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Enhancing Service Delivery Through Innovative Management: An Analysis of Kampala City Council's Strategic Framework for Reform.

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ACRONYMS USED

BEUPA	= BASIC EDUCATION FOR URBAN POVERTY AREAS
CBD	= CENTRAL BUSINESS DISTRICT
CCT	= COMPULSORY COMPETITIVE TENDERING
CT	= COMPETITIVE TENDERING
FDS	= FISCAL DECENTRALISATION STRATEGY
GBEL	= GREEN BOAT ENTERTAINMENT LIMITED
IGG	= INSPECTOR GENERAL OF GOVERNMENT
KCC	= KAMPALA CITY COUNCIL
KDMP	= KAMPALA DRAINAGE MASTER PLAN
KMC	= KIRKLEES METROPOLITAN COUNCIL
KUTIP	= KAMPALA URBAN TRAFFIC IMPROVEMENT PLAN
NPM	= NEW PUBLIC MANAGEMENT
SFR	= STRATEGIC FRAMEWORK FOR REFORM
UNICEF	= UNITED NATIONS INTERNATIONAL CHILDREN FUND.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

At 3.4% per annum, Uganda's growth rate is one of the world's highest, and with economic growth averaging about 5%, the gains made against such high population growth are not sufficient to sustain a healthy economy for long. As a result, Kampala, the capital city of Uganda, is grappling with problems of inadequate service delivery, due to its rapid population increase, poor economic performance, and its demands exceeding its managerial, technical and financial capabilities. Like Kampala, "many cities in Africa are expected to double their population in the next 15 years. Already, close to 30 percent of the developing world's population lives below official poverty lines. Although these statistics are clear, the situations in our African cities are not improving because policy makers and politicians are not paying sufficient attention the following questions; where will these new urban residents live? Which land will they use? Where will they get their water? How will they dispose garbage?" adopted from www.citiesalliance.org.

Based on current trends in Kampala City, a lot of waste still remains untreated affecting the health of city residents. 10% of the total area of Kampala district is slum and 27 % of city population lives in slums. Also, 80% of the population has a low income and the general illiteracy rate in the city is 47.4%, (Kampala District Population Office). This is a reality as weak urban governance meets the impact of growing inequality, corruption and limited resources.

This paper is an exploration of Kampala City Council's (KCC) attempt to address the problem of inadequate service delivery in the context of the decentralisation policy of Uganda, through its Strategic Framework for Reform (SFR). The assessment is a mid-term review because the SFR, designed in 1997 is scheduled to be completed in 2010.

1.2 Background to the Study

Kampala is the capital city of Uganda with about 2 million residents. The day/night variation is 2-3 fold. The population of Kampala has grown significantly from 330,700 (1969) to 775,000(1991), 1,370,000 in 2000 and 2 million to-date. Kampala has an average of 5 persons per household with an income per capita of $250, and a growth rate of 5 %. Kampala City Council is responsible for delivering services to the residents of Kampala district. These services include road construction and maintenance, provision and maintenance of streetlights, garbage collection, and planning, developing and managing markets, among other things. The high rates of urban population growth raise the need for a corresponding increase in the provision of services.

Yet, during the years of civil strife, Kampala City was neglected and development came to a stand still. The City coffers were emptied by a fast shrinking financial base and rampant misappropriation of revenue. It was impossible for a bankrupt Council to sustain even a bare minimum level of services to an ever-increasing population. Triple digit inflation of the 1970's and half of the 1980's made the cost of goods and services extremely speculative and forward planning meaningless. There was a general outcry by the citizens of Kampala about the pathetic level of services. The City Engineer and Surveyor's department, by far the largest and key service delivery department functioned in a vacuum. Vehicles, equipment and tools needed for efficient service delivery could at best be described as scanty and run down, KCC (1997:2)

The above situation explained the urgent need for Kampala City to adopt new approaches to planning and management, in order to confront these challenges. KCC's efforts to improve its performance began in 1988, the main focus being to improve infrastructure and to ensure sound financial management and capacity building. The above efforts were intended "to deliver quality services through self-examination, self-criticism and acknowledging that some things were not just right." KCC (2002:12). A series of workshops were held and areas that needed immediate attention were identified. This operation was code-named the 'Immediate Facelift Programme'.

Following the above workshops, Uganda First Urban Project (UFUP) was formulated in 1990, with the objective of supporting government's efforts to decentralise responsibility for planning, designing and management of urban services.

A critical assessment of the outcomes of the UFUP later revealed that a lot of money had been invested in capacity building and consultancy services without any positive results. Against this background, KCC held consultations with a number of stakeholders including Council, Management, and the workers to identify strategies to surmount UFUP shortcomings. The Strategic Framework for Reform (SFR) launched in 1997, was envisaged as a long term process of incremental action to impact on KCC's ability to deliver services efficiently and cost effectively. The recommendations from deliberations between World Bank and KCC were that KCC had to approach its shortcomings in a strategic manner. This extract from the UFUP Aide Memoire October 1996 is of great relevance. "Given KCC's unsuccessful experience todate at trying to implement adhoc initiatives to improve overall operations and finances, the time has come for KCC 's management to 'step back' and first define a Strategic Framework for Reform."

1. 3 Statement of the Problem

Globally, the process of decentralisation is shifting power and resources to cities and their citizens, raising the importance of managing these resources well. As part of the public sector reforms in 1993, the Government of Uganda started implementing the decentralization policy as a means of revitalising the local economy. In 1997,the Local Governments Act was enacted, stating the roles of each government level both national and local. Provisions of this law in regard to resource mobilization and service delivery have some strength but also numerous weaknesses. The biggest challenge in this law faced by KCC is how to evolve innovative ways of improving the quantity of locally raised revenue in order to meet the ever- increasing demand for better services. Under this Act, the City is permitted to collect revenue locally in addition to the central government grants. The above sources of revenue for the local governments are rather too few. Furthermore, the models of urban planning adopted by majority of African cities like Kampala in the 70's and 80's were developed with a belief that the state has the capacity to finance urban development proposals. The reality today is much more complex. Under the context of competition, cuts in public spending, and privatisation, the need for reconstruction of the urban order under new principles, tools and methods is more urgent.

KCC's SFR, put up as a plan of action to solve the problem of inadequate service delivery has three main components. First, it aims at restructuring KCC with a view to right sizing it hence generating a cost centred structure. Secondly, contracting out all non-statutory functions both in service delivery and management, and thirdly, improving KCC's financial management practices. The underlying philosophy of the SFR being cost reduction, efficiency and greater involvement of the private sector (New Public Management and Enablement).

1.4 Research objectives and hypothesis:

1. To analyse Kampala's legal and administrative framework.
2. To describe the context and evolution of KCC's Strategic Framework for Reform.
3. To assess the impact of the Strategic Framework for Reform on service delivery by Kampala City Council.

4. To analyse the constraints confronting Kampala City Council in implementing its Strategic Framework for Reform Programme and offer relevant recommendations.

(b) Hypothesis

Kampala City Council's Strategic Framework for Reform Programme has led to improved service delivery in its jurisdiction.

1.5 Empirical Justification of the Study

A lot has already been written on the performance of local governments under Uganda's decentralisation programme by; Prud'homme (2003:17-27), Nsibambi (1998), Wenkere-Kisembo (1997), and Livingstone and Charlton (2001) amongst others.

None of the above works has tackled the different strategies that are being undertaken by Kampala City Council to address the issue of inadequate service delivery. This paper attempts to address the above aspect.

1.6 Methodology and Sources of Data

Much of the data has been gathered through a literature review process of the mentioned reference books. At the same time, I have searched different websites on the Internet. The Trade Development Officer of Kampala Central Division also provided me the necessary data as and when it was needed.

The research paper is a Case Study of Kampala City Council and the data has been processed using both qualitative and quantitative methodology.

1.7 Limitations of the Study

One of the major limitations to the study was the inability to collect primary data from KCC by myself, which could be juxtaposed, to what has already been written in various books. This therefore implies that most of the information available, since it is authored by leaders in the institution itself cannot expose all the anomalies in the institution. In addition, some of it may be out dated as of now.

Secondly, the paper looks at the overall performance of KCC. The implication is that, KCC's good performance in certain aspects may nevertheless be deficient in delivering services to some divisions or particular categories of citizens or customers e.g senior citizens, youth, minorities or businesses.

Moreover, counting outputs becomes progressively difficult with intangible outputs characteristic of service-based activities in KCC. "A great deal of what the public sector does in organisational terms is in the service area; enforcing laws, providing health and education services, collecting and distributing money. Measuring outputs in such areas is far much more problematic," Talbot (1999:23).

Furthermore, Weder (1999:23) posits that institutional performance is difficult to quantify. For instance, how should cooperation between the private and public sector (KCC) be quantified? How can the quality of KCC's bureaucracy be measured? Because of these problems in quantifying institutional performance, it has been difficult to assess KCC's SFR in a more systematic manner.

1.8 Contribution of the Research to the Policy Making Field

Behn (1999:586-606) identifies eight major reasons why public managers measure performance namely; to evaluate, control, budget, motivate, promote, celebrate, learn and improve.

Similarly, this research is intended to draw the attention of policy makers of Uganda onto the positive outcomes of KCC's innovative management programme so that they can recommend their accomplishments to other related institutions. The study also assesses the major constraints facing local governments in revenue mobilization and service delivery in Uganda. These can be used as learning lessons by the Government of Uganda to identify solutions either through enactment of new policies /laws or reviewing the existing ones to make them more realistic. The above aspect is important because, "people pay more taxes and do so more willingly, if they see a closer relation between what they pay and what they receive in public goods and services" (Bahl &Linn 1992:x). And, the ability to diagnose and measure problems of service delivery within the public sector, is a pre-requisite to designing policy reforms and institutions to improve service delivery.

1.9 Organisation of the Paper

The paper is organised in six chapters. The next chapter discusses the theoretical framework used for analysis. This encompasses the theory and practice of decentralisation, and the concepts of New Public Management and Enabling Local Authority, which are the philosophy underlying KCC's Strategic Framework for Reform.

Chapter three discusses the administrative and legal framework of KCC, while chapter four analyses the aims and approaches of the Strategic Framework for Reform.

Chapter five assesses the performance of the SFR, and finally chapter six gives conclusions and recommendations for improving KCC's SFR.

CHAPTER TWO

CONCEPTUAL AND ANALYTICAL FRAMEWORK FOR ANALYSIS

2.0 Introduction

Decentralisation has opened new options for local authorities, coupled with increased responsibility in service delivery, all of which demand for a new way of doing business at the local level. Investments ought to be responsive to the fiscal constraints that a locality faces, allow for greater involvement of the private sector and citizens in decision making processes and administration, and also, they need to be coordinated across sectors. Since these are some of the aims of KCC's SFR, my analysis is linked to theories and knowledge of decentralisation, as well as the concepts of New Public Management and 'Enabling' local authority, which emphasise local participation, cost effectiveness and efficiency.

2.1 Decentralisation

The origins of decentralisation have been attributed to different factors. Some scholars attribute it to deep crises of legitimacy and political instability experienced in developing countries from 1980's onwards (Burki et al., 1999; Rondinelli et al., 1984), while others like Garman et al (1996) argue that presidents of Latin America have supported decentralisation as a type of public good that can improve overall collective welfare and reduce the inefficiencies that characterized centralised approaches to development in the past. Manor (1999:33) on the other hand argues that decentralisation is used by politicians to reconnect their regime with social groups and sustain or revive their party organisations. Decentralisation in Uganda takes the form of devolution, which involves the transfer of functions to autonomous governmental levels.

