

**AN EVALUATION OF TAXATION AS A TOOL FOR THE PUBLIC SECTOR
DEVELOPMENT IN UGANDA: A CASE STUDY OF KIBOGA DISTRICT LOCAL
GOVERNMENT**

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ABSTRACT

The study has heavily focused on the fundamental connections and correlations between taxation and public sector development by taking a case of Kiboga district local government. The study's objectives, questions, and methodology allowed the investigator to produce credible and reliable the results that will be very important to administration and non-government actors as a guide in the representation and manufacturing geared toward accelerating the growth of the public sector. Since taxes are converted into amenities by the national government and local governments receive grants for offering a variety of distributed services to local economic development, the study discovered an important connection among taxation and public sector growth within Kiboga district local government. The findings show that 96% of the respondents agreed that there is a correlation between taxation and development of the public sector of Uganda as respondents have revealed. Only 4% of the respondents were not sure. While 4% of the respondents objected or were not sure. The government should facilitate fully all agencies involved in local governance for efficient monitoring and supervision including civil society so as to harmonize their efforts and initiatives towards the district's success.

Key words: evaluation, taxation, public sector and development

Background to the Study

According to this strategy, modifications to the tax code reflect a fundamental shift. For instance, a shrinking informal sector broadens the tax base, a vehicle for

compliance is created by the emergence of larger businesses, and the financial sector promotes open accounting systems that make taxes easier. Such structural strategies have been highlighted in Tanzi's fluent observations (1987, 1992) and Burgess and Stern's assessment of the difficulties (1993). (Ramadhan et al., 2023), who emphasize the connection between taxation and formal finance, and Kleven, Kreiner, and Saez (2009), who highlight the reporting of third parties through firms, are two significant recent publications that concentrate on particular economic pathways. A notable economic development over the past two centuries has been the expansion of the state and its ability to raise substantial amounts of money from residents (Suzan & Kazaara, 2023). For instance, according to Maddison (2001), tax income in France, Germany, the Netherlands, and the UK peaked at 46% of GDP surrounding the turn of the millennium, up from an average of 12% in 1910. 8% and 30% are the respective U.S. figures. A number of tax developments, such as the expansion of the income tax to a large number of people, are what are driving these increases in revenue. For instance, states had to set up taxation departments and adopt withholding at source in order to achieve widespread income tax participation (Ronald et al., 2023). The present strategy of the Ugandan government is to reduce its excessive reliance on foreign aid in order to balance the country's yearly spending. The objective of the governing body is to raise enough local taxes to cover the budget. The ones that follow are only a few of the many difficulties with tax collection. Uganda has a limited tax base from which to collect taxes. Although the Uganda Revenue Authority (URA) has made significant strides in tax administration, more work remains before URA can fully collect taxes from all income earners. Consumers do not perceive the advantages of submitting taxes since there is no clear responsibility for how the money has been used.

Statement of the Problem

The economic slump has exacerbated a rising budgetary problem for many of our country's governmental institutions, which is generally defined by elevated joblessness

and repossession rates and, in some circumstances, higher service demands. This crisis has had a big impact on local entities due to the lack of viable revenue streams and incapacity to stop spending in the deficit. Local governments face significant issues as a result of these financial limits, as well as declining state support, main revenue sources (such as income, sales, and real estate taxes), rising retirement costs, and service expenses (MoLG, 2020). Local entities have experienced gaps in growth as a result of corruption and a restricted ability to generate sufficient revenue (Phionah et al., 2023). Numerous local governments have failed to plan for and carry out their economic growth objectives, and some have missed the deadline for submitting their strategies for growth to the nationwide planning legitimacy, risking losing their yearly grants, notwithstanding the fact that the national government and donors have mostly bailed out local authorities through grants that are both contingent and unrestricted (MoFED, 2021). This has piqued the curiosity of the investigator, leading him to decide to look into and assess the situation.

