

**MANAGEMENT OF REVENUE COLLECTION  
UNDER DECENTRALIZATION IN UGANDA**

A Case Study of Iki-Iki Sub-County Pallisa District 20002/2004

AS A PARTIAL REQUIREMENT FOR THE FULFILLMENT OF A  
BACHELORS DEGREE IN PUBLIC ADMINISTRATION IN KAMPALA  
INTERNATIONAL UNIVERSITY

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## DECLARATION

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STUDENT: \_\_\_\_\_

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## CHAPTER ONE

### INTRODUCTION

#### 1. Introduction

McMahon (1961, 15) suggested that the term decentralization, refers to the process of moving away from the centre. Manhood, (1993, 1) conceives decentralization as a concept that suggests the hope of cracking open the blockages of an inert central bureaucracy, curing Managerial constipation, giving more direct access for the people to the government to the people stimulation the whole nation to participate in national development plans.

According to cheema (1983), decentralization refers to the transfer of planning, decision making or administrative authority from the central government to its field organizations, Local administrative units, semi-autonomous and parastatal organizations, local governments and non-governmental organizations.

According to Apollo Nsibambi (1996), decentralization is a process by which power, political decision-making, financial and managerial are transferred from the centre to local governments giving them more autonomy and liberty to manage their local affairs within the framework of a unitary state.

The above definitions suggest that decentralization is a broad term that cannot be easily pinned down. Despite this however, all definitions seem to agree that decentralization entails the transfer of certain powers (financial, legislative, decision making or planning) from the central governments to the lower governments.

The forms of decentralization include:

Deconcentration, Delegation, Devolution, Privatization.

**Deconcentration** refers to the transfer of administrative functions within the central governments organizational hierarchy to their representatives at lower levels.

Responsibilities are transferred from central line ministries to local governments or representative units. This kind of decentralization is purely administrative and retains the authority over decision making in the hands of the central authority. Deconcentration therefore involves shifting the workload from centrally located bureaucracies to the field staff outside the national capital.

The field staff implement policies made at the centre and they remain controlled and answerable to the government ministries.

It should therefore be ascertained that deconcentration simply de-congests the centre but the outside (periphery) units have no discretionary powers and are bound to operate within the set guidelines at the centre.

Deconcentration only echoes a shift of the work load from the central government to its field organizations without relinquishing (giving away) any powers but merely spreading the activities of central government over the wider area.

**Delegation** refers to the transfer of decision-making authority and managerial responsibility for specific functions to organs that are not under the direct control of central government ministries. For instance Project implementation units, Area development authorities.

In other words, authority is transferred to units or agencies which may be in, or outside the regular bureaucratic structure of government but with substantial autonomy to make decisions.

Delegation is adopted as a means of improving managerial and administrative efficiency and effectiveness in public rules and services from the bloated central government bureaucracy.

**Devolution** refers to the full transfer of responsibility, decision making, resources and revenue generation to a local level of public authority that is autonomous and fully independent from the developing authority. Units that are devolved are usually recognized as independent legal entities and are ideally elected.

It can be noted that pure devolution hardly exists in real practice. In most cases, central governments are reluctant to grant full autonomy to local government and in other cases local governments may not have the capacity to exercise such authority.

**Privatization** involves the transfer of some planning and administrative responsibility from the central government to voluntary, private or non-governmental organization.

The central government may also transfer powers to parallel organizations such as trade unions, farmers unions, parties (political parties) to perform certain functions that were hither to be carried out by the central government.

In other cases, the central government may completely privatize certain responsibilities granting companies the autonomy to carry them out without interference.

The ideological principle of establishing decentralization in Uganda was intended to involve local citizens in the management of their affairs, provide a frame work within which resources are effectively mobilized, make public administration more responsive by taking services nearer to the people, to manage national resources more effectively and efficiently and promote national development, to improve managerial and administrative capacity of the local people, to ensure that local problems are dealt with in a speedy and effective fashion.

## 1.1 Background of the study.

Decentralization in Uganda historically dates far back during the colonial period. Semblances or elements of decentralization were noticed during that period. This is because the Queen of England through the governor of Uganda that time used to assign commissioners (District Commissioners / DCs) to govern on her behalf at the District / regional levels for effective and efficient administration in the colony. Even after when Uganda received its independence from Britain, for sometime, districts at that time were governed by the district commissioners (appointed). However, it was after when the National Resistance Movement (NRM) took over power from the Obote regime in 1986 that the four forms of decentralization being Deconetration, Devolution, Delegation and Privatisation tended to all appear in a clear line / plan for the proper Decentralization.

In 1989, we began to see the government policy on decentralization taking action. In early 1989, elections to expand Uganda's legislature, the National Resistance council, were held from the grassroots village level up to the National level, for the first time giving ordinary people a genuine say in who represents their interests. This was a fulfillment of a pledge in the National Resistance Movement's guiding ten point programme, to restore popular democracy in Uganda.

In 1992, however a process for a statute to provide for the decentralization of functions powers and services to the local governments to increase local democratic control and participation in decision making and to mobilize support for development which is relevant to local needs was started and was finalized on 17<sup>th</sup> December 1993

and commenced on 31<sup>st</sup> December 1993, which pushed forward for a local government Act, 1997.

Section 2(d) of the local government Act states that – The objectives of the Act are to establish sources of revenue and financial accountability. And also section 79 states that – local governments' revenue generally shall be regulated as provided in the fifth schedule.

Furthermore, chapter eleven, Article 176 (1) provides that – The system of local government in Uganda shall be based on the district as a unit under which there shall be such lower governments and administrative units as parliament may by law provide. And Article 176 (2) provides for all the principles which apply to the local government system and Articles 152 and 163 are for financial matters.

However, it is for the above kind of organization in the government system that administrative leadership, managerial and accountability constipation is avoided. This kind of system in Uganda is found to be effective and efficient for delivery services and management. The issue of local government finances and resources in general is at the centre of the decentralization Agenda. This is because decentralized units cannot implement whatever responsibilities entrusted to them without the necessary resources to do so or to implement. The whole drive for decentralization springs from the belief that local areas are better off and can have more access to resources for development if they have some autonomy.

