To analyze how adequate local access to investment capital contributes to local revenue collection in Bushenyi district local government

Since there is a narrow tax base in the district, the study recommends that local governments in collaboration with the central government should promote local investment. This can be done by availing investment funds to potential and existing investors, giving tax concessions and exemption during the infant stages and giving them long term loans. This would lead to increase in tax base and increase local revenue generation.

5.5 Limitations of the study

Even when all the efforts were made to control for limitations, this research study was conducted within the confines of mixed factors, which were beyond the control of the researcher; thereby generating a source of limitations for the study.

The first limitation warranting attention of this study pertains to the length of the survey instrument and the scales that were used as well as the interview guide used. The instruments were generally long due to the number of variables that were being measured and this could have created problems to some respondents. Also the inclusion of the "undecided measure" on the survey instrument as their response could have had an effect on the accuracy of some statistical techniques used as well as the analyses that were made.

The second limitation this study met was the sensitivity of some questions in the research instruments used to collect data from respondents. There was a possibility where accurate answers were dodged and wrong answers given. This could have compromised on the accuracy and validity of the study findings.

5.6 Contributions of the study

The study stated the problem of investigation in chapter one to the effect that limited research had been conducted in the area of fiscal decentralization and local revenue generation in district local governments particularly taking the views of many stakeholders running district local governments. Researches that had been conducted focused on finance officers alone as source of information but this study included district officials, heads of departments, and other civil servants. In general the researcher is strongly convinced that the study of fiscal decentralization in relation to local revenue generation using fiscal decentralization theory and following the quantitative and qualitative scientific procedures and the methodological approaches offers original information and adds on the body of the literature on the two areas of study: fiscal decentralization and local revenue generation. But in specific terms, the study has made the following contributions:

1) This study has made a contribution in the use of both quantitative and qualitative methods of data collection and analysis by adopting a triangulation approach since most of the literature reviewed was on the side of quantitative analysis. Sarantakos (2005) has recommended that triangulation allows the researcher to view a particular point in research from more than one perspective and hence to enrich knowledge and/ or test validity. This is what this study fulfilled.

2) The study has made a contribution in making recommendations for the subsequent scholarly research efforts aimed at enhancing the knowledge of fiscal decentralization and local revenue generation in the district local governments.

3) Through the study findings and conclusions, an effort has been made to make recommendations of significant policy and management implications to policy makers. Institutionally and managerially, the recommended areas will go along way in distilling issues critical for the well functioning of

district local governments under fiscal decentralization. The district officials will be availed with up-to-date information on fiscal decentralization system upon which decision-making for running the district local governments in line with local revenue generation can be anchored.

5.7 Areas for further Research

The findings of the study together with the conclusions drawn on each of the study objectives, limitations and recommendations found out that there are opportunities for further research that would give further insight into the area of fiscal decentralization and local revenue generation system in district local governments. These areas include:

1) A longitudinal study of the relationship between fiscal decentralization and local revenue generation system in Bushenyi district local government.
2) This study focused on fiscal decentralization and local revenue generation system in Bushenyi local government. Therefore, future research opportunities can be exploited by conducting the same study in other district local governments in Uganda for comparisons of the findings.

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APPENDICES

APPENDIX 1

QUESTIONNAIRE.

Dear Respondent,

This is a research leading to the award of a Masters Degree in Public Administration and Management of UMI. The purpose of this study is to investigate the extent to which fiscal decentralization affects local revenue generation in Bushenyi district local government.

You are kindly requested to feel free and express your opinion on each of the issues raised as objectively as possible.

The information that you will provide will be treated with utmost confidentiality and under no circumstance will it be personalized. The basic research ethics are to be observed and adhered to

Your positive and quick response will be highly appreciated.

Thank you for your cooperation

Yours truly, David Betiina Bukomooko

Section A: Background Information (Bio-data of respondents)

1. Age

☐ 21-30 years ☐2 31-30 years

☐ 41-50 ears ☐ 51 and above

2. Sex

☐ Male ☐ Female

3. Level of education

☐ Primary ☐ Secondary

☐ Tertiary ☐ University

4. Position held

☐ Accountant ☐ Chief Finance Officer

☐ Sub county chief ☐ CAO

Others (specify)…………………………………………..