Objectives of the study were:

- 1. To assess the relationship between taxation and development of the public sector especially in Kiboga district local government.*
- 2. To investigate the various possible sources of tax or the tax bases in the district*
- 3. To find out the various challenges faced by local governments in the collection of tax and devise feasible remedies to the challenges*

Research Questions were:

- 1. What is the relationship between taxation and development of the public sector especially in Kiboga district local government?*
- 2. What are the various possible sources of tax or the tax bases in the district?*
- 3. What are the various challenges faced by local governments in the collection of tax and what feasible remedies can be devised to overcome the above challenges?*

Methodology

Research design.

a qualitative research approach that included interpretative and descriptive elements. The purpose of this design was to make sure that the necessary data was amassed financially, precisely, and objectively in order to produce findings that were both dependable and trustworthy and that directed subsequent action.

Study participants

According to Shawkat W. (2000), a community is any gathering of a certain specified set of people or non-people, such as objects. Kiboga District Local Government officials and residents made up the study population. This was done since a population like that can provide reliable knowledge and views about issues related to education.

Sample size

The researcher interviewed about 40 respondents of whom 15 were officials from kiboga district local government, 20 local masses who tend to had reliable information about the research topic, and 5 members of the civil society who had reliable information about the topic.

Methods of data collection

The researcher used both primary and secondary methods.

Primary Method of data collection

3.5.1 Questionnaires

The researcher administered questionnaires to a selected number of respondents and also used emails, cell phones more especially in cases where it was difficult to have interviews. This helped the researcher to generate as much information as possible.

Interview

Interview is a face-to-face conversation with the respondent. Structured and unstructured Interviews were used to generate as much information as possible from the respondents.

Data analysis

Using SPSS, data were qualitatively examined. This was due to the fact that the investigation into the connection between revenue and the growth of the public sector was mostly qualitative in nature (Nelson et al., 2022). Thematic qualitative analysis, which is an analytical way of presenting qualitative info, was used to gradually evaluate the data. This approach was taken so that the responses' thoughts and opinions could be described in great depth. Based on the study objectives, topics were created and data has been provided in accordance with those themes.

RESULTS

Age of respondents

Respondents were grouped in different age groups. This is illustrated in the table below

Table 1: Showing the age of the respondents

Age group	Frequency	Percentage (%)
13 - 20	1	2%
21 - 30	15	30%
31 - 40	28	56%
41 - 50	5	10%
51 and above	1	2%
Total	50	100%

Primary data, 2022

Age groups 13 to 20 from the table above had 1 respondent (2%), 21 to 30 had 15 respondents (30%), 31 to 40 had a total of 28 participants (56%), 41 to 51 had five participants (10%), and age groups 51 and over had 1 participant (2%).

This suggests that the majority of the participants and Kiboga District Local Government employees are between the age groups of 21-30 (30%) and 31-40 (56%), respectively. While only 1% of people are in the 13-20 and 51-plus age categories,

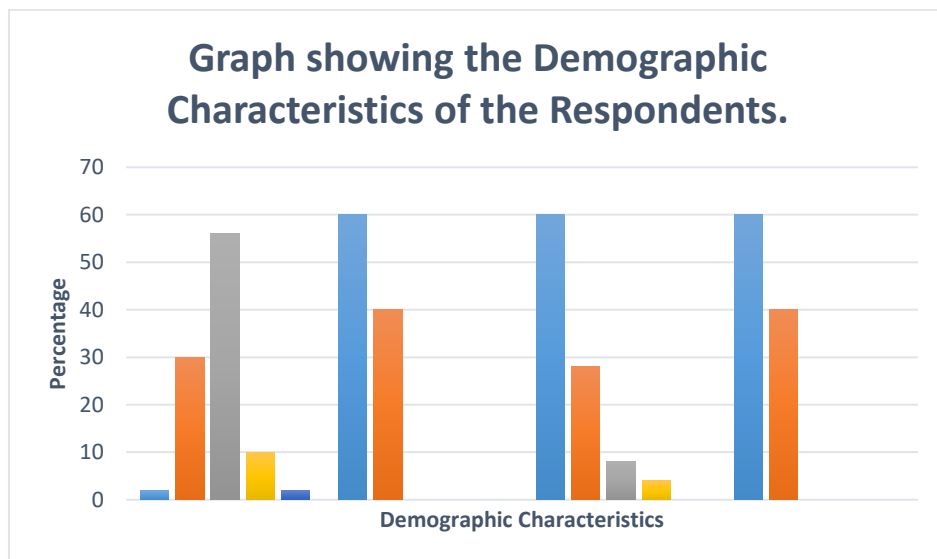
respectively. This suggests that the majority is made up of younger and middle-aged populations. This suggests that;