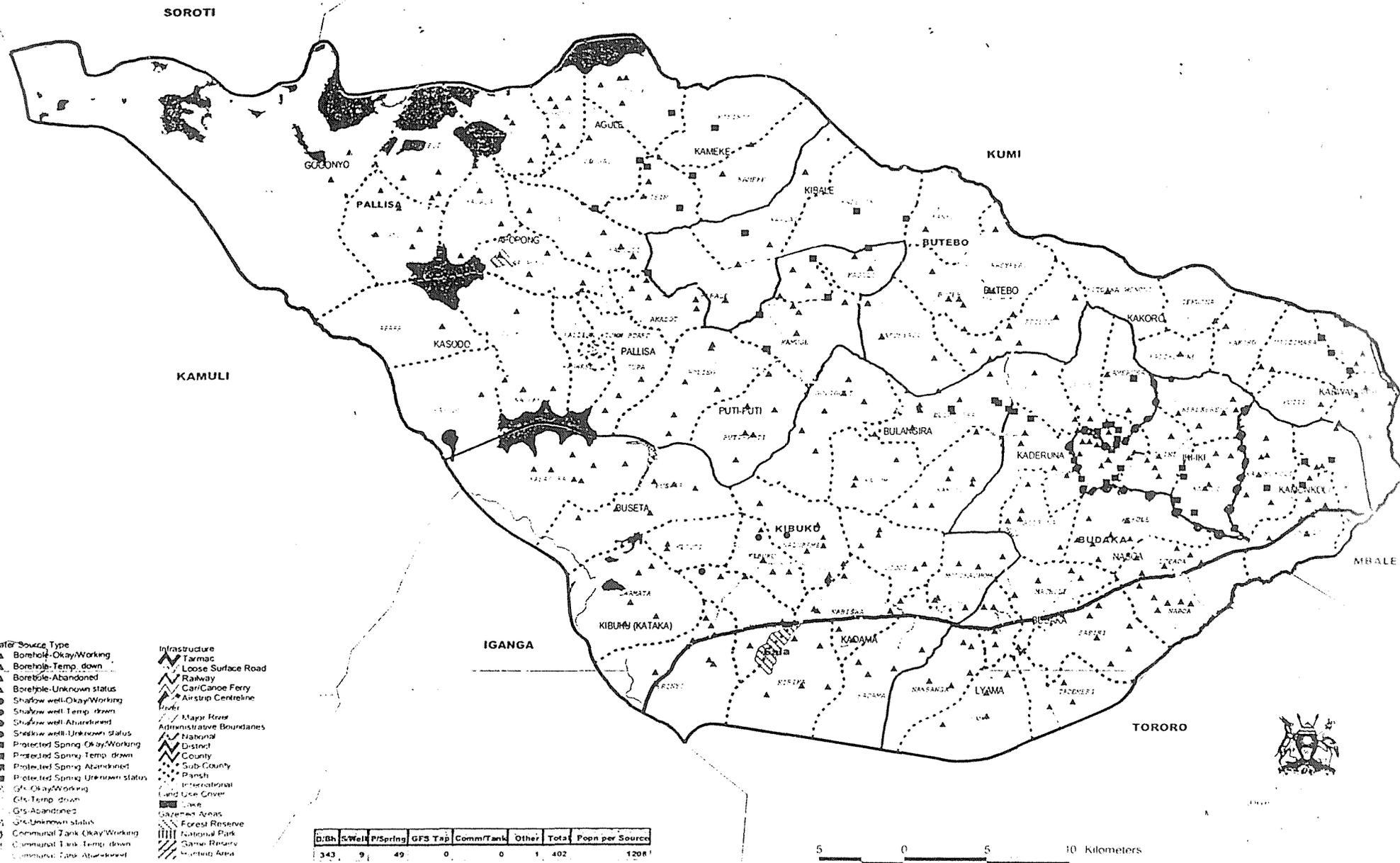
In most cases however, this expectation is not realized. The central governments often transfer enormous responsibility to local governments without transferring matching authority over resources. Nevertheless, the central government is a key player to the decentralization process and its provisions in Uganda.

Similarly, in most cases, lucrative services of revenue may be retained under the control of the central government. These may include for instance import duties, license fee on motor vehicles and others. The end result of decentralization process in Uganda however is local governments.

## 1.2 Location of the research.

As per the concept of decentralization, the research on management of revenue collection under decentralization was carried out in Iki-Iki Sub County. Pallisa district local government is located in Eastern part of Uganda between Mbale district on Eastern side and Iganga district on Western side borders; Kumi district on the Northern boarder and Tororo district on Southern boarder.

Iki-Iki sub-county is located in Budaka county, Pallisa district local government. Iki-Iki – Sub County has seven (7) Trading centres, being; Iki-Iki, Namirembe, Kadenge, Naluwerere, Kavule, Kerekerene, Kadatumi. With a total population of about 20,000 people – 600 of whom pay graduated tax. It has 200 shops, seven butchers / slaughter houses. The district has a population of about 300,000 people with four counties being, Budaka county, Kibuku county, Butebo county and Pallisa county, the district is about 60 km<sup>2</sup> between boarders, with a diversity of cultures due to different tribes found in or comprising it. This was due to migrations. However, its original habitants are the Bagwere and Itesots (Bateso) tribes.



- Water Source Type**
- ▲ Borehole-Okay/Working
  - ▲ Borehole-Temp. down
  - ▲ Borehole-Abandoned
  - ▲ Borehole-Unknown status
  - Shallow well-Okay/Working
  - Shallow well-Temp. down
  - Shallow well-Abandoned
  - Shallow well-Unknown status
  - Protected Spring-Okay/Working
  - Protected Spring-Temp. down
  - Protected Spring-Abandoned
  - Protected Spring-Unknown status
  - GFS-Okay/Working
  - GFS-Temp. down
  - GFS-Abandoned
  - GFS-Unknown status
  - Communal Tank-Okay/Working
  - Communal Tank-Temp. down
  - Communal Tank-Abandoned
  - Other-Okay/Working
  - Other-Temp. down
  - Other-Abandoned
  - Other-Unknown status

- Infrastructure**
- Tarmac
  - - - Loose Surface Road
  - Railway
  - Canoe Ferry
  - Airport Centreline
  - Major River
  - Administrative Boundaries
  - National District
  - County
  - Sub-County
  - Parish
  - International
  - Land Use Cover
  - Lake
  - Game Area
  - Forest Reserve
  - National Park
  - Game Reserve
  - Hunting Area

D/Bh	S/Well	P/Spring	GFS Tap	Comm/Tank	Other	Total	Popn per Source
343	9	49	0	0	1	402	1208

DATA - 1997



### **1.3 Objectives of the study**

The general goal / objective of this study is to carry out a research and uphold the management of revenue collection and expenditure in Iki-Iki sub county local government so that it can improve and enhance its economic, social welfare of its local government development, peoples welfare and national economy's development in general.

### **1.4 Specific objective of the study.**

- a) To find out the most effective, efficient and reliable methods which can enhance and promote the management of local revenue collections and expenditure in Iki-Iki sub – county local government.
- b) To find out more revenue sources, better ways of taxation and financial mobilization in order to promote the essence of planning for Iki-Iki local government.
- c) To find out better revenue mobilization ways, this can build consensus between the taxpayers and revenue administrators in order to beef up revenue collections.
- d) To find out how decentralization allows the involvement of beneficiaries in decision-making, better allocation and mobilization of local resources.
- e) To find out how more responsive public administration is under the decentralization process. Looking at government functions such as the legislative framework, bureaucratic approach and necessary administrative apparatus to levy, collect and spend taxes.

## 1.5 Out line of the study

This study is divided into four chapters. The first chapter looks at the introduction, background, location of research, objectives, outline of the research, methodology which further includes the research type, source of data, data collection techniques, and the data anyalysis.

Chapter two covers the practical framework of the study, which provides detailed explanations and illustrations of management of revenue collections in Iki-Iki sub-county and the tax base in the same area, it covers the literature review, decentralization of power and its meaning, actors in service delivery under decentralization which include local government, non-government organization, private sector, community based organization and donors.

It also looks at sources of local government, challenges and their solutions, graphs.

Chapter three looks at the data analysis under which we look at the introduction, an over view of Iki-Iki sub county management of revenue collection, administrative structure of local government, functions of local government, recommendations and conclusions.

Finally, chapter four looks at findings in which we look at recommendation, general conclusion, abbreviations, bibliography and appendices.

## **1.6 Methodology**

This research study uses descriptive analysis to explain the management of revenue collection under decentralization. The quantitative and the qualitative data collected during fieldwork and from the results of the research into autonomy is analyzed in detail.

### **1.6.1 Research type**

This research uses a case study to analyze the practice of management of revenue collection under decentralization.

This research took the case study of Iki-Iki sub-county in Pallisa district 2002-2004. Here the human and the financial autonomy was analyzed thus finding out the differences between the theoretical and the practical role of Iki-Iki sub county in management of revenue collection under decentralization.

### **1.6.2 Sources of data**

This dissertation does not only utilize literature or secondary data but it also utilizes primary data to analyze the role of Iki-Iki sub county under decentralization in development in Uganda.

Literature related to local government guides the analysis towards additional data sources about local government functions. These can be the constitution 1995, local government Act 1997.

The primary data used for this research study are got from the field study in the local government area of Iki-Iki sub county Pallisa district.

During the field study in this local government area, statistical data was collected from annual reports, and information was also got from interviews with local senior officials. Annual reports were obtained from the offices of the sub-county chief and that of the local council three III chairman.