My analysis is linked to the work of Bahl & Linn, (1992:9-41) on Local Government which emphasises asking the following types of questions; what is the importance of local government in developing countries, what do local governments do? What are the expenditure patterns of these local governments? And finally how are urban services financed? The reason to ask such questions is based on the following notions: that, investments by urban local governments in social and physical infrastructure are very critical, and maintenance of public capital assets in urban areas is now a responsibility of local authorities. In addition, among the reasons for the failure of many urban authorities in developing countries to cope with the demands of their increasing populations is the inadequacy of their financing systems, characteristics of the existing sources of revenue and inadequacy of the financial regulations and procedures employed.

Bahl & Linn (1992:386) posit that three general arguments are given in support of fiscal decentralisation namely:

- If the expenditure mix and tax rates are determined closer to the people, local public services will improve and local residents will be more satisfied with government services.
- Nation building, because people can identify more closely with local than central government.
- Increased overall resource mobilisation because local governments can tax the fast growing parts of their economic base more easily than can the central government.

However, Bahl & Linn (1992:389) emphasise that, the conditions in a developing country which could give maximum gains from a decentralised local government structure would include; enough skilled labor, an efficient tax administration, a taxing power able to capture significant portions of community income increments, an income-elastic demand for public services, popularly elected local officials and, some local discretion in shaping the budget and setting the tax rate.

2.2 New Public Management (NPM)

NPM is a result of convergence of aspects of modern institutional economics and private sector practices. These aspects have been summarised by various authors (Hood, 1991:177-197; Pollitt, 1990:2-3; Dunleavy and Hood, 1994; Commonwealth Secretariat, 1996; Osborne and Gaebler, 1992; Minogue, 1998:17-35; and Kernagham, 2000). The main features of NPM include:

(a) The shift to desegregation of public sector units.

(b) Explicit standards and measures of performance.

(c) Greater competition based on contracts and public tendering procedures with the objective of lowering costs and enhancing better standards and quality.

(d) Stress on private sector management styles.

(e) The devolution of management control coupled with the development of improved reporting, monitoring and accountability mechanisms.

(f) Emphasis on greater discipline and parsimony in the use of resources.

I wish to elaborate on (c) above, because contracting out is one of the 3 approaches of the SFR. Advocates of competitive tendering claim that cost savings and efficiency improvements result because tendering makes the market for the provision of services periodically contestable (Parker 1990). Secondly, cost savings occur because tendering, according to 'New Right ' and Public Choice Economists, reduces the tendency of bureaucrats to oversupply services by directing resources to the demands of consumers rather than 'where they would best serve the needs of producers ' (Pirie 1988:6). Matthew and Harper (1993:148) also argue that Competitive tendering divorces service provision from quality control and regulation, removing the potential 'conflict of interest' associated with traditional monopoly -based in-house provision.

To confirm that private contractors are useful, many countries in other parts of the world have well established traditions of private provision of certain public services. Denmark has a tradition of private provision of emergency services; while in Switzerland and France, local authorities have extensive experience in both contract refuse collection and privatised security services. In Germany, municipalities have employed private companies to maintain parks and perfom gardening chores while in Japan, nearly all public sector housing construction is contracted out, as are a wide range of other activities including refuse and tax collection, secretarial and computer support, and recreational services; Kate (1987:18).

Despite the associated benefits, it is important to note that Competitive Tendering (CT) also has a number of limitations. These include; creation of large scale redundancies and a decline in working conditions, unexpected interruptions in the provision of a service, moral hazards, corruption and emergence of contingent liabilities, (Premchand, 1999: 48-77).

In their analysis of the Department of the Environment's annual report on Compulsory Competitive tendering (CCT) and local government in England for 1993, Walsh and Davis (1993) indicate that in Britain, CCT has secured some significant efficiency gains, though it is clearer savings have been made than standards have been maintained. The same applies to the contracted out markets by KCC. For other examples of decline in service quality due to CT see SCAT 1989, and TUC 1985.

In addition, NPM also has a number of associated risks. They include; generation of much more paper work as the older rules are abandoned, and problems of ownership if it is imposed on the institution. Staff within organisations also tend to obtain more autonomy and freedom within the terms of contracts and available budgets which they may misuse as was the case of the KCC officer who took charge of street cleaning, when KCC terminated Bison's contract. Other shortfalls include: reduction of the role of politicians and their accountability due to contractual arrangements, public values of fairness and equity may come under threat, and, NPM reforms have not been implemented in an even way across different organisations and even inside organisations. Most of these problems are evident in KCC's SFR.

The potential for NPM to succeed though, in developing countries has been affected by the fact that "public expectations of service quality from government are justifiably low, with the consequence that citizens are unlikely to feel that complaints are worth the effort." Secondly, predictable resourcing, credible regulation of staff and credible policy, which are prerequisites for effective contract –like arrangements lack in many institutions. Thirdly, it has led to a marginal impact under most circumstances, (Manning 2001:301-3).

Minogue (1998:26) points out the following as necessary conditions for making NPM efficient. "The essential objective is that public services should be provided in the most appropriate and cost-effective way. If managers are given greater freedom to manage, they must, correspondingly, be under an obligation of accountability for their performance." Therefore, institutional capacity, proper legal frameworks that are endorsed both in the public and private sector, and overcoming vested interests are important issues of concern. Also, of great importance is local ownership (which is mostly incompatible with a deep economic crisis or pressure from donors). The public must be informed, and consultants, donors and interested administrators, must not capture the reforms.

The SFR, to some extent endorsed the importance of local ownership because in February 1997, at its inception, a workshop involving sectional heads and members of KCC's Workers' Union was held to discuss its proposal. Then in April 1997, KCC executive committee, division chairpersons and sectoral committees discussed and passed with amendments, the workshop report. Although, these may be 'user groups' there was a lack of overall citizen involvement.

2.3 The Concept of an 'Enabling' Local Authority

The success of NPM and decentralisation heavily depends on the ability of government to provide enabling and strong institutional foundations for markets. Enabling as an approach to the provision of local services originated as part of a neoliberal advocacy of a reduced role for the state. "Neoliberal view points of enablement concentrated, under structural adjustment, particularly on what was called a 'level playing field' where state intervention and regulation is reduced" Helmsing (2002:2). In this paper, a different notion of enablement and enabling policies is adopted, namely as policies, which enable other actors to make the most effective contribution towards solving their own problems.

Enabling government lies "in facilitating and regulating the overall framework within which other actors can make their most effective contribution." (UNCHS, 1990:8). Enabling policies are associated with a variety of strategies amongst them capacity building, participatory planning, monitoring and evaluation methodologies as well as localized tendering processes, formation of allies with NGOs, international donors and political parties (Helmsing: 2002).

It should however be noted as stated by Helmsing (2002:16), that some conditions need to be met for enabling citizen approaches to be adopted. They include; national decentralisation policies, as is the case in Uganda and political commitment on the part of the key actors.

Considering the above characteristics, it is evident that New Public Management and 'Enablement' are two sides of the same coin, advocating for efficiency and effectiveness of organisations through decentralised structures, tendering, and use of management styles that ensure improved accountability mechanisms.

CHAPTER THREE

ADMINISTRATIVE AND LEGAL FRAMEWORK FOR KAMPALA CITY COUNCIL

3.0 Introduction

Before analysing the performance of KCC's SFR, it is worth asking how Kampala City has developed, its legal status as stipulated under Uganda's decentralisation policy and Local Government Act, what local governments do in general, and what KCC does in particular. This is because, governments often fail to look carefully enough at what the consequences of proposed new laws will be across society as a whole. They often concentrate on the prospects and fail to consider the costs they are imposing on those who have to comply with new laws. Yet, an organization's capacity to act especially in the public sector is constrained or enhanced by how well its governance framework is geared to its policy objectives, (Talbot, 1999:27).

3.1 Background to Kampala City

Uganda is landlocked and located astride the equator, sharing a border with Kenya in the East, Congo, Rwanda and Burundi in the west, Sudan in the north and Tanzania in the south. Uganda's recorded size is 97,000 sq. miles, and, the national Census results of 2002 indicate that Uganda has a population of 24.6 million people.

Kampala is the capital city of Uganda and it occupies an area of 189 square kilometers. Kampala's rapid expansion and growth was a result of the upgrading of its statutory status. In 1890, it was declared a colonial outpost for British empire builders, in 1906,it was gazetted as a town council, while in 1913 it was defined as a township. 1st January 1949,Kampala was upgraded to a municipality. Few days before Uganda's independence on 9th October 1962, Kampala received a charter as a city council and capital city of Uganda. In 1995,under the first schedule of the Constitution of Uganda, Kampala became a district.

Administratively, Kampala City Council consists of 5 divisions namely: Rubaga, Kawempe, Nakawa, Makindye and Central division. The 5 divisions are subdivided into 99 parishes and 811 subparishes. A Principal Assistant Town Clerk in the Division represents the Town Clerk. The administrative arm constitutes the Town Clerk, departmental heads, and other council staff. Kampala district is headed by the mayor, who is a political head, assisted by the executive committee and the City Council.

3.2 Background to Decentralisation Policy in Uganda.

The decentralisation policy in Uganda was launched in a presidential policy statement on 2nd October 1992 and formally adopted in 1993. In 1995, it was enshrined in the 1995 Constitution. The policy stance was taken on two bases. A historical and a philosophical basis with similar notions as those of Bahl and Linn (1992:386), that decentralisation contributes to nation building, and satisfaction of local residents with government services, and Garman et al (1996) that decentralisation can improve overall collective welfare and reduce the inefficiencies that characterized centralised approaches to development in the past. .

The historical basis rested on the successful experience of devolution in Uganda in the 60's. "During the period 1962-66, local governments rendered services to the relative satisfaction of the constituents.... The spirit of 'local ownership' of the development process was pervasive and manifest." (Decentralisation Secretariat 1993:2).

The philosophical one was based on the belief that "human beings can govern themselves in peace and dignity in pursuit of their collective wellbeing once entrusted with their own destiny through the medium of popular democratic institutions. ... Decentralization effectively breaks the monopoly of central government over the social, political and cultural institutional pluralism to foster people's participation and development" Ibid (1993:4).

3.2.1The Local Government System and the Structure of Local Councils in Uganda

The system of local government in Uganda is based on the district, as a unit under which there are lower local governments and administrative unit councils of persons directly elected to represent electoral areas; persons with disabilities, and the youth. Women councillors make up one third of the council. The local government council is the highest political authority in its area of jurisdiction. The councils are corporate bodies having both legislative and executive powers. They have powers to make local laws and enforce implementation. On the other hand, administrative unit councils serve to advise on planning and implementation of services. They assist in the resolution of disputes, monitor the delivery of services and assist in the maintenance of law, order and security.

The Local Governments in a district rural area are the district and sub-county, while in the City, they comprise of a City Council and the City Division Council. In a Municipality, the local governments are the Municipal Council and the Municipal Division Council. The Town Council is also Local Government. The Administrative Units in the rural areas are the county, parish and village, while in the urban areas they comprise of parishes and villages.

3.2.2 The Local Governments Act No .1 of 1997 (with amendment Act 2001)

Livingstone & Charlton (2001:77) note that; not only did the powers, functions and services to be performed by districts and urban councils in enhancing good governance and democratic participation in, and, control of decision-making by the people widen significantly under the terms of the sixth schedule of the Local Governments (Resistance Councils) Statute, 1993. The Constitution of the Republic of Uganda, 1995, and the Local Governments Act, 1997, further reinforced the process of devolving service provision by granting local governments extensive new responsibilities. Overall, Local government has been mandated the central role in Uganda's poverty reduction strategy, being charged with delivery of all major public services highlighted as central to poverty eradication.