Table 2: Showing the categories of the respondents and their Gender/sex

Category	Males	Females	Percentage
Political leaders	5	5	20%
Kiboga Local government civil servants	5	5	20%
Officials from the ministry of finance and local government	5	5	20%
The local masses or the beneficiaries	10	10	40%
Total	50	25	25
			100%

From the table above, it is clear that the population studied consisted of 40% of the local populace or recipients in Kiboga district local government, 20% of the staff members of the municipal government in Kiboga district, 20% of the staff members of the ministry of finance, and 20% of the employees of the ministry of local government. By using a case study of the local government of Kiboga district, this suggests that the group being studied is appropriately representative and may be utilized to offer solid information on the connection between revenue and the establishment of the public sector in Uganda.

Chart showing the demographic characteristics of the sample.



The participant's age and gender breakdown is shown in the table. Although there were some female participants in the survey, men made up the majority of the respondents. 60% of the study's participants were men, whereas 40% of those who participated were women. The range of ages among 21 and 30 was succeeded by that between 31 and 40 for the vast majority of responders. Every sex was taken into account in the study, so this equilibrium provided a fair discussion of the subject.

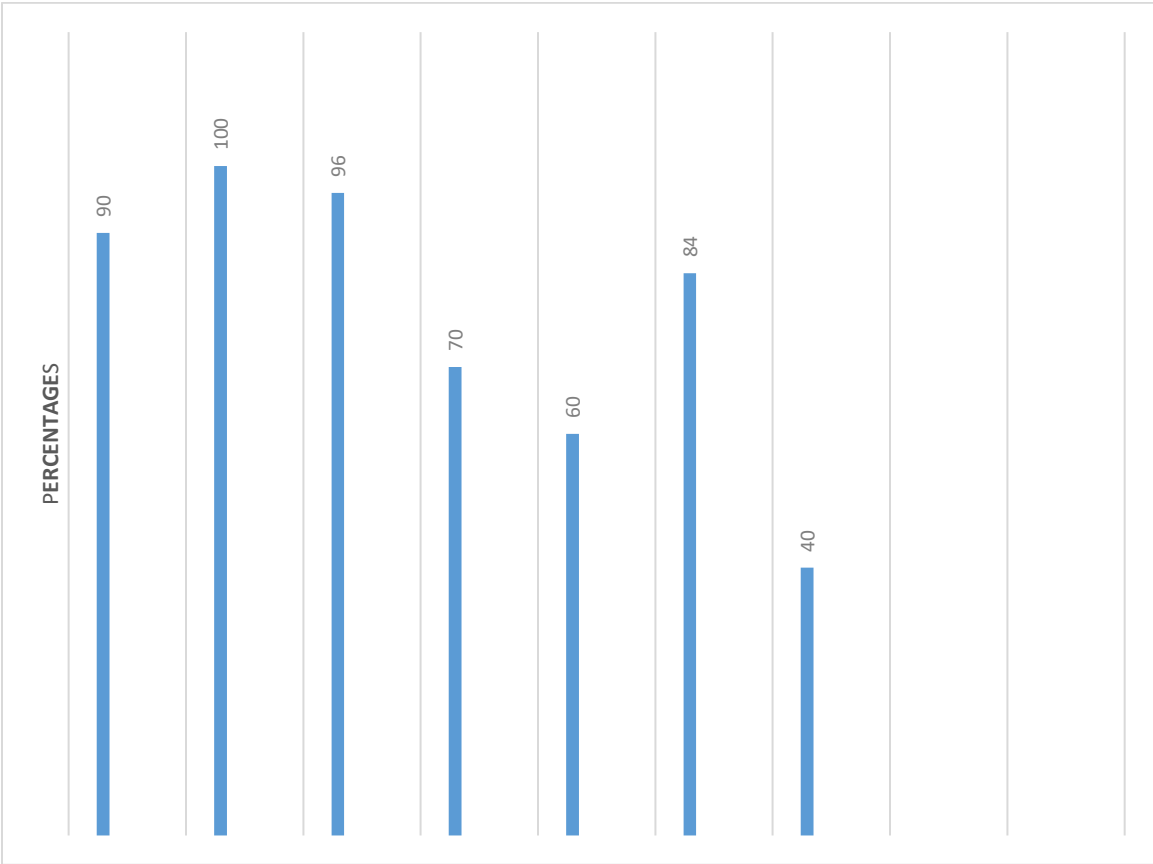
Table 3: Types/forms of decentralization in Uganda