### **1.6.3 Data collection techniques**

This research utilized unstructured interviews in collecting data. Unstructured interviews were held between the officials of local government and tax payers in order to get the details of the management of local government revenue collection.

Observation was also used to collect the necessary data for this research since this study is basically quantitative, observation method was inevitable although time limit was a problem to this method.

Apart from primary data, this research study also utilized secondary data. This data was got from already written documents, which were got from different offices within the Iki-Iki sub county jurisdiction.

Focus group discussions were also part of the research study. Focused youths in groups of about 12-16 were always selected for discussing about taxes, their effects. This was especially during social evenings.

### **1.6.4 Data analysis.**

The data got using the above methods was analyzed using qualitative mechanisms. Encoding of the information decoded over the cassette player and the summaries of relevant information got.

After analyzing this data, conclusions were taken from the differences and similarities between the theory and practice of management of revenue collection in Iki-Iki sub county under decentralization in Uganda and then recommendations were made for future improvements.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is divided into five sections. The first section focuses on decentralization and its meaning on decentralization and its meaning; Actors in service delivery under decentralization.

The second section focuses on the sources of local government revenue. It goes further to look at the sources of revenue for Iki-Iki sub county as even backed by the recurrent budget estimates of Iki-Iki sub county for years of 2002/2003, 2003/2004, 2004/2005.

The third section of this chapter focuses on the challenges of management of revenue collection in Iki-Iki sub county under decentralization.

The fourth section looks at the solutions to the challenges of revenue collection and management.

The fifth section mainly looks at the conclusion.

#### **2.2 Decentralization of Power**

Decentralization of power in Uganda was found out to be necessary and this culminated into the formation of the decentralization policy in the country till date.

##### **2.2.1 Meaning of Decentralization**

The ideological principle of establishing Decentralization in Uganda was intended to relieve bloated duties of Central governments and curing managerial and administrative constipation. McMahon (1961, 15) suggested that the term decentralization refers to the process of moving away from the centre.

Mawhood, (1983, 1) conceives decentralization as a concept that suggests the hope of cracking open the blockages of an inert central bureaucracy, curing Managerial constipation, giving more direct access for the people to the government to the people stimulation the whole nation to participate in national development plans.

According to Cheema and Rondinelli (1983:10), decentralization refers to the transfer of planning, decision-making or administrative authority from the central government to its field organizations, Local administrative units, semi-autonomous and parastatal organizations, local governments and non-governmental organizations.

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**Devolution** refers to the full transfer of responsibility, decision making, resources and revenue generation to a local level of public authority that is autonomous and fully independent from the developing authority. Units that are devolved are usually recognized as independent legal entities and are ideally elected.

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The central government may also transfer powers to parallel organizations such as trade unions, farmers unions, parties (political parties) to perform certain functions that were hitherto be carried out by the central government.

In other cases, the central government may completely privatize certain responsibilities granting companies the autonomy to carry them out without interference.

The ideological principle of establishing decentralization in Uganda was intended to involve local citizens in the management of their affairs, provide a framework within which resources are effectively mobilized, make public administration more responsive by taking services nearer to the people, to manage national resources more effectively and efficiently and promote national development, to improve managerial and administrative capacity of the local people, to ensure that local problems are dealt with in a speedy and effective fashion.

## **2.3 Actors in service delivery under decentralization**

Actors in service delivery under decentralization are shown below.

### **2.3.0 Central Government.**

The central government is a key player in the process of decentralization and in the provision of services under this decentralized system.

It formulates the policies and the legal frame works that guide the process.

The central government is expected to build the capacities and to prepare local governments to take over the roles and responsibilities.

After the powers and functions have been transferred, the central government still maintains a number of key roles. This is so in Uganda. In Uganda, the central government is responsible for certain functions of a national nature that may not even easily be decentralized, for instance the National currency, National security, External or foreign relations and others.

The central government still finances the activities of local governments and other actors. For instance, it gives grants to local governments to finance their services of which Iki-Iki sub county is part.

The central government is responsible for regulating the activities of local governments to ensure that they meet the minimum accepted standards, operate within the national policy framework and enabling conducive environment for the operation of other actors.

#### **2.3.1 Local Governments.**

This constitutes the most crucial player. It is the one to whom most of the powers, functions and responsibilities are transferred powers given to local government include;

- Financial powers like to levy taxes.

- Budget for the collected revenue and
- May be given planning powers like to formulate development plans.
- May also get legislative powers, like to formulate local laws and ordinances.
- Personnel powers to appoint discipline and remove persons from offices at their respective levels.

### **2.3.2 Non-government organizations.**

These are usually considered important players in decentralized systems because they supplement the actions of the local government and reach populations. For instance, Northern Uganda Social Action Fund (NUSAF), Danish International Development Agency (DANIDA), Northern Uganda Reconstruction Programme (NURP) are some of the non-government organizations supplementing actions of government like Building schools, Health centers in the local sub county level.

Non-governmental organizations are effective and low cost channels for delivering services.

Like the private sector, non-governmental organizations work in joint pattern shops with the local government and may be contracted to provide certain services.

International non-governmental organization act as financials to some services.

### **2.3.3 The private sector.**

The private sector constitutes an important actor in the decentralized system.

Private sector agencies or individuals may enter into joint partnership with local government or may be contracted by local government.

For instance, the Iki-Iki weekly market is tendered or contracted off usually. Individuals who have a registered company apply to the district tender board with a refundable amount of 1,800,000/=. If they win the tender, the money is not refunded but if they lose, they get back their application fee. There after, the winner begins paying 1,000,000/= million per month of which 30% goes to the district and 20% goes to the county, 25% goes to the village and sub county gets 65%.

The role of the private sector is important for those functions and services which local governments are not suited to perform.

They may include:- construction work and those that can be easily provided through market forces.

### **2.3.4 Community based organizations**

Communities constitute yet another key actor under decentralized systems.

They constitute the very justification for the whole process of decentralization.

They are the ones for who better services and better governance are pursued.

They also constitute the electorate from whom the local government are formed and are the center of all actions as well as policies ideally, community members should be consulted both by central government and local government in the process of policy formulation.

The community-based organization contributes to the resources of both central and local governments through payment of taxes, user fees and any other contribution voluntary or not voluntary to the development of projects.

Central government and local governments should be answerable and accountable to the community. This is the same in Iki-Iki sub county.

### **2.3.5 Donors**

Donors whether to local governments or central governments are often indispensable players. In Iki-Iki, for example donors like DANIDA (Danish International Development Agency), ADRA, and others are key players in the decentralization.

They often provide technical assistance, which may be in form of training, workshops.

They also check and regulate the actions of central and local government of which Iki-Iki sub county is a haven.

In most cases, their assistance is associated with a number of conditionality or requirements that have to be fulfilled.

In both cases of Donors and NGOs, the question remains as to whether they can play their role without creating dependence syndrome and whether they are ultimately able to build or undermine the capacities of central and local government receiving their assistance.

## **2.4 Sources of local government revenue**

According to chapter nine, of the constitution of the Republic of Uganda 1995 Article 152 (1) says – No tax shall be imposed except under the authority of an Act of parliament.

In accordance to that Article, Parliament made and passed the 1997 Local government Act under which in part VIII (eight) Articles 75-91 look at revenue and how it is managed and accounted for. Under the same Act; The fifth schedule states the local government regulations and sources of revenue, which include:

- Graduated Tax.
- Property tax / Receipts for rates and taxes.
- Grants from government.
- Fees and fines on licenses and permits.
- Interest on investments.
- Rents from lease of local council property.
- Fines and fees imposed by courts of local councils.
- Donations.
- Charges / Profits from local council trade under taking.
- Annual bicycle licenses.
- Parking fees.
- Advertisement fees.
- Cess on produce.
- User charges.
- Fishing licenses.
- Agency fees.
- Charcoal burning licenses.

