

# Reviewing the Adequacy of Zambia's Legal Framework for Local Authorities Revenue Mobilization

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## Abstract:

An increase in sources of local authority's revenue in both developed and developing countries has compelled governments to develop policies and laws aimed at guiding local authorities in revenue mobilization. The Zambian government, to be specific, has over the years developed quite many laws for this venture. In addition to the constitutional provision, other pieces of legislation guiding local authorities' revenue mobilization in Zambia include; the Public Finance Management Act, No. 1 of 2018, Local Government Act, No. 2 of 2019, the Property Transfer Tax (Amendment) Act, 2019, Market and Bus Station Act. No.7 of 2007, the Valuation Surveyors Act, the Rating Act No. 21 of 2018, and the Personal Levy Act of 1996. This paper explores the adequacy of Zambia's Legal Framework for Local Authorities Revenue Mobilization. The respondents were purposively sampled from the Ministry of Finance, the Ministry of Local Government, the Decentralization Secretariat, and the Local Authorities. Moreover, the various sources of local authorities' revenue and pieces of legislation are discussed. Zambia has an adequate legal framework guiding local authority revenue mobilization. It is for this reason that local authorities are encouraged to adhere to the legal framework at all costs if they are to effectively generate revenue and play an effective role in enhancing development.

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**Keywords:** Local Authority revenue mobilization, Legal framework, Zambia, Adequacy

## 1. Introduction

Globally, the role of local governments in providing public services that are necessary for economic development is becoming more and more significant. These local governments were given these tasks in an atmosphere where numerous global issues, such as natural catastrophes and the environment, urbanization, and the growing need for housing, would put a financial strain on them (United Nations, 2012). Asamoah (2012) defines local government as "a political system of government established by law, controlled in whole or in part by members of the constituency, and empowered by law to accept social responsibility." Bryce also emphasized the importance of local government, arguing that "the best institutions of democracy and their best guarantee are local self-government practices."

Kikomfwa (2020) reveals that local authorities in Zambia were established due to the increasing demand for social services by early settlers. These local authorities modelled the British local authority's system of local government. The 1927 and 1928 ordinances were the earliest ordinances that gave councils wide-ranging discretionary powers which included the establishment of markets, parks, slaughterhouses, refuse and disposal services, and the maintenance of law and order. These functions of local authorities have over the years increased, giving local authorities major roles to play in local development.

The current Zambia Local Government Amendment Act, 2019, contains many functions which a local authority may discharge. These range from general administration, community development, agriculture, education, public order, and public health. However, any function that a local authority discharges must be within the purview of the Local Government Act, 2019; anything done outside this Act is ultra vires. For instance, section 49, does not allow a local authority to receive or borrow any money by way of a donation or grant from a source outside the Republic without prior approval of the Minister. These provisions in the Local Government Act, 2019 need to be adhered to in the management of finances in local authorities.

To discharge these functions local authorities, need to generate adequate revenue. Revenue refers to a sum of payments received by local authorities from individual organizations and residents and transfers by the central government to finance service delivery and devolved functions. The locally raised revenues (LRRs) are expected to be received from within the jurisdiction of the local authorities (SDS and USAID, 2016).

Local authorities in Zambia have access to a variety of revenue sources which, include intergovernmental transfers, locally collected taxes (e.g., personal levy and property taxes); user charges and benefits (e.g., transport charges, parking fees, market, and bus stop charges); Licenses (e.g., firearms license, dog license, and trading licenses); fees (e.g., agency fees and levies on agriculture produces), earnings, and penalties from commercial ventures (e.g., shops and markets, liquor undertaking, and markets, rest houses, poultry, and motels) (Mukwena, 2020). Local authorities also generate revenue by borrowing (Mushimba, 2020). Local authorities also generate revenue by borrowing (Mushimba, 2020). However, the extent to which a local authority can receive grants and borrow

is normally controlled by the central government, through the minister of local government. The Local Government Amendment Act, 2019, demands the Zambian local authorities not to borrow or receive any money by way of a donation or grant from a source outside the Republic without the prior approval of the Minister (Sililo,2021).