The table showing the different forms or sources of taxes collected under decentralization in Uganda in Kiboga district local government (Christopher et al., 2022)

S/no	Type or source of revenue	Frequency	Percentage (%)
1	Grants from central government	60	70
2	Property tax/rate, market dues, licenses and	30	25
3	Donations and loans	10	05

Source: Survey

According to the aforementioned data, the central government provides funds to the local government of the Kiboga district, both unrestricted and conditional grants. This accounts for 70% of the district's overall revenue. Restricted grants are funds granted to the district to support particular initiatives, whereas unrestricted donations are funds given to support any activity that the district's administrators think appropriate. Locally, the municipality only receives 30% of its profits, and this is attributable, among other things, to low payment of taxes and a small tax base. Donations and loans. The district also receives some contributions from donors including private individuals and non-government organizations that have the financial leverage to donate any materials including money. This is however, the least source of district revenue standing at only 10% as represented in the table above. The graph showing the responses of the respondents on whether taxation has impacted development of the public sector



People's responses

Source: survey

The graph demonstrates that all respondents (100%) are aware of the existence of taxes and the purposes they are intended to serve in society. 90% of respondents firmly concur that taxation as well as growth are closely related since it has significantly enhanced service delivery. 96% of respondents believed that taxes have created a number of issues and related difficulties. 30% of the participants said that they had dodged taxes because they didn't perceive the value of them in the areas where they live. However, 70% of participants acknowledged that they had paid taxes and that they were profiting from them.

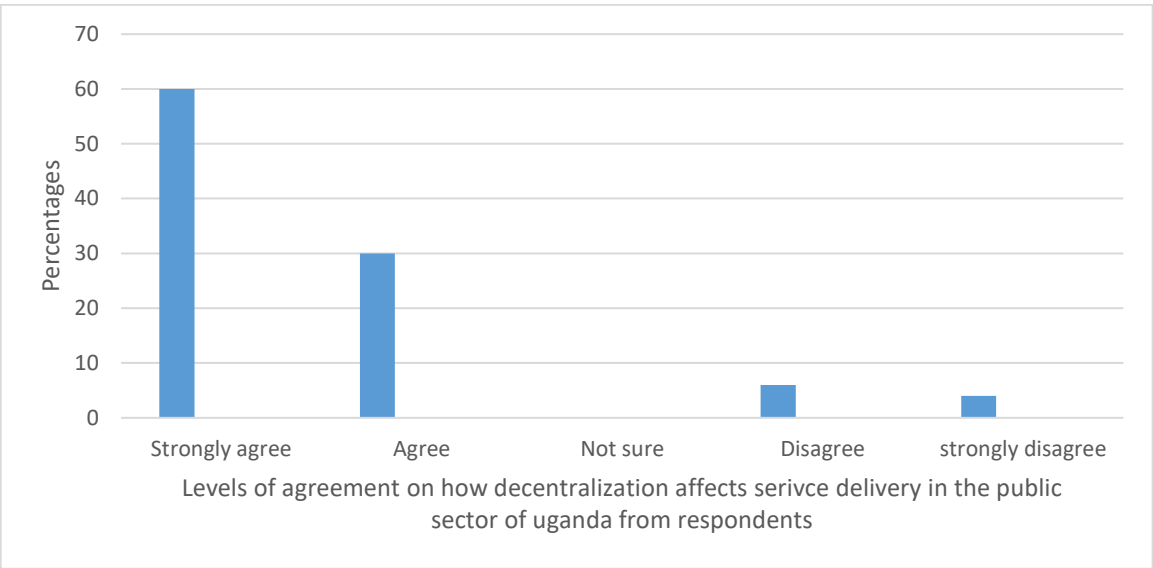
The table 4 showing how the respondents opinionated on whether taxation has positively impacted development of the public sector or not.