The Local Governments Act, 1997 also provides the revenue, political and administrative set up of local governments as well as election of local councils. Under the above act, Part 1, section 5 (a) a City is equated to a district and a City Council and is therefore empowered to exercise all functions and powers conferred upon a District Council within its area of jurisdiction. However, unlike the other local authorities, the city has more problems not in the immediate control of the district, but emanating from its status as the capital city of Uganda for example, street children, security, unemployment due to rural urban migration, and street lighting. The implication is that KCC requires large revenue amounts to finance such massive expenditures.

3.2.3 The importance of Local Government in Uganda

The importance of local government in Uganda is well portrayed in Chapter Eleven of the Constitution of The Republic of Uganda 1995, section 176(2) where it is stipulated that the local government system of Uganda shall apply the following principles

(a) Ensure that functions, powers and responsibilities are devolved and transferred from the government to local government in a co-ordinated manner.

(b) Ensure people's participation and democratic control in decision making (This is actualised when local government budgets and workplans are developed in a participatory manner). Unfortunately, rarely is the civil society mobilised to participate in this planning process.

(c) Promote full realisation of democratic governance.

(d) Enable government units to plan, initiate and execute policies in respect of all matters affecting the people within their jurisdiction. However, the Ministry of Finance has often complained that good plans are presented, but when funds are disbursed, they are used for different purposes.

(e) Establish a sound financial base with reliable sources of revenue. Unfortunately, majority of KCC's revenue sources are not reliable due to political interference and unwillingness of citizens to pay the taxes due to lack of a linkage of tax payment to service provision.

3.3 Financing of Urban Services in Kampala City

KCC's roles do not differ from those specified by Bahl &Linn (1992:17) who wrote that " on the basis of our analysis of urban governments in developing countries, their common functions would appear to be markets, abattoirs, fire protection, street cleaning and lighting, garbage collection, cemeteries, libraries and minor disease prevention services."

Other roles of KCC, as spelt out in the Local Governments Act No.1 of 1997, second schedule, part 3 not mentioned above include but are not limited to: providing roads, building and supervision of schools, construction of hospitals and clinics, and offering ambulance services. In addition, KCC is responsible for establishment, maintenance and control of aquariums, public parks, gardens and recreation grounds on any land vested in the council. Kampala like Washington D.C., is a special district with some of the fiscal functions of both a city and a district.

The local Governments Act (1997), Part V111 lays out clearly the local sources of revenue of Kampala City. These include; graduated tax, rates, fees and fines on licenses and permits, interest on investments, rents from lease of property, donations, contributions and endowments. Other sources include parking fees, advertisement fees, cess on produce, user- charges, fishing licenses, agency fees, charcoal burning licenses and any other revenue which may be prescribed by the Local Government and approved by the Minister.

In addition to local sources, the City also receives revenue from the Central Government. Currently, the Government of Uganda releases the following categories of funds to the city as provided for in the Local Governments Act, section 84 and the Constitution of the Republic of Uganda, chapter eleven, section 193:

- Unconditional grants to run decentralised services like recruitment, and payment of salaries and wages.
- Conditional grants for specific government priority programmes and sectors for example feeder roads, Universal Primary Education and Public Health.
- Equalisation grants for giving subsidies or making special provisions for the least developed districts.
- Other grants as government deems fit especially in response to a specific problem. For instance, KCC is handling a grant for the rehabilitation of the Nakivubo Channel.
- Loans and overdrafts from local commercial and financial institutions.

KCC needs these funds in order to fulfill the above mentioned obligations. Below is a table showing government grants received by KCC from 1997 to 2001.

Table 1 : Government Grants Received by KCC (1997-2000)

Grants	1997/98	1998/99	1999/2000	2000/2001
Unconditional grants	N.A	2,071,559,030	2,160,458,642	2,514,768,000
Conditional grants	7,998,333,497	7,133,145,192	7,539,585,187	8,076,339,000
Development Funds	N.A	N.A	317,564,000	3,148,173,000
Total Grants	7,998,333,497	9,204,704,222	10,017,607,829	13,739,280,000

N.A-Not Available

Source: Mwesigye (2002)

As indicated in table1 above, the share of the conditional grants is far larger than that of the unconditional grants. In such a situation, there is a substantial degree of line ministry supervision from the centre maintained, limiting KCC's ability to divert such funds to more pressing problems rather than the specified programmes. In a feature in Donor News, the Senior Public Relations Officer of KCC admits that, "the council does not have a systematic list of all its assets. Otherwise it has all its titles and logbooks for its vehicles. The cause of this problem is that it is not possible to shift money from government to assets registry. Every money has its specific allocation."

On a positive note, though, the government of Uganda has already started making efforts towards relaxing regulations for utilisation of conditional grants. This was revealed in The New Vision (12 May, 2003) in which it was reported that, the Government had authorised 12 districts (Kampala excluded) and three municipalities to re-allocate 10% of the conditional grants from one sector to another. While presenting a paper on Fiscal Decentralisation Strategy (FDS) during the Kampala district budget conference in Kampala, the coordinator in the local government ministry said the permission was effective from July 2003. The 10% re-allocation would provide local governments with resources to address their local priorities, promote autonomy in local governments and widen their participation in decision making but within the national policy.

Kampala cannot also rely too much on grants because they are inadequate. The permanent Secretary, Ministry of Planning and Economic Development observed that existing recurrent transfers from central government remain "barely enough to pay the wage bill, pay councilors and cover logistical costs of local administrations" Kasami (1997:25). In addition, they are also conditional on government approval through parliament. For example, KCC must justify its loan applications before it seeks approval from parliament. To make matters worse, most of KCC's development projects such as road construction are capital intensive and run into billions of shillings. KCC estimates that it costs some $200.000 to $ 250.000 per kilometre without taking into account such expenditures as compensation for displaced people or acquisition of land for new roads.

It is therefore important not only to have clear rules regarding distribution of the grants, but also, to make them as stable as possible. It would be convenient for KCC to know how much money will be available in the near future, in order to facilitate its long range planning.

3.3.1 The Expenditure Pattern of Kampala City Council

KCC has 8 directorates under which spending on major service priority areas is done as indicated in table two below.

Kampala City Council Summary of Income & Expenditure Budget for 2000-2001

(000)

Expenditure			Income		
	2000-2001 Budget	%	Local Revenue	2000-2001 **Budget**	%
1.Finance,Planning &Administration	12,281,903	30%	Graduated tax	5,070,950	12%
2.Works& Physical Planning			Rates	3,821,076	9%
3.Health & Environment	8,432,748	21%	Ground Rent	535,925	1%
4.Education & Sports	4,217024	10%	Markets	1,454,766	4%
5.Gender Welfare & Community	9,180,932	22%	Licences	2,600,000	6%
6.Council,Committess,Commissions	1,468,225	4%	Housing	348,920	1%
Boards	5,408,651	13%	Vehicle Parks	3,548,905	9%
			Debt Realisation	6,027,450	15%
			Other Revenue Sources		5%
			Capital Income	2,006,381	
				1,655,811	4%
			Total Local Revenue		
			UNICEF,GTZ,e.t.c	**27,070,184**	66%
			Government Transfers	180,000	0%
				13,739,298	34%
Total Local Expenditure	40,989,482	100 %	**Total Internal Funding**	**40,989,482**	100%
Nakivubo Channel	21,000,000		**External Funding** (Nakivubo Channel)	**21,000,000**	
Total Expenditure	61,989,482		**Total Income**	**61,989,482**	

Source: KCC (2000:88)

Kampala has numerous problems most of them entrenched in its small budgetary provisions as indicated in table 2. Considering KCC's budget for the financial year 1999/2000 for example, of 37 bn Uganda shillings (1Ug.sh. = $US Dollar 1990) earmarked for public services, as much as Ug.shs 9bn was for Nakivubo channel rehabilitation, shs 6bn for teacher's salaries and shs3.4 bn for World Bank funded projects, leaving KCC with only ug.shs 18.5 bn to finance service delivery, recurrent and development expenditure both at City Headquarters and in divisions. In the following financial year 2000/2001 reflected in table 2 above, the increment was only 2 billion from 18.5 to 20 billion Ug.shs.

The result has been a low level of service delivery as reflected in different sectors. For example, in the sewerage sector, 9% of the city population still uses a water borne system, 5% uses septic tanks, and 72% uses shared pit latrines. In addition, about 80% of households in Kampala lack latrines/toilets, while about 700 pupils use one toilet in UPE schools nationwide. Regarding housing, majority of city dwellers lack decent housing. 54% of city dwellers live in tenements, 12% live in stores and garages, 71% of all families occupy rooms as opposed to houses, 36% of city houses are built of mud and wattle, while 34% of city houses require up-grading or replacing. With regard to water facilities, 11% of the population uses unprotected spring water, while 65% of city spring water is contaminated. The situation is worsened by the fact that about 100.000 job seekers from other districts come to Kampala per year, KCC (2000:60).

Unlike the UK government, which in consistence with NPM model manages staffing principally through budgets, KCC still continues to control numbers as well as budgets. For this reason, more than 50% of this budgeted income is used up on KCC staff salaries and allowances alone. Hence, KCC has had to shelve many essential programmes originally included in its budgets.

CHAPTER FOUR

THE STRATEGIC FRAMEWORK FOR REFORM (SFR)

4.0 Introduction

This chapter provides an analysis of the adopted approaches of KCC's SFR. Different facets of this reform are identified: inputs (funding, technical assistance), processes (consultations, meetings, preparation of policy documents, recruitment, privatisation, contracting out) and outputs (retrenchment, Nakivubo Channel rehabilitation, organisational restructuring).

In the present climate of growing fiscal stress, local authorities have a variety of options from which to choose: They can increase resources, cut spending, think up new management methods for making better use of fewer resources, adopt short- term management strategies, undertake long-term action, or arbitrate among differing social interests; Clarke (1989:197). These are amongst the options that were chosen by KCC under its SFR.

Prior to the SFR, the UFUP was implemented and among other things, it emphasised the following objectives:

- Improving living conditions and alleviating poverty in Kampala by restoring infrastructure services and related maintenance services.
- Improving urban financial management.
- Strengthening institutional capacity.

The following benefits were achieved from the project. The three main markets of Owino, Bugolobi and Natete were redeveloped, Kampala Mapping and Kampala Urban Study plan was launched in 1994, 652 staff were retrenched, among other things.

However along came some hindrances. Government's close control, limited organizational capacities to participate effectively, and lack of a strategic planning and management system resulted into disjointed efforts in implementation of various improvement programmes. The fact that the project was supply driven as opposed to demand driven also greatly undermined the ability of the project to provide customer oriented services. Other limitations were absence of institutionalized communication and consultation procedures between the internal and external stakeholders, unplanned changes in Top Management, which resulted into disruptions in council programmes and inability to realise full potential in revenue due to unwillingness to pay and economic hardships of debtors. As a result, the SFR was launched in 1997 to impact on KCC's ability to deliver services efficiently and cost effectively.

4.1 Aims of KCC's SFR

The SFR was designed by KCC in 1997 to address the following issues;

1.Effective interaction with stakeholders (KCC in the public eye) by ensuring that KCC ventures have community support, staff and councilor commitment.

2.Promotion of KCC's role in economic development. KCC as a local authority should provide adequate infrastructure and support to small and medium size enterprises.

3.Change KCC's role as both a regulator and deliverer of services to that of enabler/regulator through:

(a) Contracting out (this entails a contract between a private firm and KCC. KCC pays an agreed sum of money to the contractor for the performance of the service)

(b) privatising service delivery.

(c) Outsourcing non-statutory functions. (KCC obtains the services of a private firm for carrying out its line functions for a fee e.g. legal support services, computer support services, surveying e.t.c)

(d) Divesting unproductive assets.