Chitambo (2014) revealed that the period between 1965 and 1972 was characterized by great success regarding local government revenue. During this period local authorities operated water and electricity supply and sanitation services, these services provided local authorities with some reasonable revenue. The National Decentralisation Policy during this period stipulated that “70% of the income of local authorities would come from the Central Government through the Ministry of Local Government and housing grants, while 30% was to be met by revenue raised from local levies, charges, and fees as well as specified funds from other Sector Ministries whose functions they performed” (GRZ-Cabinet Office, 2002, p. 14), in full compliance of circular No. 42/64. This enabled local authorities to plan and implement adequate service delivery programs. Guidelines on how income from the central government was transferred to local authorities were documented in the Ministry of Local Government circular no. 42/642 (File No. MG /5249. Vol. IV.) of 24<sup>th</sup> December 1964 headed ‘Financial Relationship between Central Government and Local Authorities’. This was the first working guideline for implementing central government transfers (MLG, 1964).

Following the introduction of the one-party system in 1971, party membership and loyalty became very important considerations in the appointments to senior local government positions, resulting in the appointment of incompetent and ill-qualified staff to key local government positions. The supremacy of the party over the administrative machinery also opened avenues for rampant political interference in local authorities and financial mismanagement. This led to a decline in the capacity of local authorities to provide important services to the local communities they served (Mukwena 1999: 106).

According to Mukwena (2000), the Zambian economy was so bad in the 1970s that it affected negatively local authorities’ revenue. These findings were similar to the findings by Ndulo and Mudenda (2006) who revealed that mid-1970s ‘Zambia experienced a major external shock in the form of a drastic, 40-per-cent fall in the price of copper. Therefore, copper prices remained weak and unstable. The country also suffered from another shock when oil prices more than doubled between the second half of 1973 and the first half of 1974, and by 1980 it doubled again in real terms.

The period between 1973 to 2003 is marked by various GRZ policies that had considerable adverse impact on Local Government finances. Various grants were either reduced or withdrawn during this period. These included: the housing unit grant in 1973; the police, health, and community grants; grants in Lieu of Rates, and the Beer surtax grants. Withdrawing of these grants negatively affected service provision by the local authorities. MLGH (2000) revealed that ‘by the end of 1995, the transfers declined to less than 4 percent of the aggregate local authorities’ revenues, largely as a consequence of the central government’s shifting priorities. The aggregate grants declined to K 1.3 billion in 1997, representing 3.4 percent of all local authorities’ revenues. Existing data shows that the grants were not only small but their composition was also narrow and disbursement was erratic ‘ (MLGH, 2000,p. 15, Chitembo,2014, p.81).

The grants from the central government increased by more than 240 times in nominal terms between 2002 and 2014, from ZMW 3.47 million to ZMW 836 million, or by more than 65 times in real terms, to ZMW 226 million. Real terms showed a 47-fold rise in national per capita from ZMW 0.33 to ZMW 15.51. The Constituency Development Fund (CDF), which was established in 1995, is responsible for the rise in disbursements from the central government to local governments. The Central Government grants local authorities money through the Constituency Development Fund (CDF) to promote development in their respective constituencies and local areas.

In 2015, cases of CDF mismanagement were revealed in the Auditor’s General’s Report on the accounts for the financial year ending 31<sup>st</sup> December 2015. Examples of CDF mismanagement included the use of CDF for unapproved projects ( 17 unapproved projects in Solwezi District, 15 for Solwezi East, and 2 for Solwezi West) of the North Western province. This is against CDF Guideline No. 7, which specifies that funding will only be granted for initiatives that have been evaluated and authorized by the local authority. Additionally, the relevant constituents did not use the majority of the released funds (Auditor General Report, 2017).

Upon coming into power in 2021, the United Party for National Development (UPND) government increased the Constituency development fund from K1.6 million to K25.7 million per constituency to take resources closer to the people (Lusaka Times, 2021). In the previous national budgets, constituency development funds hardly financed development projects to the completion level in constituencies because the funds were released at different times and in insignificant amounts. Increased funding for constituencies, particularly rural ones, has aided communities in setting priorities, creating budgets, carrying out important development initiatives, and finishing up open-ended projects. The CDF grant was increased further in 2023 by the New Dawn's second national budget, from K25.7 million to K28.3 million per constituency (Zambia Daily Mail,2023). Under the CDF's bursary component, vulnerable children from low-income families—including orphans—are now financed to attend boarding secondary schools. To empower themselves, women and young people are required to request funds from CDF committees in their constituencies. Other vulnerable groups, such as the elderly, are also assisted in the form of social cash transfers. Contractors from inside constituencies now receive contracts to carry out development projects funded by CDF, rather than from Lusaka.