- Any other revenue prescribed by LC approved by ministers.
- Grants from city council to Division.

However, according to the chairman local council III (three) of Iki-Iki sub county Mr. Mwima Hussein and the sub county chief of Iki-Iki Mr. Adam M, through a face to face interview, said, not all the mentioned or listed sources of revenue in the Local government Act in the fifth schedule applied in Iki-Iki sub county.

The only source of revenue applied in Iki-Iki are:

- Graduated Tax.
- Business Licenses.
- Development Tax.

#### **Donor funds**

- Economic Development fund.

#### **Central government transfers**

- Conditional grant.
- Local government Development grant.

#### **Administrative fees and licenses**

- Registration (Birth certificate, death and marriage certificate) fees.
- Inspection fees and others.
- Market fees.
- Fines and penalties.

In addition however, this information is accompanied with the Revenue estimates and expenditures as per years 2002/2003, 2003/2004, 2004/2005 below.

2.4.1 ESTIMATES OF REVENUE AND EXPENDITURE

(RECURRENT AND DEVELOPMENT

2002/2003, 2003/2004, 2004/2005)

IKI-IKI SUB COUNTY SUMMARY OF REVENUE ESTIMATE FOR 2004/2005

ACTUALS 2002/2003	BUDGET 2003/2004	CODE	REVENUE SOURCE	ESTIMATED ACTUALS 2003/2004	BUDGET 2004/2005
11.734.125	17.200.000	111	Taxes on income	13.531.950	17.200.000
-	-	113	Property tax	-	-
821.000	9.010.000	1145	Taxes on use of goods and services	5.883.000	2.300.000
1.714.200	3.300.100	132	Donor funds	558.500	600.300
-	-	133	Unconditional grant	-	-
22.490.500	51.999.741	133	Conditional grant	38.385.000	32.541.000
-	-	133	Equalization grant	-	-
-	-	14	Non tax revenue	-	-
-	-	142	Sale of goods and services	-	-
6.017.000	13.860.000	1422	Administrative fees and licenses	2.841.000	12.400.000
-	-	144	Voluntary transfers NGO	-	-
-	-	145	Miscellaneous	5.500	-
42.776.825	95.369.841		TOTALS	61.204.950	65.041.300

DETAILS OF REVENUE ESTIMATE FOR 2004/2005 FINANCIAL YEAR.

ACTUALS 2002/2003	BUDGET 2003/2004	CODE	REVENUE SOURCE	ESTIMATED ACTUALS 2003/2004	BUDGET 2004/2005
		11	<u>Taxes</u>		
		111	<u>Taxes on income profits capital gains payable by individual</u>		
11.731.125	17.200.000	11103	Graduated tax	12.832.950	17.200.000
115.000	5.010.000	114505	Business licenses	2.841.000	2.300.000
706.000	9.000.000	114508	Development tax	699.000	-
-	1.500.000	1321	EDF	558.500	600.000
-	100	1321	CSDP	00	100
-	1.800.000	1321	Wetlands	00	100
-	-	1322	HASP	00	100
<b><u>Central Government Transfers</u></b>					
998.500	2.394.605	133103	CBG	298.500	3.752.000
21.492.000	49.605.136	133203	LDG	38.086.500	28.789.000
<b><u>Administrative fees and licenses</u></b>					
76.500	20.000	142207	Registration (Birth, Deaths & Marriage)	14.000	100.000
119.000	200.000	142213	Inspection fees and others	659.000	300.000
5.822.000	8.640.000	142214	Markets / Gate fees	5.210.000	12.000.000
-	-	145	Miscellaneous	5.500	-
42.776.825	95.369.841		TOTAL	61.204.950	65.041.300

**DETAILS OF EXPENDITURE FOR 2004/2005.**

<b>ACTUALS 2002/2003</b>	<b>BUDGET 2003/2004</b>	<b>% GE</b>	<b>CODE</b>	<b>DETAILS OF EXPENDITURE</b>	<b>ACTUALS 2003/2004</b>	<b>BUDGET 2004/2005</b>
				<u>Management support services</u>		
			21	<u>Employee costs</u>		
110.000	180.000		211	Wages and salaries	45.000	180.000
677.800	1.200.000		211103	Allowances	1.258.500	1.500.000
-	1.500.000		211104	EDF activities	600.000	600.000
-	200.000		212	Social contribution / Burial expenses	140.000	100.000
20.000	100.000		21201	Compound cleaning	95.000	100.000
			22	<u>Use of goods and services</u>		
-	-		221001	Advertisement and public relations	-	170.000
1.457.000	2.155.145		221002	Workshops & seminars CBG	1.723.000	3.752.000
-	-		221003	Staff training	-	-
135.000	239.460		221007	Books & periodicals	80.000	300.000
36.000	150.000		221008	Computer & IT / Typewriter services	22.800	200.000
1.150.000	1.373.225		221009	Welfare & Entertainment	1.338.300	1.400.000
-	-		221010	Water & sanitation	-	-
562.950	831.132		221011	Printing, stationery & photocopying	514.200	900.000
-	-		221012	Office furniture	-	1.000.000

-	700.000		221018	Survey of sub county land	00	-
497.000	200.000		221019	Local and national functions	244.000	200.000
-	5.295.976		221020	Purchase of vehicles / m'cycle	00	-
1.990.000	1.400.000		227001	Travel inland	1.411.000	1.400.000
-	200.000		227003	Carriage & Transport hire	90.000	-
113.000	7.959.160		228004	Maintenance & Buildings	1.443.000	400.000
-	300.000		241003	Domestic Arrears	300.000	
1.825.000	6.000.000		262101	Contribution to Co-Financing	3.145.500	2.800.000
2.444.100	8.679.790		263101	35% to Pallisa D.A	2.606.000	6.531.000
	1.496.039		263102	5% TO Budaka county	1.256.887	1.166.450
426.845	1.468.800		263106	VAT to URA	220.000	2.040.000
426.845	7.480.195		263107	25% to villages	1.484.123	5.832.250
-	1.496.039		263108	5% to Parishes	-	1.166.450
-	1.000.000		263201	Construction / Renovation of the S/C office block	00	16.000.000
-	350.000		282	Miscellaneous and other expenses	300.000	250.000
500.000	2.000.756		282104	Supervision and monitoring	660.000	1.429.450
<b>FINANCE AND ADMINISTRATION</b>						
472.970	450.000		221014	Bank charges	475.273	500.000