5. Duration of service in the above position

☐ Less than two years ☐ Between two to five years

☐ Between five to ten years ☐ More than ten years

In the remaining part of the questionnaire, you are requested to objectively express your opinion in regard to the fiscal decentralization and local revenue generation in local government systems.

Thematic areas are being considered, please simply tick appropriate alternative.

Scale: 1=Strongly Agree, 2=Agree, 3=Undecided, 4=Disagree, 5=Strongly Disagree

Section B: Enabling environment	**1**	**2**	**3**	**4**	**5**
1. The policies are always favourable for local revenue generation					
2. Fiscal decentralization operates in a good economic environment					
3. Local revenue generation is done within the set legal provisions					
4. Decentralized levels of government have been strengthened to effectively manage local revenue generation					
5. There are adequate resources and capacity for the district to meet their fiscal responsibilities of local revenue generation					
SECTION C: Assignment of appropriate functions to sub national governments					
1. There is political will by central government to decentralize fiscal functions					
2. The district has enough capacity to handle the given fiscal responsibilities					
3. Assigned fiscal functions are well understood by the implementers					
4. Assigning appropriate fiscal functions has led to improved local revenue generation in the district					
5.There is appropriate legal mandate that allows local government to operate autonomously					
Section D: Assignment of Appropriate Revenues to Sub National Governments					
1. The central government has assigned adequate revenue sources to the					

district					
2. The collection of assigned revenues has been cost effective					
3. There is effectiveness in managing and collecting assigned local revenue sources					
4.Fiscal decentralization has increased investment which has increased revenue base for the district					
5. The assigned revenues have boosted local revenue generation					
Section E: Developing appropriate inter governmental transfer system					
1. Conditional grants, Unconditional grants and Equalization grants are the main transfers made to the district					
2.Intergovernmental transfer system is done in an appropriate manner					
3. Proper guidelines are followed when making transfers					
4. Intergovernmental transfers have improved local revenue generation					
5.Fiscal decentralization has been achieved through intergovernmental transfer system					
Section F: Developing adequate local access to investment					
1.The district subsidies potential and existing investors in the way of encouraging investment in the district in order to increase revenue base					
2. Investors in the district have easy access to subsidized loans to encourage investment					
3. Part of transfers from the central government to local government is used to subsidize potential investors in the district with intention of					

increasing revenue base for the district					
4.The district avail adequate grants to young entrepreneurs to promote investment					
5. The district gets adequate capital development funds for infrastructure development which is a perquisite for promoting investment in the district					
Section G: Local revenue Generation					
1. Market dues are sources of local revenue for the district					
2. Local service tax is the main source of revenue for the district					
3. The district gets a big portion of revenue from central government in form of grants as a result of decentralization					
4.Access to investment has improved local revenue generation in the district					
5.Decentralization has promoted investment in the district that has led to increase in revenue sources for the district					
6. The district can easily access revenues through guarantees from government as a benefit of fiscal decentralization					
7. Decentralization which has brought services near the communities has led to increase in tax compliance					
8. Decentralization has promoted effectiveness in tax assessment and collection in the district					

APPENDIX II

INTERVIEW GUIDE.

Dear Respondent,

I am David Betiina Bukomooko, a student of Uganda Management Institute, pursuing a degree of Master of Management Studies (Public Administration and Management Option). As part of the requirement for the fulfillment of the award, I am required to present a research report on the topic, "**Fiscal Decentralization and Local Revenue Generation in Bushenyi District Local Government System".** You are kindly requested to respond to the related questions herein so as to facilitate the study. The study is purely academic and therefore the responses will be used for only this purpose and will be treated with utmost confidentiality. Thank you in advance

Section A: Background Information (Bio-data of respondents)

1. Age

☐ 21-30 years ☐ 2 31-30 years

☐ 41-50 ears ☐ 51 and above

2. Sex

☐ Male ☐ Female

3. Level of education

☐ Primary ☐ Secondary

☐ Tertiary ☐ University

4. Position held

☐ Accountant ☐ Chief Finance Officer

☐ Sub county chief ☐ CAO

Others (specify)………………………………………..