The increase in the CDF allocation has not been left without proper guidelines. The CDF Guidelines were drafted in line with the CDF Act. Therefore, any amendments to the Guidelines would require changes to the law. The selection and approval process for CDF projects and beneficiaries is statutory as outlined in the CDF Act No.11 of 2018, which is key to ensuring transparency and

accountability. It also ensures thorough selection and appraisal to avoid duplication of projects (MLGRD,2022).

Apart from the Constituency Development Fund, the Zambian government provides the Equalization Fund to the Local authorities as another major grant. The Zambian Constitution, as amended by Act No. 2 of 2016, established the Local Government Equalization Fund under Article 163 (1). With the passage of the Local Government (Amendment) Act, No. 12 of 2014, the Fund became operative in 2015. The Local Government Act, No. 2 of 2019 has superseded this Act. The Local Government Equalization Fund's allocation, administration, use, and accountability were all governed by the new Act (PMRC,2020).

There has been mismanagement of the equalization fund in some local authorities in Zambia. For example, Money received as equalization and capital project money in the amounts of K100, 661, K2, 240,309, and K1, 205,682 was used in Solwezi, Luanshya, and Mongu for unrelated expenses including salary payment, wages for temporary employees, settling in allowances and councillor's allowances, etc. As of December 31, 2015, K749,402 for Kwacha, and K240,054 for Nkana had not yet been spent. K151, 921 was still unutilized in Luanshya. (JCTR,2017). In trying to counter the mismanagement of the equalization fund, the local authorities are encouraged to adhere to the Equalization Fund Act, 2014 in the day-to-day management of the fund.

From the perspective of fiscal decentralization as a whole, the design of intergovernmental fiscal relations that guarantees predictable, stable, and equitable revenue sources for the execution of sub-national functions is crucial. To do this, a precise set of laws for the financial interactions between the federal and local governments is needed (Fedelino and Ter-Minassian,2010).

## **2. Problem Statement**

The collection of revenue by local authorities is governed by a number of laws. The Local Government Act, No. 2 of 2019, the Public Finance Management Act, No. 1 of 2018, the Market and Bus Station Act, No. 7 of 2007, the Property Transfer Tax (Amendment) Act, 2019, the Valuation Surveyors Act, the Personal Levy Act of 1996, and the Rating Act No. 21 of 2018 are some of the laws that govern local authorities' revenue mobilization in addition to the constitutional provision (Sililo,2021). Despite Zambia having these various pieces of legislation, it is not clear the extent to which these pieces of legislation are adequate in enhancing local authority revenue mobilization.

## **3 . Literature Survey**

### **3.1 Objectives of the study**

The major objective of this study is to review the Adequacy of Zambia's Legal Framework for Local Authorities Revenue Mobilization.

### **3.2 Theoretical guide**

The study finds support in the agency theory. The theory explains the relationship between the agent and the principal (Jensen and Meckling, 1976). The agent is hired by the principal to deliver a service on behalf of the principal. By doing so, the principal delegates decision-making authority to the agent. In this relationship, the agent is accountable to the principal (Jensen and Meckling, 1976).

Two categories of agents are distinguished by Mitnick (1975). The first is the fiduciary agent, who works hard to fulfill the principal's objective without considering any other objectives that would jeopardize their relationship with the principal. This theory's proponents contend that the fiduciary agent works carefully to carry out the principal's instructions.

Agents that act in their own best interests are the second category. Unaffected by the returns of the principal, this agent selects a set of specifications with the highest returns to self-goals (Sililo,2021). According to Farma and Jensen (1983), the agent might engage in self-saving behavior during this relationship. The tendency of the agent to perform activities that favor his or her interest over those of the principal during this relationship poses a danger to the relationship. This danger raises the need for monitoring mechanisms and performance evaluation arrangements. Stevens (1993) lists regular reporting and monitoring in addition to institutional checks as a means of addressing the agency issues that have been highlighted.

In this study, the Ministry of Local Government is the principal that appoints Local Authorities as its agents to raise local revenue and deliver local services to the public on its behalf. It is envisaged in this study that legislation and regulations governing local authority revenue mobilization will be formulated by the Ministry of Local Government. This raises the question, 'Are these laws adequate in guiding Local Authorities Revenue Mobilization?'