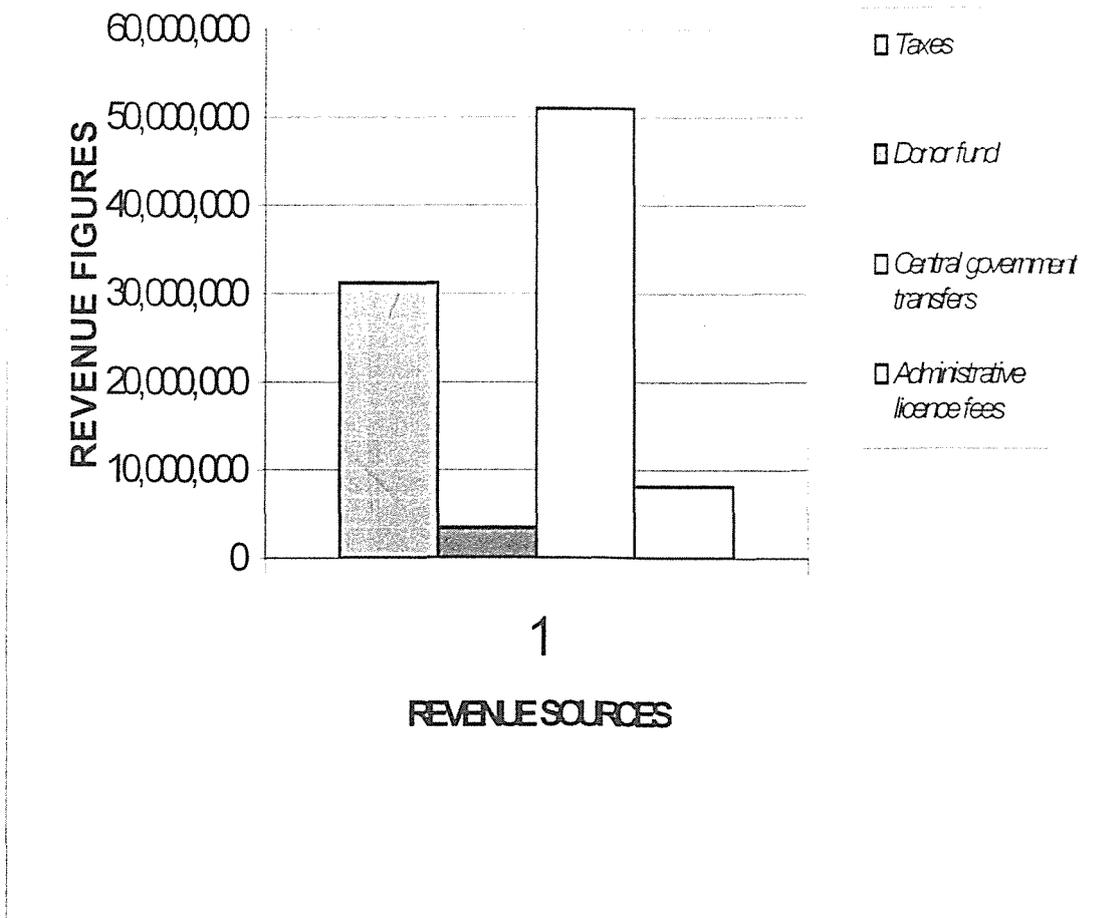
<b>WORKS AND TECHNICAL SERVICES</b>						
19.416.473	25.650.000		263202	Maintenance of community roads	29.686.000	680.650
-	184.124		221004	Procurement of Borana cocks	15.000	3.000.000
<b>EDUCATION AND SPORTS</b>						
2.475.000	3.500.000		263203	Procurement of Desks for schools	8.744.800	3.960.000
-	-		282102	Pit latrine construction at Nyanza P/S	-	1.200.000
-	-		282103	Procurement of 1 liter 5000 liter water tank for Kerekerene P/S	-	1.200.000
<b>HEALTH AND ENVIRONMENT</b>						
-	5.700.000		263204	H.U. power installation	00	-
-	-		263205	Spring protection (Kinkoba spring at Katira)	-	1.300.000
-	1.800.000		282103	Wetland conservation	-	300
<b>COMMUNITY BASED SERVICES</b>						
218.000	700.000		2641	Women youth & PWD	292.000	700.000
204.000	200.000		2642	Community based activities	196.000	300.000

COUNCIL COMMITTEES AND BOARDS						
1.115.000	3.180.000		221006	Council expenditure and allowances	3.279.000	2.782.750
				<b>GRAND TOTAL</b>		<b>65.041.300</b>

SOURCE: From Iki-Iki sub-county Current and Development Budget Estimates Documents of years 2003/2004.

The data here in the recurrent and development revenue and expenditure estimates in Iki-Iki sub county local government in the years 2002/2003, 2003/2004, 2004/2005, shows that revenue collections have always appreciated year after year. This can be witnessed in the above data. However, expenditures have also appreciated as per the same data.

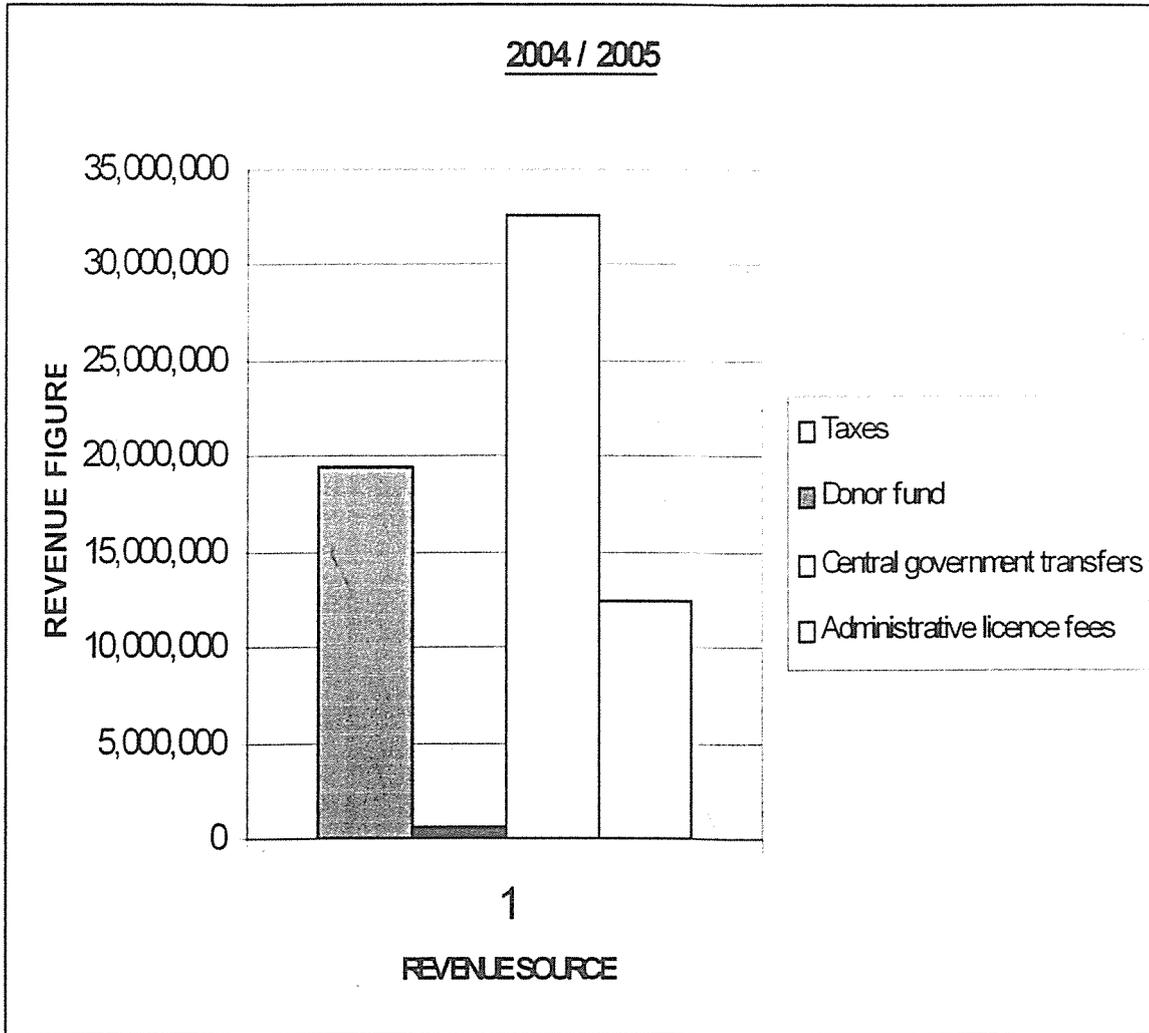
2.4.2 A CHART SHOWING THE HIGHEST SOURCE OF REVENUE IN IKI-IKI SUB-COUNTY LOCAL GOVERNMENT YEAR 2003/2004.



**SOURCE: From Iki-Iki sub-county Current and Development Budget Estimates Documents of years 2003/2004.**

As per the above chart, it therefore shows that central government transfers in the years 2003/2004 was the highest source of revenue followed by taxes, administrative fees and licenses and lastly donor funds with figures as follows: 51.000.000, 31.210.000, 8.220.000, 3.500.000 consequently.