<i>Response</i>	<i>Frequency</i>	<i>Percentage (%)</i>
<i>Strongly agree</i>	<i>30</i>	<i>60</i>
<i>Agree</i>	<i>15</i>	<i>30</i>
<i>Not sure</i>	<i>0</i>	<i>0%</i>
<i>Disagree</i>	<i>3</i>	<i>6</i>
<i>Strongly disagree</i>	<i>2</i>	<i>4</i>
<i>Total</i>	<i>50</i>	<i>100</i>

Source: Primary data

From the above table, it can be seen that the majority of those who participated agreed strongly (60%) that there is a strong connection between taxation and enhanced delivery of services in the public sector, 30% of participants agreed that decentralized governance leads to enhanced service transportation in the public sector, 6% agreed that it does, and 4% disapproved strongly that it does. This suggests that, generally speaking, there is a substantial and positive association between enhanced service delivery in the public sector and decentralized management, which strongly encourages efficient and effective institutionalized and distributed government service delivery in the public sector. This is most likely to improve service delivery more in the public sector so to meet the objectives of the decentralized policy of Uganda is to achieve its objectives in totality.

The graph showing whether taxation leads to development of the public sector.



Source: primary data

From the above table, it can be seen that the majority of those who participated strongly agreed (60%) that decentralized governance and improved service delivery in the public sector are closely related, 30% of participants agreed that decentralization improves service delivery in the government sector, 6% agreed that decentralization improves service delivery in the public sector, and 4% disapproved strongly that decentralized governance improves service (Pdu et al., 2023). This suggests that, generally speaking, there is a substantial and positive association between enhanced service delivery in the public sector and decentralization, which strongly encourages efficient and effective institutionalized and decentralized government service delivery in the public sector. This is most likely to improve service delivery more in the public sector so to meet the objectives of the decentralized policy of Uganda is to achieve its objectives in totality (Christopher et al., 2022).

Table 5 showing factors/challenges that affect the local governments while executing their responsibilities

<i>Factors affecting NWSC include:</i>	<i>Male</i>	<i>Female</i>	<i>Frequency</i>	<i>Percentage</i>
<i>Limited funding</i>	20	20	48	96
<i>Political interference</i>	2	5	02	60
<i>Low tax base/ revenues</i>	4	4		50
<i>Tax default</i>	4	3		40
<i>Poor intergovernmental relations</i>	10	6	50	30
<i>Lack of relative autonomy</i>	5	4		05

Source: Primary data

According to the results in the table above, 20 men and 20 women agreed that other factors, like limited funding, have an impact on municipal governments. Only 2 men and 5 women agreed that political meddling from the political establishment has an impact on the taxation process, and 4 men and 3 women cited low revenue from taxes as a cause of subpar service delivery in the public sector. The results on the table above also show that 10 men and 6 men concurred that the weak relationship between governments hinder the taxing process because the political and administration wings frequently fight, which causes many regional government efforts to come to a halt. The aforementioned table also reveals that five men and four women, who were split evenly between genders, concurred that local governments' limited autonomy makes

it difficult for them to implement fiscal policy because those duties are established by the center or central agencies (Ramadhan et al., 2023).

Out of the forty participants in the sample, these people were chosen, meaning that 96% of them responded and only 4% could not be reached. According to the survey, just 40% of those who participated were women, while 60% of participants were men. There was a reasonable distribution of replies by gender, indicating that there was little prejudice in the choosing procedure.

The table 6 showing the remedies to the challenges that are faced by the public sector in the execution of their mandate/collection of tax.

<i>Remedies to the factors affecting NWSC include:</i>	<i>Male</i>	<i>Female</i>	<i>Frequency</i>	<i>Percentage</i>
<i>Increased government funding</i>	20	20	48	96
<i>Elimination of Political interference</i>	2	5	02	40
<i>Expansion of Data bases for the public sector</i>	4	4		30
<i>Effective laws against tax evasion and adoption of good tax collection practices</i>	4	3		40

<i>Improved governmental relations</i>	10	6	50	50
<i>Effective taxation laws and policies</i>	5	4		20

Source: Primary data

According to the results in the table above, 96% of the people surveyed agreed and suggested that authorities boost the resources provided to municipalities for efficient service delivery in order to successfully collect taxes and manage the taxation process. The administration of taxes and tax payer billing are impacted by political involvement from the political establishment. From the foregoing, it is advised that this evil be eradicated and that the local bodies be given the essential freedom to operate. 40% of the responses from diverse responders reflect this. The results in the table above also show that 30% of the participants blamed the clients' unfavorable attitudes for driving them to commit crimes including unauthorized connections to water and meter manipulation, which cost the company money. Therefore, they promote civic education to the clientele in an effort to alter their mindset.