4.Gear KCC staff to perform in the new context by;

(a) Developing a corporate approach towards the functions of KCC through rationalising the organisation and developing a well-remunerated core establishment to engage primarily in regulation, policing, monitoring and supervision.

(b) Provision of necessary but basic office accommodation and infrastructure together with sufficient tools and equipment to perfom efficiently.

5.Fiscal performance by; Sound financial management, effective revenue mobilisation expansion of revenue base and expenditure control.

4.2 Key Expected Outcomes of the SFR

Through the SFR, KCC is expected to achieve the following:

1 Definition of corporate priority areas and outlining of responsibilities.

2.Expansion of the role of the private sector through privatisation, outsourcing and contracting out.

3.Contracting out services is expected to improve on the cost effectiveness and quality of service delivery. KCC's role being limited to planning, specification, monitoring of work and payment for the services.

4.Ammendment of KCC's byelaws to bring them in line with the current business-like environment.

5.Steer KCC from a departmentalised system to a corporate one.

6.Enhance the capacity of management and elected council members.

7.Manage resources and expenditures effectively and efficiently through more strict accounting controls, austere practices in expending funds, meaningful balanced budgets and expenditure rationalisation.

8.creation of a well knit, well paid, downsized establishment that is easy to manage and supervise.

9.Adoption of the Cost Centre Budgeting approach to enable KCC generate timely financial and management information.

10.Expansion of the revenue base in order to achieve and sustain the desired service levels.

11.Emergence of KCC as an intelligent client capable of:

- Creating strategic frameworks for action.
- Policy formulation and analysis.
- Project identification and analysis to prepare effective briefs for clients/contractors/suppliers.
- Being mindful of stakeholder's criticism, assessing and responding in a timely and technically sound manner.

12.Transformation of KCC into a respected entity appealing to the public eye.

4.3 Institutional Arrangements for the Implementation of the SFR

(a) A core team was appointed in May 1997 specifically to attend to actions necessary for the development and implementation of the SFR.

(a) A partnership and technical cooperation arrangement was made with Kirklees Metropolitan Council U.K. This partnership was intended to draw upon skills on a mutually productive basis, in consonance with the concept of 'Enablement', which advocates for formation of allies. The link focussed on technical cooperation through exchange of expertise in areas of traffic management, municipal finance management, and garbage management. The aim of the partnership was to improve governance and service delivery, through the practitioner to practitioner approach rather than the standard consultant approach.

Other KCC's allies include: the World Bank handling Nakivubo channel reconstruction, UNICEF dealing with Primary health care, BEUPA dealing in community education and Concern World Wide in water and sanitation. Slum dwellers International & Cities Alliance is handling the slum-upgrading project, ADRAA is dealing with adult education, and Kamwokya Christian Caring Community handling issues of the elderly, children and people living with Aids.

(c) KCC also initiated interactions with members of the public (stakeholders) to seek their views and register their support.

4.4 SFR Approaches

There has increasingly been a view that government had become too big and too expensive and hence the need to have government reduced in size, or made more efficient or both. This is because it could not be afforded in its existing form, nor would its rising costs be tolerated by the taxpayers. A significant component of NPM is expenditure and cost reduction.

Similar to the above view, the SFR employs a 3-pronged approach including; organisation restructuring, fiscal reform, and, alternative service delivery as analysed here below.

4.4 .1 Organisational Restructuring

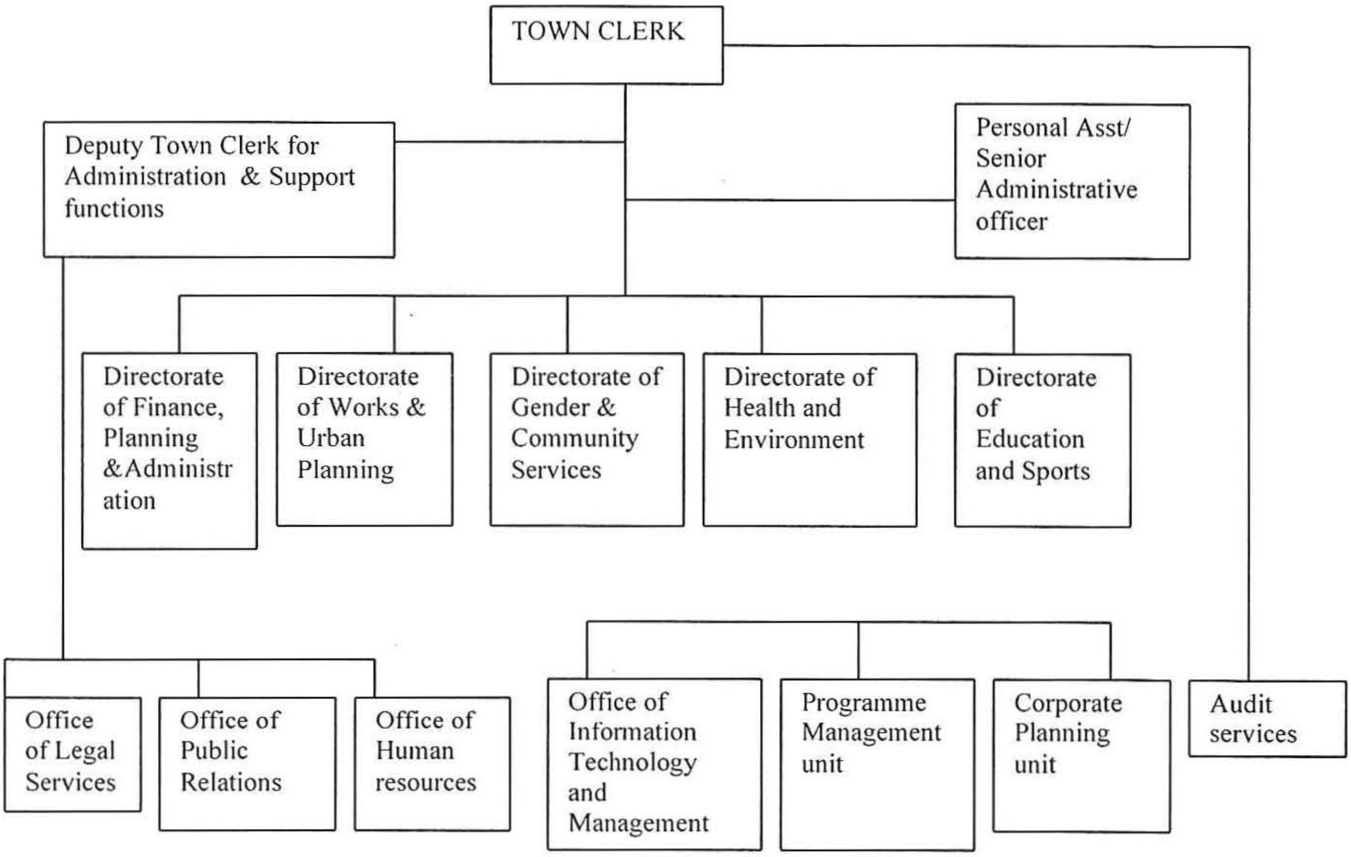
The Local Governments Act, Part V1, section 53 states that "subject to the provisions of the Constitution and any other law, a district or urban council may establish or abolish offices". This provision is consistent with KCC's SFR and government's reforms in intergovernmental budget management aimed at controlling the wage bill spending decisions of local governments.

In consonance with the above, KCC has been able to right size the organisation to 1500 workers from 8000 seven years ago under organisational restructuring. Key personnel have also been recruited into the finance function. The organization has also been restructured in order to align it with the new mandate of being an enabler rather than a direct service provider. Motivations behind enablement include reducing public expenditure, empowering marginalised sections of society, consultation with taxpayers and service users as well as the statutory duty to consult representative groups from the local business community, (Smith 2000:80). Through retrenchment, KCC has been able to reduce its expenditure on salaries, while the introduction of a newsletter (City News) has served as a forum for exchanging ideas between KCC and the public.

The new organisational structure for KCC was approved on 18th April 2000 to ensure that KCC's administrative structure conforms to the Council's reform programme, geared at making the provision of services the responsibility of the private sector. It was also necessitated to turn KCC into an organisation in line with the latest management techniques, and, to give KCC an organisation structure that can effect the council's mission to "provide services that are customer-friendly and cost-effective."

Below is KCC's new Organisational structure.

NEW KCC' ORGANISATION STRUCTURE



Source: KCC: 2000, pp.56.

The advantage with the above new organisational structure is that it provides individual directorates the freedom to spend budgets in accordance with their preferences. However, in order for it to improve the efficiency of KCC, capacity building in new managerial skills should be undertaken both at the headquarters and division level.

4.4. 2 Alternative Service Delivery

Clearly, the principle of competetion is the key to the entrepreneurial model of NPM. This can be achieved through various arrangements amongst them contracting out, with the objectives of reducing direct costs of public service provision and converting government into an enabling rather than a providing system (Minogue, 1998:29;Hood1991: 188). In pursuit of the above argument, KCC has successfully contracted out two major areas; service provision and revenue collection.

In the area of service provision, KCC has successfully contracted out the sweeping of streets, grass cutting and gardening, provision of security services and the cleaning of the City Hall. In so doing, the private sector has proved to be cost effective and efficient. The savings made have also been enormous. This supports the argument of Pirie (1988:6) that contracting out reduces the tendency of bureaucrats oversupplying services by directing resources to the demands of consumers rather than 'where they would best serve the needs of producers '. KCC's role in contracting out, is similar to that of any other local authority as specified by; (Goodlad, 1994;Wistow et al, 1994,pg 14), " to assess needs, set priorities and then monitor the performance of a range of providers, thus creating a mixed economy of provision through a greater diversity of supply". Table 3 below shows surplus revenue generated as a result of contracting out of services by KCC.

Table 3: Surplus Revenue from Contracting Out

Expenditure	1995/1996 Actual cost(shs)	2000/2001 Contracted Cost(shs)	Savings Made (shs)
Cleaning services-H/Q Staff costs	420,000,000	46,260,000	373,740,000
Security Services (staff costs)	480,000,000	67,200,000	412,800,000
Engineering (Road and Vehicle repairs)	600,000,000	348,920,350	251,079,650
Road cleaning services (staff costs)	720,000,00	312,000,000	408,000,000
Total Expenditure	2,220,000,000	774,380,350	1,445,619,650

Source: Mwesigye, (2002:12)

The variances in the table above are due to cost savings accruing to contracting out. However, the challenge of new researchers is to determine whether the above significant improvements are positive in terms of the quality of service provision and revenue value in light of the current inflation rates of 5.9% as indicated in Museveni's Annual State of the Nation Address (June 5,2003).

Parker (1990) highlights that contracting out reduces costs and this is clearly portrayed by the fact that KCC's expenditure on road sweeping, grass cutting, slashing and litter picking doubled when Central Division administration took on the job after terminating Bison's contract in December 2001. Bisons previously cleaned the Central division from May 1, 1998 to December 2001. After an investigation by the KCC Public Accounts Committee, it was discovered that Central Division spent over 45m shs. Per month on road sweeping, instead of shs.26m, the money KCC used to pay Bisons to do the same work, The New Vision (July 4, 2003). KCC had taken on the job under supervision of an officer at the district. According to a quarterly KCC audit report, KCC incurred a loss of over shs.251m on street and road sweeping in the period January to December 2002. The New Vision (May 27,2003). Due to pressure from the District Service Commission and KCC Public Accounts Committee, the Officer was given a 30 months suspension. In my view, the above punishment is not deterrent enough to prevent other officers from behaving in the same way. Other stringent measures like dismissal could be more effective.