2.4.3 A CHART SHOWING THE HIGHEST SOURCE OF REVENUE IN IKI-IKI SUB-COUNTY LOCAL GOVERNMENT YEAR 2004/2005.



**SOURCE: From Iki-Iki sub-county Current and Development Budget Estimates Documents of years 2003/2004.**

In the year 2004/2005, the chart has showed that the highest source of revenue for Iki-Iki sub county local government was in central government transfers followed by taxes, administrative fees and lastly donor funds with figures as follows: 32.41.000, 19.500.000, 12.400.000, 600.100 consequently

#### 2.4.4 More revenue sources and financial mobilization ways for Iki-Iki sub – county local government

Apart from the 10 sources of revenue as per Iki-Iki sub-county tax administration body being:

- Graduated tax
- Business licenses.
- Development tax.
- Economic development fund (Donor fund)
- Conditional grants.
- Unconditional grants.
- Registration fees of (Birth, death, marriage certificates).
- Inspection fees
- Market fees.
- Fines and penalties.

There can be other sources like:-

- User charges
- Profits / Charges from Local council trade undertakings.
- Interests on investments. For example interest on Iki-Iki Ginnery investments.
- Property tax (Ownership of buildings in trading centres).
- Parking fees.
- Advertisement fees.
- Agency fees.
- Road toll.

Better taxation methods also include:-

- Levy at convenient time (Harvest time, trade boom).
- The tax should be equitable.
- People should be aware of tax collecting.
- Cost of collection should be minimal to avoid losses.
- Tax system should be flexible (elasticity).

## **2.5 Challenges of Management of Revenue Collection in Iki-Iki sub county under Decentralization**

Having realized financial constraints within the sub county financial accounts. Research has been made and the following are the challenges of management of Revenue collection in Iki-Iki sub county.

- (a) It is brought to light that Parish chiefs also get money from the taxpayers without issuing them with receipts. This is commonly mainly when the taxpayer is paying half or quarter the fee. This makes management hard.
- (b) The need for leaders to stay in power such that when they do not levy and collect taxes, they can win favours from their electorate. A case in point is, the levy of graduated tax in Uganda now, which is not uniform in payment among all taxpayers.
- (c) Deliberate refusal of some taxpayers to pay the taxes due to poverty or due to reasons of lack of benefit from the tax they pay.
- (d) Lack of enough machinery to combat the management of revenue collection in the sub county. This is because of lack of funds to hire the qualified personnel and even those existing are illiterate and have no experience.

- (e) Poor infrastructure and transport to help in the management and collection process of revenue. For example tax collectors can not move long distances to collect the taxes and even due to poor roads and transport, taxpayers always manage to escape from the collectors and run to the bushes.
- (f) Lack of gender sensitivity in the process of management and collection of revenue in Iki-Iki sub county. Only men / males are involved in the management and collection of these revenues. This shatters efforts of the females to pay taxes saying that after all we are not represented. This is however psychological.
- (g) Illiteracy among the tax collectors especially at the bottom level of the hierarchy of administration. These have little skills in the management and collection of revenues.
- (h) Misappropriation of funds by the top sub county leaders for self-gains. Some taxpayers pay taxes but are not issued with the receipts.
- (i) Since all taxes are collected and taken to the district revenue accounts then later on apportioned according to percentages and population figures of a sub county, it is believed that while at the district, revenue collected is also poorly apportioned or sometimes mismanaged.
- (j) Tax collections are done in a cruel and brutal way / manner. This makes the taxpayers to shy away / escape from the collectors. Hence few collections are made.
- (k) Taxation is on a multitude of small items yielding small revenue involving a greater cost of collection. Here the local government is the loser. The taxpayers complain

that the purpose of budgeting is not realised and they even have no clue about the budget outcome.

## 2.6 Solutions to the challenges

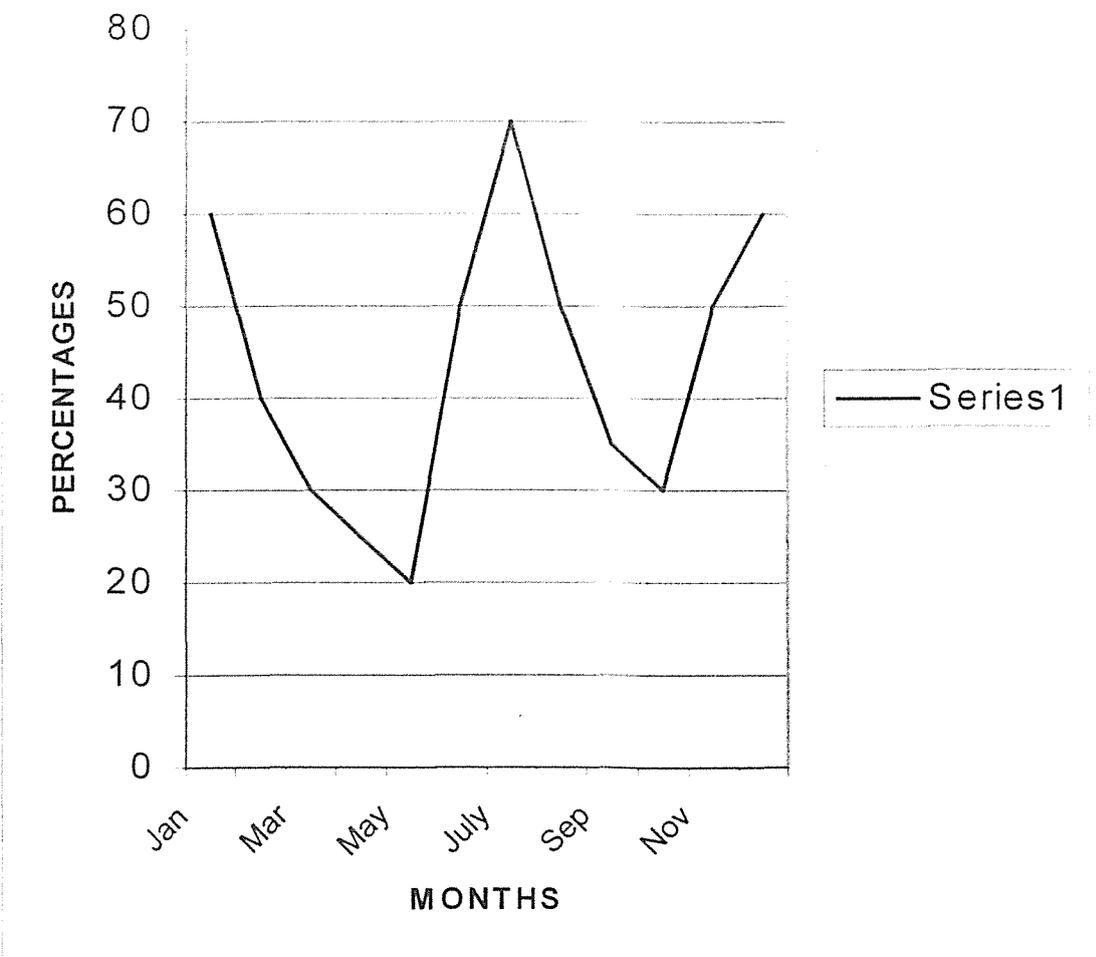
Prior to the bad mobilization ways like being so cruel, brutal, corruption among the tax administrators, the following are the better revenue mobilization ways found out of research in order to beef up revenue collections.