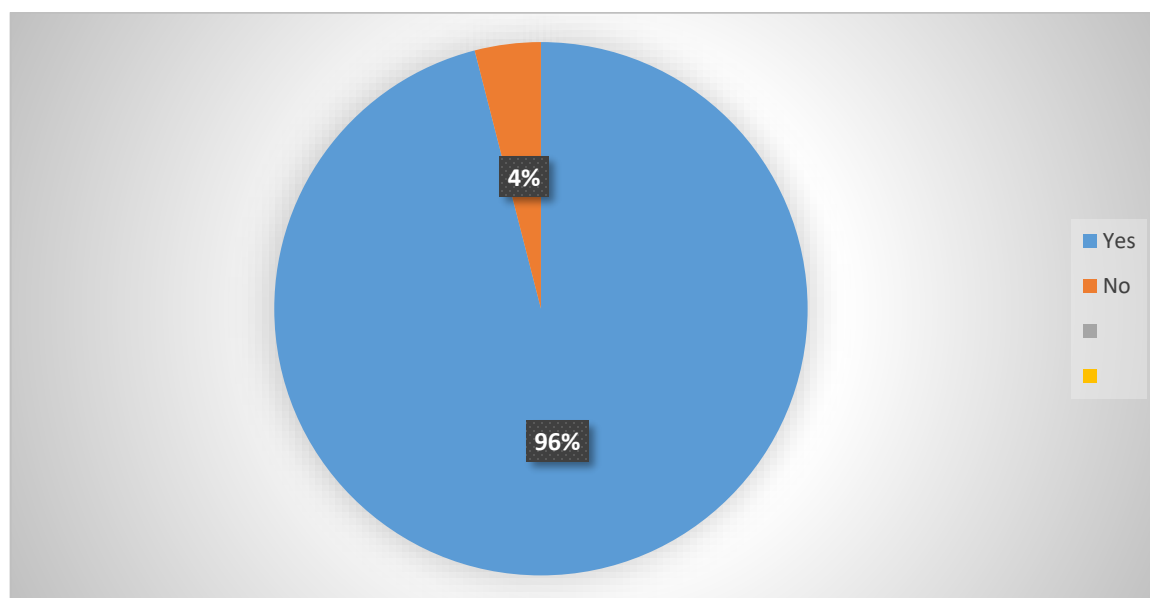
To combat tax defaulters and prevent individuals who might want to avoid taxes, 40% of the participants support robust and effective rules. Current regulations are in force and not being applied properly.

Another obstacle the organization had in carrying out its mission was the weak road system. This is demonstrated by the 50% response rate that calls for better roads, particularly in rural areas, to give local governments access to all regions of the nation so they can implement the taxation policy.

More effective policy development and execution for local entitlements will be made possible by better relations between governments, according to 50% of respondents.

They additionally recommended better and good assessment practices, such as outsourcing providing services and financial services to banks.

A pie chart showing the relationship between taxation and development of the public sector by taking a case of Kiboga municipality local government.



From the table and pie chart above, the findings show that 96% of the respondents agreed that there is a correlation between taxation and development of the public sector of Uganda as respondents have revealed. Only 4% of the respondents were not sure. While 4% of the respondents objected or were not sure.

Conclusions

According to the study's findings, the participants are aware that Kiboga district local government collects taxes.

The study also found that the kiboga district local government faces a number of difficulties, including interference from politics, inadequate funding that limits the district's ability to carry out its mandate, unfavorable client attitudes that result in tax evasion that seriously endangers the district's finances and halts most district activities, and a detrimental legal framework that is sufficiently discouraging.

Recommendations

The government should facilitate fully all agencies involved in local governance for efficient monitoring and supervision including civil society so as to harmonize their efforts and initiatives towards the district's success.

Massive sensitization should be reinforced so as to enable clients change their mindset and desist from bad attitudes so as to embrace efficient participation in the fiscal projects of the district.

Political interference should be counteracted to enable the independence of the district to work expeditiously without any unnecessary interference from the center or any powerful Centre of authority from above.

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