## **4 . Research Methodology or Methods**

The Lusaka City Council, Chongwe Municipal Council, and Kafue Town Council in particular served as the study areas in Zambia. The research design for the study was qualitative. Secure ground-level concrete views were the main goal when employing this strategy. In-depth analysis is necessary for the synthesis of qualitative evidence, according to Ames et al. (2019). Obstruction is said to result from having too much data (Cherry, et al, 2019). Just critical informants made up the sample size; the study purposefully picked 16 persons. Four (4) key informants were questioned from each council; they included the town clerk for Lusaka City Council, the director of finance, the director of audit, the chairperson of the finance committee, and the council secretaries for

town councils. Two important officials from the Ministry of Local Government were questioned. The Director of Finance and the Principal Local Government Auditor were the two (2) Ministry of Local Government main informants. The two (2) key informants from the Ministry of Finance comprised the director and the principal economist from the decentralization unit.

Participant opinions from the study were obtained through in-person interviews. The strategy was used to acquire a deeper understanding of the perspectives of stakeholders about the suitability of the legal framework for directing local authorities' efforts to mobilize income. Open-ended questions were used in the interviews, allowing participants to offer clarifying questions at any time. Using this method also allowed the researchers to pose questions that they had not thought of before, but which added even more value to the investigation. According to Corbetta (2003), Berg (2009), Ryan et al. (2009), and Griffiee (2005), these kinds of patterns are likely to surface when open-ended questions are used. The construction of interview questions was made possible by the review of scholarly literature and records, which substantially improved the study. Following that, the results were examined in terms of themes that examined the produced content.

## 5. Discussion of The Findings

### 5.1 Sources of Local Authorities Revenue

Apart from intergovernmental transfers, the main sources of revenue for Zambian local authorities are Rates, (property taxes); levies (taxes on local business activities); user charges; parking fees; advertising fees; interest on investments; marriage registration fees; donations; contributions; and licenses (business permits). According to Chitembo (2012) and USAID (2021), there are some differences in the relative importance of these sources for the three distinct categories of local authorities: city, municipal, and town. USAID, Zambia (2022) reveals that GRZ’s policy position is that:

*“Any OSR reform strategy must place priority on improving the core revenue collections from property rates, levies, fees; rather than spending time searching for a new separate 'ideal' LGA revenue base. Consistent with theory and international best practice, the primary focus should be on property rates and business levies - the major, common sources of revenues for” district councils” (GRZ, 2017b).*

These sources of revenue can be categorized into different categories depending on the country. While Zambia has categorized its local authority’s revenue into its source revenue and intergovernmental transfers, Uganda has categorized its local authority revenue into non-tax revenues, Tax revenues, and other Revenues. Despite these differences, the sources of revenue are similar in most countries around the world. Table 1 below provides an overview of locally raised income and their intended use.

**Table 1: Summary of common locally raised revenues and purpose**

Locally raised revenue	Purpose
Levies	Levies are levied through council by-laws and are taxes on economic activity that occur within council authority. Examples of these levies in Zambia are the Livestock Levy and Fish Levy.
Parking fees	These are charged on vehicles, particularly those used for public transportation and transported to the taxi, lorry, and bus parks. It is a type of indirect tax or fee that only park visitors are required to pay. Each district has a different charge. This cost primarily covers the upkeep of the neighbourhood’s parking lots and organized transportation.
Property Tax	The local authorities are responsible for imposing property taxes, with the tax base being the property's rateable value, which considers the characteristics of the property in question as well as the value of any improvements.
Royalties	It is applied to projects, either government or private, that utilize natural resources inside LG boundaries.
Penalty/ surcharge fee	This is charged on individuals who choose to operate outside the permitted regulations of the local authorities; these charges are typically based on the rules that the council has enacted.
Market Dues	It is a form of indirect change/ levy that is paid by those who sell tradable products in the market. The fee varies from district to district. This fee is mainly for maintaining the market facilities.
Fees or Charges	Fees are imposed on the services rendered by the local authority, to the residents living within their boundaries.