- (a) Payment can be made in installment such that the tax-paying burden is reduced. It becomes easier to finish all the payments and in good faith.
- (b) Taxpayers can be threatened that whoever will not pay the tax will be imprisoned and especially when you are more away from this sub county to another for business or any walk.
- (c) Show the taxpayers what the taxes they pay does. For example show them the schools, desks, health centres built using their money and they know how they benefit from it.
- (d) The tax levied should be convenient such that mobilisation is always during the time of trade boom, harvest period whereby the taxpayers are able to raise the money after selling goods and services.
- (e) More dependence should be on major items of taxation which yield a larger revenue with a smaller cost of collection other than many items involving a greater cost of collection.
- (f) Equity in tax levy should be paramount such that some people do not dodge to pay.

- (g) Gender sensitivity should be part of the mobilization process in that females should also mobilize. In most cases, its easy for a female person to convince a male person on issues of money. This is a psychological reasoning, which can be proved.
- (h) Tax collectors should a little polite and convincing to win peoples willingness to pay the taxes. They should not be very rude throughout.
- (i) Literate collectors should be employed to do such a job of collection because they know how to account for the revenue and can even lobby the government (central) for grants, donor community and non-government organizations for money (revenue).
- (j) Compulsory payments of taxes when levied should be upheld. Specified rates should be put across or known. For example, on income taxes, property taxes, wealth and gift taxes, graduated taxes. Export and import duties are collected when goods and services are exported or imported.
- (k) No tax without representation. In ancient days, Monarchies used to impose taxes without the consent of the people and often collected them forcefully by cruel methods and with little or no accountability. But with the spread of democracy, the political heads should come to be elected by the people, proposals regarding taxes, their rates and expenditure are required to be sanctioned in the assembly of representatives, hence there should be no tax without representation.
- (l) The taxable resource should be known and receipts and certificates given on payment, such that in case of any operation, it is known that such and such a person paid tax and receipts paid off accounted for rather than some taxpayers paying their tax and are not given the receipts.

(m) Safe custody is their for those who fail to pay or confiscation of their property (bicycles, food stuffs etc.) and take them back on payment of the required due.

**2.6.1 A LINE GRAPH SHOWING MONTHLY PERCENTAGES OF REVENUE MOBILIZATION IN IKI-IKI SUB-COUNTY LOCAL GOVERNMENT.**



**SOURCE: From Iki-Iki sub-county Current and Development Revenue Budget Estimates and Expenditure Documents of years 2003/2004/2005.**

The month of November, December and January have high percentage of revenue mobilization because it is when cotton, beans, maize, Soya of the second season are harvested. And the months of June and July are high in revenue mobilization, because they make up the first season of harvest in the year. This therefore gives people money to pay off their taxes.

However, the months of February, March, April and May are quite sunny with no harvests, and the months of August, September, October are also seen with little or no harvest.

## **2.7 CONCLUSION**

The analysis of the structure and organization of the management of revenue collection under decentralization in Iki-Iki sub county provided in the foregoing chapter strongly suggested that Iki-Iki sub county local government is dependent on the central government and other non government organizations.

For example, all local governments in Uganda receive major financial subsidies from the central government and non-government organization.

Even management of revenue collections is done jointly as evidenced above in the chapter.

## CHAPTER THREE

### DATA ANALYSIS

#### 3. Introduction

This chapter provides a description and analysis of management of revenue collection under decentralization which in this research is used as the case study on which conclusions will be based. This analysis of management of revenue collection in Iki-Iki sub-county local government under decentralization will be used as basis to assess the role of local government in development.

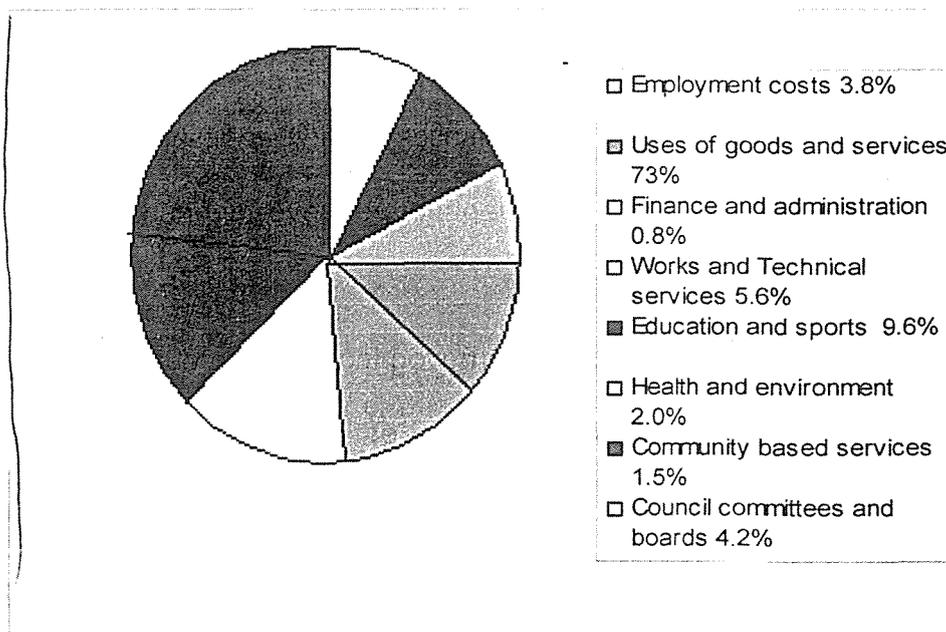
Management of revenue collection policy in Iki-Iki sub-county is both centralized and decentralized. This means that decentralized units have a role to play where as the central government also has a role to play in the management of revenue collection under decentralization, thus "down-top" and "top-down" approach. It has been realized that the new order government since 1989 when proper decentralization was being formulated has given management of revenue collection great emphasis, and more so taxes on income whose collection has increased dramatically since 2003/2004 to 2004/2005 from 13.531.950 to 17.200.000. Taxes on goods and services in the same year however, decreased from 5.883.000 to 2.300.000. CBG, LDG gave greater emphasis to revenue collections and management. For instance in years 2002/2003, 2003/2004, 2004/2005, conditional grants were 22.490.500, 38.385.000, 32.541.000 consequently.

### 3.1 An over view of Iki-Iki sub county management of revenue collection.

It is realized that management of revenue collection is of major importance to the Ugandan economy in terms of its contribution to the country's Gross Domestic Product (GDP) and as a main provider and facilitator of the following:

- Goods and services.
- Employment costs.
- Finance and Administration.
- Works and Technical services.
- Education and Sports.
- Health and Environment.
- Community based services.

#### 3.1.0 A pie chart showing percentage expenditures of revenue collection in Iki-Iki sub county.



**SOURCE: From Iki-Iki sub-county Current and Development Revenue Budget Estimates and Expenditure Documents of year's 2003/2004/2005.**

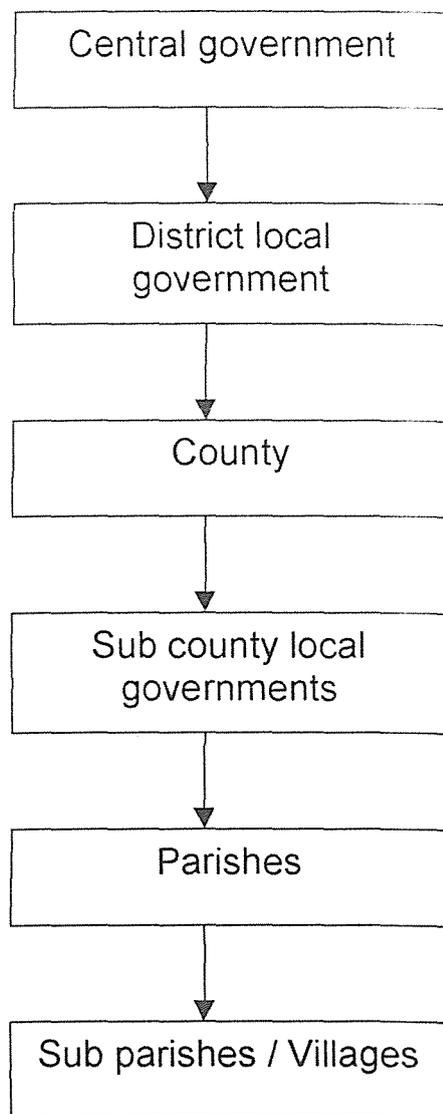
According to the above pie chart however, expenditure is more in the uses of goods and services by 73%, education by 9.77%, works by 5.6%, council committee boards by 4.2%, employment by 3.8%, health by 2.0%, community based services by 1.5%, lastly finance and administration by 0.8%.