4.4 .3 Fiscal Reform

Fiscal realities have made governments search for and mobilise all available means that might reduce their fiscal deficits. The search revealed various approaches amongst them public-private partnerships. Premchand (1999:49) posits that " in order for governments to be more responsive to citizens and to be more effective, they need to be structured to focus more on service management and coordination, while the actual delivery of services would be in the realm of private profit and non-profit organisations". The acceptance of this approach has contributed, among other things, to growing partnerships between the government and the private sector.

In an effort to improve revenue mobilization, KCC has privatized the collection of revenue from the following sources; revenue from all parks, markets, public toilets, street car parking and trading licenses. "Experience has shown that when services are privatised, we get more revenue, better collections and use little on tax collection," KCC's Public Relations Officer told The New Vision (October 17,2003). Table 4 below shows that more revenue was collected after contracting out (1996/97 &1999/2000) of some revenue sources compared to the period before (1993/94).

Table 4
Revenue Collection by KCC Before (1993/94) and After Contracting Out (1996/1997& 1999/2000)

Privatized Local revenue	1993/94	1996/1997	1999/2000
Vehicle parks	600,000,000	1,512,778,000	1,955,133,200
Markets	240,000,000	651,523,000	829,447,151
Street parking	N/A	N/A	420,000,000
Total local revenue	840,000,000	2,164,301,000	3,204,580,351

Source: Mwesigye (2002:13)
N/A: Not Available

Although the above table indicates dramatic fiscal improvements, KCC still has a fiscal deficit for service delivery. When the City Engineer was asked by The City News why more roads cannot be upgraded to all weather tarmac, he said that road construction was a very expensive venture requiring a whopping $230.000 to $250.000, (between shs.425 million to 462 million), on average to construct just one kilometer of a standard road. Considering that Kampala has over 300 km of tarmac roads, constructing all of them would require about shs.127 billion. And that is before thinking about the 600-km of murram roads, yet the budget for the roads is only shs.2 billion. (KCC February 2003: 2).

CHAPTER FIVE

AN ASSESSMENT OF THE PERFORMANCE OF THE STRATEGIC FRAMEWORK FOR REFORM.

5.0 Introduction:

For many local governments in developing economies, there has clearly been a need for reform in service delivery. However, the very characteristics that make reform necessary, (excessive staffing, corruption, inept management), also constitute the basis for failure of the reforms to work well as expected.

To evaluate a public agency- requires some measure of the outcomes that the agency was designed to affect. Only with outcome measures can public managers answer the effectiveness and efficiency question. And, of course, the institution did not produce all of the outcomes alone. Other factors such as economic conditions, affected them; Behn (2003:594). The assessment of the performance of KCC's SFR in this paper was done by comparing the aims and expected outcomes of the SFR programme with the actual achievements and impacts made so far, since its inception in 1997. In addition, the constraining factors, which are the indicators of the low performance/ deviation of the SFR from the expected outcomes, have also been analysed. These include; lack of credible policy, underdeveloped private sector, and, poor implementation capacity reflected by inadequate financial, technical and managerial resources among other factors.

5.1 Positive Outcomes of KCC's SFR

Definition of corporate priority areas

Initial actions of the SFR were directed towards reforms in the City Engineer and Surveyor's department, which is the largest and key service delivery department as shown in table 5 below, with parallel reforms in the Finance department. The table is adopted from KCC's SFR Document (1997:22), and items of capital expenditure are shown in italics. KCC's other departments are expected to progressively follow suit either by replication or by designing their own reform approaches.

Table 5 Activity prioritisation for funding in the City Engineer and Surveyor's department

Activity	Priority
1.Electrical section	
1.1Building services maintenance	3
1.2 Street lights maintenance	2
1.3 Traffic signals maintenance	1
1.*4New street lights*	2
1.*5New traffic signals*	2
2.PARKS SECTION	
2.1 Grass cutting	1
2.2 Tree cutting	2
2.3 Gardening	2
3.BUILDING SECTION	
3.1 Building maintenance	2
3.2 ventilated toilets	1
4.REFUSE SECTION	
4.1 cleaning bin locations	1
4.2 Refuse transportation	1
4.3 Refuse disposal(landfill)	1
4.*4Mpererwe leachate treatment*	1
4.5 *Second landfill(civil works)*	1
5.Road Maintenance	
5.1 Patching	1
5.2 Sweeping	2
5.3 Light grading	1
5.4 repair sidewalks	2
5.5 *New side walks*	2
5.6 *PRM Gravel roads*	2
5.7 *PRM Bitumen roads*	3
6.DRAINAGE SECTION	
6.1 Clean drains	2
6.2 Desilt roads	2
6.3 Replace manhole covers	2
6.4 Desilt open channels	2
6.5 *Nakivubo Channel*	1
6.6 *New stormwater channels*	3
6.7 *Install new drains/culverts*	2
7MECHANICAL/TRANSPORT SECTIONS	
7.1 Routine maintenance	1
7.2 Major repairs	2
7.3 Fuelling	1
7.4 Skip maintenance	2
8.TRAFFIC SECTION	
8.1 Road markings maintenance	1
8.2 Road furniture maintenance	1
8.3 New Road furniture	1

Owing to financial constraints, expenditures in KCC had to be prioritized as indicated in table 5 above. Prioritization of activities was done by awarding scores to different activities considering their average annual cost and corresponding economic, environment and health related benefits to the community. Activities with a total score of 80% and above were ranked as priority 1 activities, those with a score of 60-80% as priority two and lastly those activities that scored less than 60% were ranked as priority 3. The implication of the prioritisation was that activities ranked as priority 1 had to be given first consideration in case of insufficient funds, followed by priority two and lastly priority 3 activities. Priority based budgeting and accounting provides the possibility of better management of resources at organisational level, hence it is an important operational enabler for good performance.

Since according to Osborne and Gaebler (1992), NPM is about funding outcomes rather than inputs, I wish to elaborate here below the positive outcomes of the SFR initiatives.

Refuse section

NPM has been presented as a formula for collective benefit in the promise of better and cheaper public services through professional management (Hood, 1991:190). As a result, through the SFR initiatives, KCC has adopted measures that ensure that refuse collection and transportation are environmentally friendly through landfilling. KCC has also endeavored to address various issues causing concern at the landfill site. A new leachate treatment facility has been constructed to stop pollution of Lusanja stream by leachate from the landfill. A government chemist also carries out monthly tests for leachate in stream and ground water. The waste is now compacted and covered to reduce bad odors and vermin while regular spray of insecticide is done to control flies. According to a case study on solid waste management in Kampala done in January 2003, there has been an improvement in solid waste management from 13% in 1991 to 40%.

Drainage section

Because NPM is about an orientation to the needs of customers rather than those of bureaucratic organisations, (Minogue, 1998:18), KCC has invested in the rehabilitation of the Nakivubo Channel, in order to improve the health and sanitation of the city dwellers. It was reported in the Sunday Vision (24 August, 2003) that;

> " Wednesday, 20th August saw one of the heaviest downpours to hit Kampala City in a long time. The rain, which started in the afternoon, poured on until around midnight. But there was something missing this time. What we had come to associate with rains in the city did not happen. There were no floods. The channel has delivered. Even before work is completed, the public is already reaping the benefits. Places that experienced floods were either not under the coverage of the channel or have other things to blame. "

But, if the channel is not properly maintained, it will be a matter of time before it fails to protect the city from floods any more. Funds for the maintenance of Nakivubo Channel must always be set aside. The public must also be continuously educated not to abuse the channel. It will not serve the city efficiently if it is used as a garbage dump especially for the polythene bags that often choke it. Before KCC embarked on rehabilitating the channel in 2000, the city's main conduit would flood once in two years. Going by the current rainfall figures, it is expected that the highest storm can now flood the Nakivubo Channel once in ten years because its general capacity has increased by five times. The above project is expected to enhance KCC's ability to plan, manage and execute complex decisions and programs; and to establish the primacy of maintenance of key infrastructure investments.

Building Section

Another benefit in the area of health has been the Kampala Urban Sanitation project (KUSP). The project, which commenced in July 2002, was established by KCC in response to a series of cholera epidemics that affected the slum communities in Kampala from 1997 to 1999, due to heavy rains coupled with poor sanitation. KCC secured a grant amounting to 3.4 million euros from the government of France towards the design and implementation of the project. In addition, KCC and the Central Government are expected to each remit 0.8 million euros towards the project. The project beneficiaries contribute labor and land during the preparatory stages of the project. The participation by the project beneficiaries is an indication of one of the NPM principles emphasised by Osborne and Gaebler (1992); empowering communities rather than simply delivering services. The project focuses on sanitation improvement, safe water supply, health education and promotion as well as institutional and community capacity building for maintenance and supervision.

It is anticipated that in addition to putting in place a number of facilities, including toilets, stand pipes and water springs, the project will raise awareness about personal and environmental hygiene in the urban poor communities. This will in the long run solve the problems of poor sewerage and poor health in the city in relation to another NPM principle of investing in prevention of problems rather than cure as observed by Osborne and Gaebler (1992).

Traffic section

Equally impressive has been the Keep Kampala clean operation that was started by the Mayor. It has solved the problem of congestion in the city by removing street vendors from the verandah shops and the roads, making traffic movement in the city easier. These vendors previously closed off some streets completely, so that there was no parking space and not even enough space for moving vehicles. Many buildings have been repainted and renovated and some pavements repaired. Also because the streets are now more spacious, they are being cleaned more regularly. The security of motor vehicles parked along the streets has also greatly improved. The companies contracted to manage street parking always have their staff along the streets to issue receipts and this has drastically reduced incidences of vandalized motor vehicles.

Amendment of KCC byelaws

In the process of withdrawing from direct provision in favour of an enabling role as advocated for by NPM activists (Minogue, 1998:19), the implementation of the SFR has led to a review of laws that impact on operations of KCC. When the policy of decentralisation was adopted, other laws that impact on the operations of KCC remained unchanged. This overtime according to the Town Clerk, Mwesigye (2002:8) proved a stumbling block in the ability to realise the objectives KCC had set in the SFR… "To this end, 17 pieces of legislation have been completed and are awaiting to be enacted into laws". Amongst the reviewed laws is the one allowing the public to repair roads leading to their residences and offices, but with technical advice from KCC. Previously, the public was not allowed to make any such repair until it was done by KCC.

Corporatisation of KCC

NPM's primary metaphor was that of the direction of state organisation as private corporate management (Hood, 1991:189). Corporatisation generally means establishment of legal entities within state ownership with the intent of increasing profitability and improving performance. Pollit (1990:2) argues that such improvements mainly come from the application of more sophisticated technologies. Related to this, KCC has made an attempt to ensure that information is available to all users by putting in place an Information Technology (IT) Steering Committee which drafted an IT strategy for the organisation. According to the inception report "both headquarters and divisions have installed some computers, over 100 in total. Unfortunately though, these computers are used as a stand alone and there is no effective network connecting the users." Besides, "information sources are currently not shared and, an integrated management system is lacking." KCC (October 2002:1). Nevertheless, KCC intends to develop an integrated information management system by installing a hi-tech communication system to link the headquarter with the five divisions. The project is code-named KCC Data and Voice Communication Network. The World Bank through the Local Government Development Programme, Component 3, will fund it. KCC is also designing a website to improve its communication and provide information to its external publics, The New Vision (7 October 2003).