**Source:** SEATINI-Uganda and KIWEPI

In comparison to other generated revenue, property rates in city councils contribute more revenue to the councils, this is because city councils like Lusaka have a huge population, they are vast, and many properties in Lusaka district are captured in the valuation roll as compared to municipal councils and town councils. Lusaka district is the highest populated district in Zambia and the metro population of Lusaka district in 2020 was 2,774,000, a 4.8% increase from 2019 (Sililo,2021)

For intergovernmental transfers, the equalization fund is one of the main sources of revenue for most local authorities in Zambia.

According to the Local Government Act of 2019, a local authority must allocate at least twenty percent of the funds it receives from the Equalization Fund to finance capital expenditures and eighty percent to recurring expenses throughout each fiscal year. This Fund has been of great help to most local authorities which have failed to be self-financing (PMRC,2020).

As already alluded to in the introduction, the constituency development fund has been of great help to local authorities. Mostly after, the New Dawn government increased the grant allocated to the constituency from K25.7 million to K28.3 million per constituency. One of the most notable decentralization reforms in recent memory is the enormous rise in the amount allotted to CDF in the National Budget for 2022. The Zambian government was applauded by ZIPAR (2023) for maintaining the importance of CDF even in the 2023 National Budget. As outlined in its 2023–2025 MTBP, the government's strategy for bringing development to the people depends heavily on decentralization.

Grants in Lieu of rates are common but not dependable sources of revenue for local authorities in Zambia. The Central Government should ideally pay the council the full rate on all of its properties, just like any other property owner. On the other hand, the Central Government does not fully pay rates on its real estate. The council receives a "Grant in Lieu of rates," which is less than the actual or full rate, to make up for revenue losses (Mushimbwa,2020).

PMRC (2020) reveals that '83.3% of LGAs in Zambia heavily rely on intergovernmental transfers and grants. For example, in 2020, almost all town councils in Muchinga Province received more than 75% of their total revenue from the central government. For Most of the town councils sourced revenue (OSR) is below 50 %. For example, Kanchibiya, Mafinga, Shiwan'gandu, and Chama Town councils only generated 5.0%, 5.1%, 5.8% and 6.2% as percentage of total own-sourced revenue respectively. In contrast, four of the LGAs, Chisamba, Kabwe, Nakonde, and Shibuyunji, with a relatively higher level of self-sufficiency also have lower revenue gaps.

International benchmark data from Tanzania indicates a similar trend. Masaki (2018) reports that in 2012/13, only 8.06% of the local government's total revenue in Tanzania was from OSR. According to Adam Smith International (2014), "OSR contributes only up to 12–13% of the total financing of county governments in Kenya, with increasing dependency on transfers from the national government." "LGAs finance 25% to 30% of their total expenditure through self-collected revenue" makes Sierra Leone an outlier" (Ashraf et al., 2016).

Failure to generate their revenue has forced Local authorities to get into debt. Under the Public Finance Management Act of 2018, local authorities in Zambia are permitted to borrow up to the amount necessary to fulfil their operational needs. Local authorities may also take out loans under Section 48 of the Local Government Act, 2019 to fund their operations.

On the other hand, local authorities' debt has grown significantly over time. It is both wonderful and long overdue that the Zambian government adopted a debt management strategy in 2020 to prevent local authorities from going bankrupt. The fact that local authorities nationwide had a startling K2.8 billion debt as of June 30, 2020, is concerning. Of the entire debt, the National Pension Scheme Authority (NPSA), Zambia Revenue Authority (ZRA), and Local Authority Superannuation Fund (LASF) accounted for 70% of the statutory debt. The data indicates that the national treasury, the local governments, and the economy as a whole might all be severely impacted by the debt, which has been increasing quickly. For example, the debt was K1.6 billion as of December 31, 2018, and K2.4 billion as of December 31, 2019 (Zambia Daily Mail Limited,2020).

To facilitate a well-organized and efficient borrowing mechanism, both the supply and demand sides must be designed well. On the demand side, borrowing practices must be under supervision and control. Globally, two primary control methods are utilized: firstly, a system of guidelines for subnational borrowing, which are established and implemented by central government agencies; and secondly, the discipline of private credit markets. Due to the necessity of strong private financial markets for the second mechanism, Zambia, along with most other emerging nations, has relied on central government-established rules and regulations (United Nations, 2012). Sililo (2021) reveals that due to uncontrolled levels of debt by the local authorities, the central government has been monitoring the local authorities using the Local Government Act, 2019.