In order to analyze the role of local government in management of revenue collection under decentralization, we first have to look at the administrative structure of Iki-Iki sub county in the local government. In Uganda, government has decentralized much of its management of revenue collection administration up to levels of parishes. Unlike in the previous governments in Uganda where decentralization was up to the district level with the district commissioners taking the management role of revenue collection.

In Uganda now, theoretically we can separate the roles of central government and local governments in management of revenue collections, but practically, its impossible to separate these two since they deal hand in hand in revenue management and collection.

For example out of the revenue collections made in Iki-Iki sub county local-government, 30% goes to the central government, 35% to the district, 65% goes to the sub county local government which is again further divided, county taking 5%, villages 25%, parishes 5% and VAT to URA.

### 3.1.1 The administrative structure of local government in Uganda.



**Source:** Primary Data collected by the researcher.

### 3.2 Functions / Role of Local governments in management of revenue collections.

- Levy and assess taxes in accordance with fifth schedule of local government Act.
- Approval of annual budget estimates.
- Approval of supplementary estimates.

- Making of byelaws for proper conduct of the councils own business and management.
- Approval of development plans.
- Passing of Bills for ordinances and byelaws.
- Power to raise loans and mortgaging council property.
- Any other functions or power that may be added to the above by the ministry with the approval of cabinet.

The data was got qualitatively and quantitative mechanisms. There was encoding of information, decoding of information over the cassette record player and the summaries of relevant information to the research got.

After analyzing this data, conclusions can be taken from the differences and similarities between the theory and practice of management of revenue collection in

Iki-Iki sub county under decentralization in Uganda and then recommendations were made for future improvements.

Further more, the management of revenue collection ad expenditure under decentralization is of major importance to the Ugandan economy because of its contribution in safety of funds, provision of goods and services, provision of health, education, employment. Due to good management of revenue collection, The Ugandan government managed to finance its economy by 54% in fiscal year 2004/2005.

This gave a rise / shift from 48% in fiscal 2003/2004 in its domestic revenue.

## CHAPTER FOUR

### FINDINGS

#### 4. Introduction

This study was of the view that decentralization should play a major role in management of revenue collection and expenditure.

This is because decentralized planning strategies provide more advantages for local people/communities to pay and monitor their own taxes or revenue in terms of benefits.

The objective of this study was therefore, to find out reliable methods of management of revenue collection and management. Find out more sources of revenue under decentralization.

Conclusively, a consequence of this centralized structure, local government was found only functioning as the implementer mostly. Therefore it was found out that apart from the 10 sources of revenue as per Iki-Iki sub-county tax administration body being:

- Graduated tax
- Business licenses.
- Development tax.
- Economic development fund (Donor fund)
- Conditional grants.
- Unconditional grants.
- Registration fees of (Birth, death, marriage certificates).
- Inspection fees
- Market fees.

- Fines and penalties.

There can be other sources like:-

- User charges
- Profits / Charges from Local council trade undertakings.
- Interests on investments. For example interest on Iki-Iki Ginnery investments.
- Property tax (Ownership of buildings in trading centres).
- Parking fees.
- Advertisement fees.
- Agency fees.
- Road toll.

Better taxation methods also include:-

- Levy at convenient time (Harvest time, trade boom).
- The tax should be equitable.
- People should be aware of tax collecting.
- Cost of collection should be minimal to avoid losses.
- Tax system should be flexible (elasticity).

Prior to the bad mobilization ways like being so cruel, brutal, corruption among the tax administrators, the following are the better revenue mobilization ways found out of research in order to beef up revenue collections.

(n) Payment can be made in installment such that the tax-paying burden is reduced. It becomes easier to finish all the payments and in good faith.

- (o) Taxpayers can be threatened that whoever will not pay the tax will be imprisoned and especially when you are more away from this sub county to another for business or any walk.
- (p) Show the taxpayers what the taxes they pay does. For example show them the schools, desks, health centres built using their money and they know how they benefit from it.
- (q) The tax levied should be convenient such that mobilization is always during the time of trade boom, harvest period whereby the taxpayers are able to raise the money after selling goods and services.
- (r) More dependence should be on major items of taxation, which yield larger revenue with a smaller cost of collection other than many items involving a greater cost of collection.
- (s) Equity in tax levy should be paramount such that some people do not dodge to pay.
- (t) Gender sensitivity should be part of the mobilization process in that females should also mobilize. In most cases, it's easy for a female person to convince a male person on issues of money. This is a psychological reasoning, which can be proved.
- (u) Tax collectors should a little polite and convincing to win peoples willingness to pay the taxes. They should not be very rude throughout.
- (v) Literate collectors should be employed to do such a job of collection because they know how to account for the revenue and can even lobby the government (central) for grants, donor community and non-government organizations for money (revenue).

- (w) Compulsory payments of taxes when levied should be upheld. Specified rates should be put across or known. For example, on income taxes, property taxes, wealth and gift taxes, graduated taxes. Export and import duties are collected when goods and services are exported or imported.
- (x) No tax without representation. In ancient days, Monarchies used to impose taxes without the consent of the people and often collected them forcefully by cruel methods and with little or no accountability. But with the spread of democracy, the political heads should come to be elected by the people, proposals regarding taxes, their rates and expenditure are required to be sanctioned in the assembly of representatives, hence there should be no tax without representation.
- (y) The taxable resource should be known and receipts and certificates given on payment, such that in case of any operation, it is known that such and such a person paid tax and receipts paid off accounted for rather than some taxpayers paying their tax and are not given the receipts.
- (z) Safe custody is their for those who fail to pay or confiscation of their property (bicycles, food stuffs etc.) and take them back on payment of the required due.

#### **4.1 Recommendations**

Following the concrete and proper introduction of decentralization in Uganda (1993), changes in administrative, managerial and financial trends have shown to be very positive. This is even evidenced with the 2004/2005 fiscal year budget.

Therefore, decentralization is conducive for the management of revenue collection and expenditures

## 4.2 General conclusion

The analysis of the structure and organization of the management of revenue collection under decentralization in Iki-Iki sub county provided in the foregoing chapter strongly suggested that Iki-Iki sub county local government is dependent on the central government and other non government organizations.

For example, all local governments in Uganda receive major financial subsidies from the central government and non-government organization.

Even management of revenue collections is done jointly as evidenced above in the general research findings.

It was found out by this research that it is very difficult to assess the role of decentralized local governments in management of revenue collections because of complications of separating central government, local government at district, county, sub county, parishes in management process.

This is because, the research findings show us that one of them cannot exist without the other. Therefore, they should co-exist in management of revenue collection, since even Uganda is still a developing country.

The data was got qualitatively and quantitative mechanisms. There was encoding of information, decoding of information over the cassette record player and the summaries of relevant information to the research got.

After analyzing this data, conclusions can be taken from the differences and similarities between the theory and practice of management of revenue collection in Iki-Iki sub county under decentralization in Uganda and then recommendations were made for future improvements.

Further more, the management of revenue collection ad expenditure under decentralization is of major importance to the Ugandan economy because of its contribution in safety of funds, provision of goods and services, provision of health, education, and employment. Due to good management of revenue collection, The Ugandan government managed to finance its economy by 54% in fiscal year 2004/2005.

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