5. Duration of service in the above position

☐ Less than two years ☐ Between two to five years

☐ Between five to ten years ☐ More than ten years

Section B: Enabling environment

1. What are the policies under which decentralization operates?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

2. Do you think these policies are favourable for local revenue generation?

a) Yes b) No

3. If the answer to no. 2 above is no, give reasons……………………………………………..

…………………………………………………………………………………………………

4. Do you think there are adequate resources and capacity for the district to meet their fiscal responsibilities of local revenue generation? a) Yes b) No

5. If the answer to no.3 above is no, give reasons…………………………………………………….

……

Section C: Assignment of appropriate functions to sub national governments.

1. Do you think there is political will by the central government to decentralize fiscal functions?

a) Yes b) No

2. Do you think there is appropriate legal mandate that allows local government to operate autonomously? a) Yes b) No

3. If the answer to no. 2 above is no, give reasons……………………………………………….

……………………………………………………………………………………………………….

Section D: Assignment of Appropriate Revenues to Sub National Governments

1. List down the various sources of revenues to sub national governments.

………………………………………………………………………………………………..

………………………………………………………………………………………………

2. Do you think the central government has assigned adequate revenue sources to the district?

a) Yes b) No

3. If the answer to no. 2 above is no, give reasons …………………………………….

…………………………………………………………………………………………….

4. Do you think fiscal decentralization has increased investment which has increased revenue base for the district? a) Yes b) No

5. If the answer to no.4 above is no, give reasons…………………………………………….

……………………………………………………………………………………………………

Section E: Developing appropriate inter governmental transfer system

1. Mention the intergovernmental transfers made to district local governments from the central government……………………………………………………………………………………..

…………………………………………………………………………………………………….

2. Do you think intergovernmental transfers have improved local revenue generation in the district? a) Yes b) No

3. Do you think fiscal decentralization has been achieved through intergovernmental transfer system a) Yes b) No

4. If the answer to no. 3 above is no, give reasons…………………………………………….

……………………………………………………………………………………………………

Section F: Developing adequate local access to investment

1. Does the district have policies in place favourable for local access to investment?

a) Yes b) No

2. If the answer to no. 1 above, is yes, mention the policies…………………………….

……………………………………………………………………………………………………

3. Is there an increase in local investment in your district?

a) Yes b) No

4. If the answer to no. 3 above is no, mention the problems………………………………….

……………………………………………………………………………………………………

5. How should the problems listed in no.4 above, be solved?..

…………………………………………………………………………………………………….

Section G: Local revenue Generation

1. Mention various sources of revenues to the district……………………………………….

2. Do you think fiscal decentralization has increased local revenue base?

a) Yes b) No

3. If the answer to no. 2 above is no, mention the reasons………………………………….

4. What is it that needs to be done for the district to increase its local revenue generation?

……

………………………………………………………………………………………………………..

THANKS FOR YOUR COOPERATION

APPENDIX III

INTRODUCTORY LETTER TO RESEARCH

UGANDA MANAGEMENT INSTITUTE

Telephones: 256-41-4259722 /4223748 /4346620
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Telefax: 256-41-4259581 /314
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Plot 44-52, Jinja Road
P.O. Box 20131
Kampala, Uganda
Website: http://www.umi.ac.ug

Your Ref:

Our Ref: **G/35** **11 June 2010**

TO WHOM IT MAY CONCERN

MASTERS IN MANAGEMENT STUDIES DEGREE RESEARCH

Mr. David Bukomooko is a student of the Masters Degree in Management Studies of Uganda Management Institute, Mbarara Outreach Centre 1st Intake, 2009/2010 specializing in Public Administration and Management, Registration number: **09/MMSPAM/MRA/1/013.**

The purpose of this letter is to formally request you to allow this participant to access any information in your custody/organisation, which is relevant to his research.

His Research Topic is: ***"Fiscal Decentralisation and Local Revenue Generation: A Case Study of Bushenyi District".***

Benon C. Basheka
HEAD, HIGHER DEGREES DEPARTMENT/PROGRAMME MANAGER,
MASTERS DEGREES IN MANAGEMENT STUDIES

To Whom it may Concern:
Please accord him the necessary assistance and Co-operation.
22/6/2010

FOR CHIEF ADMINISTRATIVE OFFICER
BUSHENYI DISTRICT LOCAL GOVERNMENT
P.O. BOX 91 BUSHENYI