## 5.2 Legal framework that has been put in place to guide local authorities' revenue collection

Chitambo (2008) argues that, for local authorities to fulfil their designated roles, which are imposed upon them by statute, they must have the necessary legal authority. A legal framework lacking coherence and clarity among documents was identified as one of the "challenges hampering optimal functioning of the decentralization framework" in the Revised Fiscal and Financial Decentralization Policy, an assessment of Rwanda's decentralization process. (MINECOFIN, 2011, p. 5). As per the constitution of Ghana, the legislature is tasked with enacting suitable legislation that guarantees the seamless transfer of tasks, authorities, responsibilities, and resources from the central government to local government entities in a coordinated manner (Nordic Consulting Group, 2007, p. i). The Zambian government has also developed a reasonably adequate legal framework needed to guide local authority revenue mobilization. Each source of revenue is explained in detail under a specific Act and statutory Instrument that includes, among others;

- a) Article 162 of the Constitution, as amended by Act No. 2 of 2016, grants local authorities the authority to impose, recover, and retain local taxes and provides for the creation of the Constituency Development Fund (CDF).
- b) The Local Government Amendment Act of 2014 established the Local Government Equalization Fund. The Local Government (Amendment) Act, No. 12 of 2014's passage led to the Fund's operationalization in 2015. The Local Government Act, No. 2 of 2019 has since superseded this Act.

- c) The Zambian Parliament passed the Constituency Development Fund Act No. 11 of 2018. The Constituency Development Fund Act provides guidelines for the Fund's administration, use, and accountability.
- d) The Rating Act, No. 21 of 2018, authorizes local authorities to impose rates and collect property taxes.
- e) The Markets and Bus Stations Act, 2007 establishes the market and bus station management board, which is tasked with implementing market fees, stallage, rent, and bus levies. The Ministry of Local Government gives guidance on this matter.
- f) The National Planning and Budget Act, 2018 establishes the annual budget for each local authority, as stated in subsection 40 of the Local Government (Amendment) Act, No.2 of 2019.
- g) Section 47 of the Local Government Act in Zambia allows local authorities to borrow for discharging their functions while section 48 forbids them from borrowing or receiving grants from foreign governments or institutions.
- h) In Zambia, councils are permitted to borrow under Section 47 of the Local Government Act to carry out their duties, but Section 48 prohibits them from borrowing money or accepting grants from foreign organizations or governments without prior approval of the Minister.
- i) The ability to collect personal levies is granted to local authorities by the Personal Levy Act, Chapter 329. It offers comprehensive details on the people who are subject to the levy, such as adult residents of a local government who are subject to a 1% income tax.
- j) The Public Finance Management Act No. 1 of 2018 addresses all financial management issues for public institutions, including local authorities. It also offers instructions on grant receiving and borrowing rights for public institutions.
- k) The National Planning and Budget Act of 2018 addresses the creation of yearly budgets in compliance with governmental directives.
- l) Local government authorities in Zambia are authorized to levy fees or charges for specific services they provide to the Local Government Amendment Act, 2019.
- m) The Local Government Act, 2019's Section 44 (1) gives the Auditor-General or a designated auditor the authority to audit the local Authorities' yearly financial statements.
- n) Guidelines for additional funding and grants that the Minister of Finance may provide to a local authority for any additional functions that may be delegated to a local authority are outlined in Section 47(5) of the Local Government Act, 2019.
- o) The Business Regulatory Act, of 2014, also provides guidelines to authorities with guidelines regarding the imposing of fees or charges.
- p) The Liquor Licensing Act, No. 20 of 2011 gives local authorities the authority to impose levies on liquor trading in different areas and provides them with rules for doing so.
- q) The Solid Waste Regulation and Management Act, No. 21 of 2018, gives local governments instructions on how to charge for waste collection services.
- r) Local administrations are authorized to collect fees from customers for burial, body transfer, and tombstone services under the Public Health Act, Chapter 295 of the Laws of Zambia.