Interaction with Stakeholders

Since enabling government lies in facilitating and regulating the overall framework within which other actors can make their most effective contribution (UNCHS, 1990:8),

this participatory approach has been adopted and proved very useful in many of KCC's projects amongst them: the preparation of the Central Business District (CBD) traffic management project and the Basic Education for Urban Poverty Areas (BEUPA) project. In the BEUPA project, mobilisation started with local council level to identify very poor parishes within the divisions, and to identify the structures where lessons would be conducted. Other partnership efforts between KCC and stakeholders take the form of management committees of markets and taxi parks through which revenue collections have improved significantly. Furthermore, KCC is interacting with refuse collection firms to formalise their activities.

Enhanced Capacity of Management

One of the basic required conditions for an effective local government according to Bahl and Linn (1992:389) is enough skilled labour to expand public service delivery when desired. In the attempt to achieve the above condition, KCC forged a technical co-operation with Kirklees Metropolitan Council (KMC) of United Kingdom. The European Union funded the Kirklees Kampala link during the first two years (1995-1997). There followed three World Bank contracts for development cooperation covering traffic management, solid waste management and Nakivubo channel rehabilitation. The partnership worked under two main principles:

- KCC initiated cooperation activity to ensure it was most relevant to its needs and that it took ownership of the outcomes;
- Kirklees Council acted as a critical friend to KCC, rather than a consultant, by helping it analyse its own problems, develop and implement its own solutions.

Through this partnership, a number of benefits were realised. They included; Preparation and design of the Traffic Improvement Strategies for the Central Business district, preparation of project documents for the Nakivubo Channel Rehabilitation project which is already ongoing, development of a new organisation structure, setting up of new financial management systems, identification and design of a new Landfill site and the expansion and contracting out of the management of the existing one. The partnership also enabled KCC recognise that the technical design of the Kampala landfill had to be adapted from the standard European practice, because the composition of the respective wastes are so different (mainly paper and plastic in Europe, mainly organic in Uganda). KCC's capacity was also enhanced as employees learned 'soft' skills of project management, consulting and involving stakeholders in project processes (especially users), and relating to the public. There was also a reduction in the cost for consultants, since consultants were estimated to cost about five times more than that of the Kirklees Metropolitan Council practitioners. Hazel & Gordon (2003:6)

New Revenue Sources

Amongst the important principles of NPM, is the concentration on earning resources, and not just spending (Osborne &Gaebler 1992). In agreement with the above principle, KCC has endeavored to expand its revenue base by identifying new sources of revenue in the following areas in the Central Division; food and drink permits, loading fees at Arua Park and the surrounding areas, and street telephone services. Passion fruit selling is an area still being studied with a view of streamlining its operations.

Also, in the year that ended 30th June 2003, KCC reported the following achievements in regard to finance in its Central Division. Final accounts were prepared and fully audited in time. Indebtedness was reduced by over 50%, collection from markets improved from 90% to 177% and, ground rent improved from 95% to 161% among other things.

Education

Children of school going age hawking, carrying luggage in the city centre and markets, fetching water and begging passersby were a common sight in Kampala city. However, with Basic Education for Urban Poverty Areas (BEUPA) project started in 1998, the number of these children has reduced. The main objective of the BEUPA project is to provide basic education to those children outside school who, because of their lifestyles, cannot afford or do not have time to attend formal school. Ministry of Education and Sports together with GTZ (German Cooperation) and KCC are jointly supporting the project which is already managing 54 learning centres in 50 parishes, with over 3500 children enrolled. The curriculum is designed to equip children with skills in carpentry, knitting, arithmetic, basic hygiene, music dance and drama. BEUPA partially solves the problem of street children and plays a complementary role to Universal Primary Education program of Uganda.

The defining themes of reform in the public sector have often been the achievement of objectives of economy and efficiency in the context of relations between the state and the market, and an explicit dominance of individual over collective preferences (Minogue, 1998:4). However, it is important to recognise that modern government goes beyond efficiency to accountability to the people, who are not merely treated as customers but as citizens in the NPM approach. Citizens do want efficient services, and (ideally) low taxes; but they simultaneously want to have their rights protected, voices heard, and their values and preferences respected (Ibid: 5). These are areas that KCC needs to explore in achieving its SFR targets.

5.2 Constraints in Achieving the SFR Objectives

If one focuses on the inputs and processes of the SFR, an impressive extent of activity reveals itself. But all this effort appears to fizzle out in the translation to outputs and outcomes, making the impacts of the SFR negligible. This reflects on the argument of Manning (2001:301-3), that NPM has led to a marginal impact under most circumstances due to lack of predictable resourcing, credible regulation of staff and credible policy, which are prerequisites for effective contract like arrangements.

Lack of Credible Policy

Until 2000, the partnership between KCC and Kirklees Metropolitan Council was perceived as working well. Thereafter, problems began to emerge. These were especially from the perspective of Kirklees where the partnership was seen as a burden on officer's time, compounded by communication difficulties with KCC. Other problems included; poor implementation capacity of KCC, limited finances and inadequate human expertise to act on the advice it was given. Yet, Bahl and Linn (1992:389) consider these issues as very essential conditions for any decentralised structure to obtain maximum gain from any undertaking. The last trance of funding from the World Bank for the partnership came to an end in September 2002 and was not renewed; (Hazel &Gordon 2003:12). For another case revealing absence of credible law, see (The New Vision, 3rd April 2003) in which LC1 leaders of Kisenyi parish in Central Division, requested Kampala Mayor to take over management of the Nakivubo Park Yard market because of disregard for public values of fairness and equity by contractors.

Underdeveloped Private Sector

Considering that NPM advocates for progression in market liberalization, encourages competition, and stresses private sector management styles, (Hood, 1991:178;Minogue 1998:18;Osborne&Gaebler, 1992) the importance of the private sector and its development becomes more important than ever before. The pursuit of these inter-related reforms is expected to promote a concern with results rather than process and a separation of policy from operational management. Both micro-enterprises and medium scale enterprises contribute significantly to output growth and employment creation, dealing with problems of poverty. Unfortunately, the potential benefits of this sector in Uganda have not fully been exploited.

Uganda's underdeveloped private sector can partly be explained by findings of the Second National Integrity Survey (2003:138-140) by K2- Consult Uganda limited, contracted by The Inspectorate of Government. In this survey, private sector respondents were asked major obstacles to investing and setting up businesses in Uganda and the largest impediment to investment according to them was considered to be high taxes (82.5%). This was followed by the existence of corrupt officials cited by 47% correspondents, difficulties in getting licenses and permits (38%) and high electricity tariffs by 34% of the respondents. In addition to barriers that discourage investment, respondents also rated the factors, which most impeded the development of their businesses especially at the outset. These included; too long and complicated process (55.5%), unavailability of appropriate forms (10%), difficulties in seeing appropriate officials (9%) and problems of initial capitalisation (11%).

Secondly, Uganda's private sector is small and weak. Yet, the driving philosophy of the current economic growth policies is that it is private sector-led. Apart from being small and weak, it is dominated by multinationals and family owned companies that are far from transparent. For this reason, they are unable to respond to government incentives such as interest rates, infrastructure improvements and stability to risk their money. In any case, they are hostile to borrowing. With this kind of composition, these are hardly the people you can trust to spur growth in the interest of the public. So, it is not realistic to assume that merely pursuing enabling policies will elicit a positive response from the private sector. Moreover, the kind of private sector investment Uganda attracts is looking for a quick return. In most cases this kind of return takes longer than they are prepared to wait.

Thirdly, Ugandans prefer to trade, (buying and selling other people's products), rather than become entrepreneurs/manufacturers who take the risks of testing the markets with their own-made goods. This is one glaring point that comes out in the Uganda

Business Register 2001/02, a report published earlier this year by the Uganda Bureau of Statistics. Of interest is the fact that although the industrial sector is expanding relatively slowly and offering limited employment, the services sector is growing at a fast pace. Another highlight is that Uganda's economy continues to be dominated by sole proprietors, as opposed to the limited liability companies that characterise more developed economies. This is one reason why Uganda's stock exchange continues to be starved of major activity, because its so-called business moguls would rather perish than allow their grip to be loosened by inquisitive and demanding shareholders. Let alone the scrutiny of the regulator namely the Capital Markets Authority.

To make matters worse, mobilisation of resources by private organisations in Uganda as in many other developing countries is still a serious problem. Many of the organisations are financially fragile that they are not credit worth from sound established financial institutions. During the month of May 2003, one of KCC's major contractors, was for almost a month engaged in talks with his two main bankers – Standard Chartered Bank Uganda and Stanbic Uganda in a bid to reschedule his loan payments of reportedly 26 billion and 7.1 billion respectively. In the same interlude, he had bought a $7m tannery from Italy. He then made a $2m downpayment but could not complete full payment because of his cash flow problems. Sources say the Italian manufacturer later seized another $3m consignment to Italy and auctioned it off in order to get his outstanding money, EnterUganda (7 May 2003). Although, it is possible for financial institutions to buy off such debt and then the defaulter becomes indebted to the new financial institution, a customer maintains bad credit worthiness.

Also as noted by Premchand (1999:63) "excessive dependence on a contractor to provide services could lead to unexpected interruption in the provision, in that the contractor may not have the requisite financial backing". This was the case when KCC wanted to extend UTODA's contract for managing parks but was restricted in its decision because as per instructions of the Solicitor General, KCC was not allowed to extend the UTODA contract until the company had settled all its obligations to government and its allied institutions; The New Vision (27th August, 2003). This factor requires that the base of the expenditure control should be rather broad, transcending the traditional areas covered as part of budget implementation " (Premchand 1999:63).

The performance standards specified by the local government also usually introduce additional requirements on infrastructure facilities and hiring of professional staff, which entails additional outlays. Yet, the grant money is often not released on time weakening the already delicate financial situation of the contractors. Often times, such releases depend on the government liquidity rather than the needs of the recipient. At the time Bison's contract with KCC for road sweeping, grass cutting, slashing and litter picking was terminated, the then Senior Principal Town Clerk of the Central Division said Bisons was no longer doing a good job because it had been contracted by Entebbe Municipal Council, but Bison's officials said they were frustrated because they were not always paid on time. Another complaint lodged in The City Memo (2002:7) under the title 'KCC Payments - a nightmare read as follows;

> " Allow me express my dissatisfaction at the way KCC effects its payments to people who supply goods to them. These payments usually take an annoyingly long time to mature, and besides that, one has to go through a lot of bureaucracy when trying to 'chase' for these payments. Many times, there is also a tendency of invoices getting lost through the various administrative procedures. As a result, many people are running out of business because they spend a lot in supplying these goods and services and expect to be paid promptly, but lo and behold! Cheques never materialise."

Government support programmes to improve the institutional, technological and regulatory infrastructure need to be designed to minimise the uncertainty and risks of the private sector entrepreneurs, but at the same time allow them to develop and explore their entrepreneurial capability. In addition, the entrepreneurs too need to make strategic decisions by building networks and alliances to compete effectively in domestic and foreign markets.

Lack of Integration with other Organisations

The NPM model assumes that networks of organisations work better when fragmented, but the SFR experience indicates that government is a collection of inter-related organisations that deliver related services. Therefore, because the SFR was undertaken as a single organisation (KCC) project rather than integrating it with other organisations, this isolation minimised its success. For instance, whereas KCC has been blamed for polluting the waters of Lake Victoria through improvement of Nakivubo channel, National Water and Sewerage Corporation, according to Mwesigye (2002:5) is another enemy. It has a very old pumping station that breaks down often through Nakivubo Channel and into the lake. Therefore, despite the efforts of KCC in preventing the pollution of Nakivubo channel and Lake Victoria, other pollutants from other institutions still pollute these sources.