The Constitution and Various Acts of parliament offer a crucial legal framework that promotes meaningful and improved community involvement in decisions about local socioeconomic development and issues that impact their well-being (MLGRD, 2022). Furthermore, there exist legislative measures that are pertinent and beneficial to the administration, allocation, application, and responsibility of CDF, comprising, among other things:

- a) The Public Procurement Act No. 8 of 2020;
- b) The Public Finance Management Act No.1 of 2018
- c) The Urban and Regional Planning Act. 3 of 2015;
- d) The National Planning and Budgeting Act No.1 of 2020;
- e) The Local Government Act No. 2 of 2019;
- f) Anti-Gender Based Violence Act No. 1 of 2011 (MLGRD,2020).

The main piece of legislation regulating market and bus levies is the Markets and Bus Stations Act, No. 7 of 2007. Guidelines for market establishment, taxes and levies in markets and bus stations, license and permit issuing, management boards, and general and financial regulations are all outlined in the Act. Other laws that prohibit street vending and provide guidelines for the use of the National Markets and Bus Stations Development Fund, such as Statutory Instrument No. 77 of 2017, the Local Government (Street Vending and Nuisances) (Amendment) Regulations, and the National Markets and Bus Stations Development Fund Regulations, 2017, all serve to support this Act. In the third session report of the twelfth national assembly, the committee on local governance, housing, and chiefs' affairs stated that "the Markets and Bus Stations Act and the relevant Statutory Instruments provided the legal framework and are, therefore, adequate if fully implemented." (GRZ,2023).

Adequate guidance on matters of personal levy has also been provided by the Personal Levy Act, Chapter 329. The Act states that adult residents of a local authority who make an income are subject to a personal levy, which is assessed at a rate of one percent. The highest charge that can be paid is K15 annually. Members of the local authority are free from paying personal levy under the Act if they are aged, ill, or have any other "good cause."

User charges imposed by local authorities have not been left without a proper legal framework. Various Acts provide the necessary guidelines on user fees, among them include: the Public Health Act, chapter 295 of the laws of Zambia empowers local authorities to collect users' fees from Burial, body transfer, and tombstone services; the Food Safety Act, No. 7 of 2019 deal with food safety fees, The Local Government (Street Vending and Nuisance Amendment No. 12 of 2018 deal with Nuisance charges; Chapter 290 of the Markets and Bus station Act, No (1937) of 2007 deals with markets and bus station fees and fines; the personal levy Act, Chapter 329 guides on administering levies (USAID, Zambia,2021). These Acts clearly show that local authorities have a reasonably adequate legal framework to adhere to in the application of user charges.

To deal with the shortcomings of various Acts of parliaments formulated to guide local authority revenue mobilization, the Zambian Local Government Act, 2019, as a principal Law, provides for the creation of other laws for effective governance of local authorities (PMRC Report,2020). These are in the form of statutory Instruments or standing Orders, such as the following;

- a) Service Regulations S.I. No 115 which provides regulations for the Local Government officers and;
- b) Financial Regulations S.I No 125 which provides controls and management of council funds;
- c) Council Standing orders which is a code of conduct that regulates council staff behaviour and councillor's conduct.
- d) Street vending and Nuisances (Amendment) Regulations, Statutory Instrument No. 12 of 2018, which prohibited street vending, and the national markets and Bus stations Development Fund regulations,2017,
- e) Statutory Instrument No. 77 of 2017, which provided guidelines on the utilization of the National Markets and Bus Stations Development Fund.

Apart from the Acts of Parliament and the Statutory Instruments or Standing Orders, the 2016 constitution has continued to play a huge role in guiding local authorities' revenue mobilization. Article 161 of the Zambian constitution allows the local authorities to levy, impose, recover, and retain local taxes, as prescribed. The Office of the Auditor General (OAG) has the mandate to audit local Councils' accounts as stipulated by the 2016 constitutional amendment. The Ministry of Local Government oversees the compilation of the financial accounts for the local authorities, which are due no later than six months after the fiscal year ends. They do this by using the powers granted to them by the Constitution. Articles 151 and 152 of the Zambian constitution establish the local government and prescribe guidelines on the formulation of by-laws, which local authorities use in developing various own source revenue (UCLG,2019).

The Constitution and the Business Regulatory Act, of 2014 permit a local authority to create bylaws that impose a levy on the following: (a) leviable individuals who own or occupy property or premises located within the local authority's jurisdiction; (b) leviable individuals who conduct a business, trade, or occupation within the local authority's jurisdiction; or (c) the purchase or sale of a commodity within the local authority's jurisdiction. These provisions in the constitution on by-laws have provision to be adequate in guiding local authority levies (USAID/Zambia,2021).