Poor Implementation Capacity

The implementation process of any reform requires financial, managerial and technical resources. However, mobilising these resources is one of the challenges policy managers and decision-makers face. Decision-makers should therefore have the capacity to assess resource availability and consider how resources might be expanded or mobilised, Grindle & Thomas (1990:1175). Polidano (1997:808) defined capacity as "the ability of an organisation to act effectively on a sustained basis in pursuit of its objectives". However, this can only be achieved through the efficient use of the above-required resources. Therefore, choices by managers at the implementation stage have a very important bearing on the outcome of any reform initiative. The following section discusses the technical, managerial and financial constraints faced by KCC in the implementation of its SFR.

Technical capacity

There are many forms of technical capacity needed for any reform and these vary depending on the reform, (Grindle & Thomas, 1990:1177). They may include; price analysis, economic analysis and forecasting, data collection and analysis. In the case of KCC, expertise in infrastructural design and capacity for price analysis were very essential but not adequately undertaken.

For example, KCC had to embark on the reticulation of the Nakivubo Channel mouth, because the original design was going to generate more floods than the existing ones. The reticulation involved splitting the channel into three fingers so that the water entering the wetland is split into three instead of one stream. Re-designing the mouth would save Lake Victoria from increased pollution. Had it not been for the insufficient technical capacity of KCC, such problems would have been foreseen and prevented in the original design.

KCC's inadequate technical capacity is also portrayed in a report dated August 26 to KCC, in which the IGG noted that the contract between KCC and Green Boat Entertainment Limited (GBEL), signed in July 1998 had been poorly managed. A provision for a review by the KCC executive before re-tendering was never utilised. Instead the executive committee of KCC opted for re-tendering straight away which amounted to unfairness on the part of GBEL. The report says, KCC and its tender committee ignored procurement laws, regulations and procedures in awarding the contract to Multiplex Limited. The tender was advertised before the conditions set by the District Executive were fulfilled. Nor did the Revenue Unit set the reserve price and this in turn led to the District Tender Board failure to follow the legal procedures in contravention of the Local Government Financial regulations. The Ombudsman described the secretary of the tender board as ignorant of tender regulations, resulting into mismanagement of the street parking tender award and hijacking of the tender process by the revenue and other user departments. The IGG also recommended that the principal accountant in charge of revenue be cautioned to always take instructions given by his employer seriously and diligently. He had failed to execute all the work assigned to him, especially working out the details for the reserve price; The New Vision (October16, 2003). For another example of poor technical capacity in KCC, see The New Vision (June 6, 2003) in which KCC Tender Board awarded contracts to companies that had forged Certificates of Incorporation, Memorandum and Articles of Association. Such tendencies result into use of technically incompetent firms who do substandard work. All the above responsibilities require expertise in relevant disciplines, technical knowledge and operational experience, which are still limited in KCC.

Managerial capacity

As greater autonomy is granted to decentralized units, there is an apparent need to strengthen planning, budgeting, management and administrative systems within these units (Minogue et al 1998:203; Grindle & Thomas 1990:1177;Pollitt, 1990:2-4).

Unfortunately, most of these management capacities are insufficient in KCC. For example, despite the fact that the city coffers are strained, The New Vision (August 5, 2003) reported that a French daily was demanding US$ 59,000 (shs 120m) from

KCC, for a half – page advertisement the city placed in its edition in July. KCC finance committee had refused to pay for the advertisement, saying Kampala Mayor did not subject the advertisement to the tendering process as required by the law. According to the Local Governments Act, any service offered at a cost beyond shs. 1mn must be tendered through the District Tender Board. It is not clear what the law says about advertising in a particular publication. When contacted on the issue, the Mayor's response was "who does not have a debt? What is wrong with advertising in an international paper? Isn't The New Vision an international paper? Don't we advertise in it and pay you? We shall pay the French paper as well." He added "You should even appreciate that iam putting Kampala on the international scene by advertising in international papers." Such reckless spending on ineffective luxuries at the expense of essential services point to some of the weak points of the decentralisation process, absence of adequate budget control and monitoring.

Administrative structures like the Tender Board, constitutionally responsible for awarding contracts are weakly institutionalised, making KCC prone to penetration by party politics. In his report to Parliament dated August 1, 2003, reviewing the period July - December 2002, the [1]Inspector General of Government (IGG) said local government tender boards (KCC inclusive) are prone to abuse. "Politicians and councillors have been appointing their friends, relatives, campaign managers or other types of cronies either as a favour or as a plan to use them to further their interests," The New Vision (September 16,2003). Furthermore, the processes of preparing bid documents, invitation of tenderers, evaluating bids, and awarding of contracts are usually characterized by questionable dealings.

Although NPM emphasises greater discipline and parsimony in the use of resources (Hood, 1991:188), it is often associated with the risk of corruption as staff within organisations obtain more autonomy. Yet, in the short run, governments and aid donors have found corruption difficult to target because it often supplies the

[1]The Inspector General of Government heads the Anti Corruption Government Department in Uganda.

deficiencies of poor public management (Minogue, 1998:32). One of the main causes of corruption in Uganda's institutions is attributed to low salaries and delay in payment of salaries. Low pay for KCC employees constitutes a manifestation of low administrative capacity, poor organisational discipline and an inability to enforce rules. It has been very difficult to close the public-private gap in terms of pay due to the expenses involved. After nearly a decade of reform, Uganda has yet to achieve its proclaimed objective of a minimum living wage. This is however coupled with other factors that include the need for politicians to recoup election expenses when they get into power and profiteering by some from situations of insecurity. There also seems to be a climate of tolerance towards corruption that is very difficult to combat, and an attitude of sympathy towards those who augment meagre wages with small bribes. While, the misuse of official resources such as vehicles for private purposes is seen as the norm rather than a breach of regulations. These are the findings in the Executive Summary of the Second National Integrity Survey Final Report of the Inspectorate of Government (2002). The IGG says, "it is believed that over sh400b in Uganda goes as corruption costs" (The New Vision 16,October 2003).

Corruption has a number of negative consequences in that it hinders investment (both domestic and foreign), distorts the size and composition of government expenditure, weakens the financial system, increases income inequality, and erodes the quality of government services, with particularly serious consequences for the poor. As a result, questions of honesty and ethical behaviour have become a major concern for government everywhere; (World Bank, 1996). This explains why many governments, Uganda inclusive have set up anti corruption agencies. These agencies/commissions have been claimed to be effective in reducing corruption in Uganda, Honghong and Singapore.

Experience in many countries also shows a common tendency for fraudulent activities in large-scale contracting out of services and procurement especially in areas of defence, health, social service sector and construction, Premchand (1999:65). Related to this, The Sunday Vision (May 11,2003) reported that the "Kampala Mayor had ordered M. M.Integral Construction Company to refund over shs.140 million meant for the construction of classrooms at Mbuya Army Children's School and Mulago St.Martin Primary School. This was because a site inspection revealed that the work done was shoddy and the public had not got its money's worth. The Mayor also directed that the company be blacklisted so that it does not get any tender in the city." To make such a measure even more punitive, the blacklist of incompetent contractors should be continuously updated and made public so that innocent developers do not fall prey to no-value-for-money operators. At the same time, The Inspectorate of Government, is investigating the managing director of Jerusalem Construction Company Ltd who allegedly went into hiding after failing to complete a contract given to him under the School Facilitation Grant programme. He signed the contract in 1999 with KCC to construct classrooms and toilets for Kyambogo Primary School in Nakawa division at sh29m. For five years now, some children have been studying under trees and sheds, awaiting the completion of the classrooms.

Premchand (1999:63) also argues that moral hazards are likely to increase the cost of goods and services because quite often the provider has an interest and potential for benefiting from the transaction. This is evident in the Kampala District Report (July 1999:118) which reported that despite the fact that Privatisation of markets has led to improvement in general cleanliness and tax collection, the private companies that tendered the markets are profit motivated. Hence, they charge high dues that are finally translated into high prices for goods and services.

Management of the collected revenue has also been a major problem in KCC due to: non declaration of all revenues collected, lack of receipts or deliberate non issuance of receipts to acknowledge payments and use of revenue at source although financial regulations clearly state that all revenues must be banked intact. Other aspects include; illegal borrowing of revenues by higher authorities and use of poorly motivated tax collectors.

All the above incidences reveal that poor managerial capacities in KCC have negatively affected the performance of the SFR. Yet, as Minogue, (1998:26) points out, NPM can only succeed if managers match their greater freedom to manage correspondingly with their obligation of accountability for their performance. The ongoing establishment of a data bank and management information system in KCC is expected to facilitate effective monitoring and management of service delivery by all actors involved in the process and thereby ensure sustainability in service provision.

Financial Capacity

KCC faces a growing imbalance between the demands for services required by population growth and rapid urbanisation, and, the financial resources it is able to mobilise. Hence, one of its biggest challenges lies in its ability to develop an efficient tax administration and a taxing power able to capture significant portions of community income. As specified by Bahl and Linn (1992:389), these form some of the basic conditions in a developing country, which can give maximum gains from a decentralised local government structure.

Majority of KCC's major local sources of income namely: Graduated tax, property tax, licenses and markets are low yielding and regressive as analysed here below, yet taxes are primarily meant to generate resources to spend on public services and to re-distribute income in society. Two major principles apply with taxation: The benefit principle and ability to pay. These two principals have implications for revenue mobilisation in that poor service delivery encourages tax evasion and avoidance due to the lack of benefit from the tax one contributes, while low income and no income at all for many unemployed citizens of Kampala means low tax base. This renders the potential for KCC to promote development commensurate with its status underutilised.

Graduated Tax

The principal source of locally generated revenue for all urban authorities in Uganda is graduated tax. This is a modified poll tax payable by all males over 18 in formal employment and working women of the same age and above in formal employment. In practice however, very few women pay this tax with the exception of those in formal regular employment. The assessment and collection is quite automatic where taxpayers are in formal employment since employers have the obligation of deducting the tax from the source in installments. However, this becomes very difficult when assessing peasants in peri Urban villages since incomes are not based on employment but rather on property owned with the exception of household property. The tax has been found to be unattractive because it is complicated, regressive, costly to collect, revenue inelastic and frequently arbitrary in its assessment.

Mobility of residents also makes it difficult to establish graduated tax registers in a similar manner rural districts do. In Urban areas especially Kampala, residents change residence so frequently that keeping track of such potential taxpayers is sometimes impossible.

Furthermore, the legal requirement of people paying tax where they reside works against the urban authority. People spend all their day time consuming services in the city to which they don't contribute .To make matters worse, the neighboring local governments of Mpigi and Wakiso 'invade' and sell tickets in the Central division.

Property Tax

Okellokello and Gayiiya (1995:59) defined rating as a method by which residents of a particular area contribute money to share the burden of providing services to them within their area year by year. Rating in Uganda is governed by the Local Government (rating) decree, 1979, based on the annual rental value with the owner of the property liable for payment. This decree empowers the urban authorities to levy rates on all hereditaments (with a few exceptions). However, majority of towns and trading centres were last valued in the 1960's,hence most valuation lists are out of date. Quite a number of trading centres and the newly elevated town boards have never been rated due to the failure to undertake the five-year rotational revaluation of properties and conducting of supplementary valuation. This factor reinforces the fundamental issue of taxes not matching the current economic conditions as reflected in rates that are uneconomical to collect or too high to afford. KCC's spokesman concedes that " we would have a lot of money from property rates than graduated tax, but we have a problem. Getting accurate data is still difficult. The data we have is inaccurate. Most of these buildings are not valued," The New Vision (May 27, 2003). Thanks to the World Bank for having given KCC a grant of 600m to revalue all buildings in the district. " We have already contracted companies to re-value all the buildings... We shall update the register with data collected by the private surveyor, " said the City Secretary for Finance and Economic Planning. The New Vision (May 28,2003).