## **6. Research Implications and Contributions to Future Research**

The primary objective of this study was to address the dearth of empirical data regarding the adequacy of Zambia's revenue framework for Local Authorities Revenue Mobilization. This was done so by purposively collecting information from officials at the Ministry of Local Government and Local Authorities.

Accordingly, the primary practical contribution of this study is that it offers much-needed empirical information on the key statutes governing the revenue mobilization of local authorities. This information is important given that it accesses the adequacy of these laws in governing Local authorities' revenue generation. Lawmakers could either leave these laws the way they are or amend some of these laws to enable effective revenue generation in modern Local Authorities. Scholars can also extend this study by looking at laws guiding Local Authority's expenses.

## **7. Conclusion**

Zambian local authorities have many sources of revenue, if properly managed, the local authorities can be self-sustaining as opposed to being over-dependent on central government grants. Local authorities can venture into any of these income Generating Functions/Activities: Levies, Pontoons, Billboard, and Display Advertisement in Public Places, Cemeteries, Funeral Parlours and Crematoria, Local Cleansing, Control of Public Nuisance, Sewerage Disposal Systems, Abattoirs, Libraries, Liquor Licensing, Museums, Vehicle Licensing, Recreational and Amenities, control of Undertaking to sell liquor to the Public, Facilities for Accommodation, Care and Burial of Animals, Licensing of Dogs, Licensing and Control of Undertaking to the sale of Food to the Public, Markets and Bus fares, local Parks and recreation, Refuse Removal, Refuse Dumps and Solid Waste Disposal, managing of Traffic and Parking (Cabinet Office Decentralization Secretariat,2021).

The majority of local authorities struggle to raise enough revenue to pay for their statutory duties and commitments, making it one of their most difficult challenges. Despite having many options for raising money, not all local authorities can utilize this provision to continue operating, for a variety of reasons. Because of this, local governments are frequently experiencing financial crises and have accrued crippling debt or arrears. Mukwena (2020a) reveals many factors that have worked to counter the existence of a good legal framework for the mobilization of revenue:

- i. Insufficient numbers of trained staff;
- ii. Misapplication of funds;
- iii. Poor internal controls;
- iv. Financial mismanagement;
- v. Poor record keeping, especially concerning financial records; failure to prepare financial statements;
- vi. Lack of sufficient numbers of valuation experts.

The above findings are in line with the Auditor General's end-of-year reports on the review of local authorities' operations from 2013, 2014, and 2015. These reports highlighted several key problems with Zambian local authorities, including understaffed councils, deficient operational systems, a lack of risk management plans, underqualified accounting staff, and lack of/insufficient numbers of valuation experts. In 2022, the MLGRD revealed several challenges which the ministry encounters in the allocation of CDF, among the challenges include inadequate knowledge by the general public on the CDF opportunities and procedures and the slow pace of disbursement of the Loans Component of the CDF (MLGRD,2022).

Zambia has reasonably an adequate legal framework guiding local authority revenue mobilization. It is for this reason that local authorities are encouraged to adhere to the legal framework at all costs if they are to effectively generate revenue and play an effective role in enhancing development. The paper has highlighted quite a good number of Acts and statutory instruments if properly adhered to can result in local authorities which are self-sustaining. For instance, Markets and bus stations could be major sources of revenue if properly managed according to the Market and Bus Stations Act,2007. However, the presence of cadres in markets and bus stations has had a huge negative financial impact on local authorities, marketers, and bus drivers (Southern African Institute for Policy and Research,2022). With the decline of cadres in markets since 2021 and the political will of the new dawn government to the law, the Market and Bus Station Acts. 2007 will be adequate in providing proper guidance regarding this source of local government revenue.

PMRC (2020) contends that to increase public compliance, the public must be regularly made aware of the legislative provisions governing local authority's revenue collection. Similarly, revenue collectors need to be adequately equipped with knowledge surrounding the legal framework to implement these provisions. Chilambwe and Tembo (2023) recommend that local authorities should computerize their revenue collection system and partner with strong revenue collectors such as the Zambia Revenue Authority (ZRA) by utilizing a One-Stop collection facility that, when properly implemented, will provide positive outcomes.

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