KCC does not also have any systematic or standard way of setting the financial year's rate; instead they take a rather haphazard approach. In 1991 for example, some councilors owned large properties and the rate was set at a very low 3 percent. In 1994/1995, the rate was between 5 and 8 percent. In the following years it improved to between 8 and 12 percent. This rate however is not fair to all the city dwellers especially the very low-income earners.

Generally, the billing system of KCC's finance department is very poor. This invariability contributes to low yields. Rates are payable in two installments on 1st April and 1st October. However, the law is silent on serving demand notes to the ratepayers. In practice due to the autonomy of decentralisation, KCC issues such demand notes but with little yields. For most major cities around the world, property and ground rent make up at least 60% of all revenues, but KCC barely gets 15%. For the financial year 2001/2002, KCC expected to get shs.3.1 billion from property rates, but eventually received just under shs.2 billion. Sources say KCC can generate more revenue if it were not for inefficiency and outright corruption.

The valuation profession in Uganda is also still very weak. There is no indigenous training for professional valuation. In 1995, there were only 25 registered valuers in the whole of Uganda, with an additional five or so preparing for registration. The Institution of Surveyors of Uganda is somewhat dormant and lacks the capacity to set or mark examinations to regulate its own entry standards.

Currently, the performance of this source is at an average of 59% on both current rates and arrears (Kampala Central Division Council, 2003/2004 Budget). This is attributed to:

-The delay arising from the directive from the district to change the format of the demand notes. This cost the division four months until mid December when the division started printing them. The process of distribution then continued up to late January 2003.

-Ownership of some of the property is in dispute and is subject to court ruling. In such situations, nobody is willing to pay any more money to the division until the case is disposed of, yet unfortunately, such cases take years to conclude.

Notwithstanding the above obstacles, the urban property tax can carry a significant share of the financing requirements for urban expenditure. Davey (1994:151) observed that property taxes have many advantages including the fact that immovable properties are clearly located in specific jurisdictions so that there can be no argument about which local authority should get the money. Unlike most taxable objects, land and buildings cannot be hidden from the assessor's view, though ownership may not be easy to identify. Bahl and Linn (1992:474) recommend that substantial efforts and ingenuity are however required to mobilise the technical and administrative resources to develop accurate urban property registration and property tax valuation rolls, to update them at regular intervals, and, to bill and collect property taxes effectively. In order to be politically acceptable, these improvements have to be introduced gradually and fairly, and they need to be linked with a major effort to educate the public about the relationships between the provision of essential urban services and the collection of property tax.

Market Dues

Markets in urban areas of developing countries are often focal points of taxable economic activity, Livingstone & Charlton (2001:91). The expansion of market due revenues in KCC has been due to the privatization of market administration and with it the collection of market dues. Unfortunately, the increased revenues have not been matched with better planning of market opportunities as reflected in the development of inappropriately located markets. The IMF study also indicates that, local governments have evolved no mechanisms for independently establishing the real profitability of their privatised markets, thereby continuing to confirm the administrative weaknesses that originally generated and largely justified the fashion for market privatisation (Mahler et al., 1997: 16-7).

Licenses

This source continues to be affected by:

- The Trade (Licensing) Act, 1969, which does not capture service businesses.

- Un-rated businesses; The Council tariff was last amended 3 years ago yet new businesses have come up that need to be captured and rated accordingly.
- Multi-shops previously planned for licenses of higher grades have continued to pay as retail shops.
- The New trade Order in the city barred Kiosks and hawkers from getting licenses.
- Kampala business people lack the culture of paying their license fees on time.

The lack of adequate resourcing for KCC was also portrayed in The New Vision (4^{th}August, 2003) which reported that KCC was holding talks with the World Bank and Ministry of Finance to help it fund the city traffic and drainage projects which had stalled. KCC was to implement the Kampala Urban Traffic Improvement Plan (KUTIP) and Kampala Drainage Master Plan (KDMP) early this year, but failed due to lack of funds. The projects, whose studies cost KCC about $60,000 each, are aimed at improving the flow of traffic and reducing floods. Under KUTIP, several roads in the city suburbs are supposed to be tarmacked while others will become one-way. The five-year plan also involves improving junctions. Under KDMP, several channels will be rehabilitated to improve the flow of water.

Due to lack of adequate resources and the rising costs of managing KCC's aging fleet of refuse trucks and skips, waste management at 40% collection is still too low compared to the required 70% collection. The solid management in Kampala City is structured along four basic cost components: (a) the fleet of trucks that carry skips (b) the containers/skips that store refuse (c) the manpower and (d) the landfill. It is estimated that Kampala generates about 1000 tones of solid waste per day, with each person estimated to generate about 0.8 kg per day, (KCC Public Health Department – 2000). Shockingly, about 60% of the solid waste is not collected. The frequent cholera outbreaks in the city are an example of the outcomes of poor waste management. Moreover, KCC still only dumps and buries the waste, which is harzadous in the long run. Some initiatives are being undertaken to recycle the garbage as is in developed countries, but the efforts are constrained by lack of financial resources.

The "fiscal gap"- the difference between the expenditure needs of local governments and the availability of resources to finance these needs – can be redressed in principle according to Bahl and Linn (1992:472- 480) in four ways. (a) A reduction in responsibilities that require local expenditure; (b) an increase in the local authority to raise revenue; (c) an increase in the amount of revenues transferred from higher-level government; and (d) an increase in the local effort to raise revenue in the face of unchanged revenue-raising authority. In my view, in addition to the above, it is crucial for the public to go through aggressive tax education and for tax issues to be delinked from political agendas.

The establishment of a fiscal databank by the Local Government Finance Committee, the redefinition of the graduated personal tax band by the Ministry of Local Government, and the preparation of a new rating decree by government are expected to help solve some of the problems faced in revenue collection in the near future. Government has also hired Ernst and Young, a financial consultancy firm to offer consultancy services to the newly introduced Local Government Revenue Module project. The project aims at enhancing revenue collection in local governments so that they become financially independent. The firm will assist with the development of specifications that will be used as a basis of sourcing the supplier of the system and the hardware. It will also provide training and change management proposals associated with the implementation. The project, which is led by KCC will interface with the yet to be implemented Integrated Financial Management System.

Containing costs, introducing competition, and, setting higher quality standards are essential for competent management and efficient use of resources. However, if these reforms result in inadequate service provision, corruption, and reduced accountability, the citizen's willingness to pay tax is likely to diminish, yet taxes form a large source of revenue for local governments.

CHAPTER SIX

CONCLUSIONS AND POLICY RECOMMENDATIONS

6.1 Conclusions

Many policy decisions like KCC's SFR lead to results that were not originally intended by decision-makers. According to the analysis by Grindle & Thomas (1990:1178), this is due to an over-emphasis on the decision process. It is therefore essential that actors look at policy reform as an interactive process of decision making and implementation, and focus attention on the fact that all policy reforms will encounter antagonistic reactions.

From the analysis in the paper, the following issues are evident;

The operational autonomy of KCC is constrained by existing legal frameworks and institutionalised practice, hindering its ability to deliver services efficiently. This is a result of local revenue sources prescribed for local governments in the local Governments Act being low yielding, inelastic, regressive and vulnerable during high political seasons. Other responsible factors are; dependence on donor assistance, untimely and unpredictable disbursement of grants by central government, strict regulations for utilisation of conditional grants, and stringent conditionalities for loan applications. These factors limit the extent to which KCC defines and controls its own activities, making it a creature of its environment rather than a master of its own fate.

The three approaches adopted by KCC in its SFR namely: Organisational restructuring, Alternative service delivery and Fiscal reform are relevant aspects in public sector performance. As elements of NPM, these approaches generate a number of positive improvements in revenue collection, efficiency, and reduced public expenditure. However, they have a disadvantage in that KCC as a public institution does not wholly fit into this criterion. Thus, factors that are more important positives in the public institutions like equity, equality, probity, social inclusion and exclusion tended to be ignored.

It is also apparent that the implementation of KCC's SFR has presented a number of opportunities for KCC on the whole. It has led to participatory involvement in affairs of the City through contracting out and privatisation of service delivery, determination of priority areas for development and generation of more revenue.

Nevertheless, the analysis also suggests that there are serious institutional constraints and capacity implications for the implementation of KCC's SFR which need to be addressed if decentralised management systems are to function as expected and if their benefits are to accrue to the city dwellers. Most of the constraints identified (lack of credible policy, underdeveloped private sector, lack of integration of the SFR with other related institutions, and, poor implementation capacity) have to do with processes and procedures rather than structure. A key message from the study is that implementation of any reform needs to be planned and managed very carefully. In general, evidence of superiority of private over public enterprise is mixed and inconclusive.

Therefore, efforts with a view to improving service delivery in a strategic manner through contracting out, corporatisation and participatory approaches are in themselves insufficient unless tax administration is also improved. Substantial additional efforts are also needed to reduce corruption and to establish effective and transparent financial management. Management and information tools need to be in place to programme, disburse, record, monitor and evaluate public expenditures. It is also necessary to establish benchmarks that can indicate whether reform efforts are succeeding or not. Accurate and timely information helps to eliminate overlap, and duplication, increases transparency and accountability, facilitates effective budgeting of scarce resources, minimises losses and increases confidence in both local and central governments.

6.2 Recommendations for Improving KCC's SFR.

The well being of urban dwellers in Kampala City is as dependent on the fiscal health of the local government as it is on that of central government. Therefore, the fiscal and administrative problems of Kampala City Council deserve more attention than they are usually accorded. The limited local revenue bases coupled with government emphasis on the conditional grant are issues that call for further bargaining. The fiscal transfer system will enhance benefits of decentralisation policy in general and service delivery in particular, if more emphasis is given to the increment in the unconditional grant.

It has also been noted that Central government adjusts its grants to local governments in consideration of inflation rather than need. This is a major problem for KCC as its service delivery needs are growing at a very high pace. The result is a mismatch between KCC's responsibilities to provide services, on the one hand, and its authority to raise revenue, on the other. Government should therefore consider allowing local governments access to revenue sources like motor vehicle license and income tax that are currently a preserve of central government. The growth in the number of automobiles is more rapid than the growth in city population. Automobile ownership and use are more easily taxable and likely to fall on persons with high incomes. In addition, the growing number of automobile results into larger expenditures for urban roads, increased congestion and pollution costs. Hence, automotive taxation represents an ideal revenue instrument for urban governments in terms of equity, efficiency and administration. In Jarkata and Singapore, annual automobile registration fees, restrictive area licenses and tolls have been applied with success. Other alternative sources of income include: numbering of houses, naming of streets, issuing of identity cards to residents, registration of residences and determination of domicile. Such aspects may appear irrelevant, but they have enabled tax collectors in some other countries to assess and collect taxes as well as enforce tax laws much more effectively. Their absence makes many taxpayers flout regulations. User charges are also considered " 'fairer' than taxes since individual users pay for services received – marginal supply is thus matched with marginal demand and economic efficiency realised, the argument in neoclassical economics. Fees also provide information about citizen preferences (Mushkin&Vehorn, 1980).

Since the current ideology is that of promotion of government as a coordinator and regulator rather than a provider or producer, KCC as a local government can enhance this role by indicating the areas where private participation is welcomed, its form, content and implications. It is also imperative that KCC ensures adequate competition and scrupulous adherence to specified ethical standards. Careful monitoring is also needed to ensure the transparency of bids and related decision making.

KCC's SFR shows evidence of its total commitment to solving Kampala's chronic problems though varied and many. Through the SFR, KCC has made efforts to improve the scope, depth and reach of services. However, without drastic improvements in KCC's finances and administrative capacity, the SFR will continue to only have a negligible impact on the quality of services for the city dwellers.

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