

# “Pressing the Right Buttons”

*Jennifer Musisi for New City Leadership*

## Epilogue

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As head of the new Kampala Capital City Authority, Jennifer Musisi set her goals high: to increase revenue, fight corruption, and build the City’s financial capacity by creating a sustainable system of fee and tax collection, all while improving overall service delivery. She knew there would be serious resistance to change coming from populist politicians in both government and opposition (in Parliament, in Kampala, and in the KCCA). There would be intransigence from all directions: from her own officials, those in other agencies, powerful commercial forces including the many private collection agents now thrown out of business, and from hundreds of thousands of ordinary Kampalans who struggled to make a living, many of them as transit drivers, street vendors, or other kinds of traders, usually unregulated.

## Increasing Revenues

Musisi’s success at improving collections in Kampala was practically immediate and continued for the first half of her nearly eight years in office. Over those four years, beginning with the 2011-12 fiscal year, overall own-source revenue (OSR) jumped 198 percent:

**KCCA own-source revenue (OSR) in billions of Ugandan shillings**

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
30	39.5	55.06	70.1	80.4	85	85.75

Between FY 2012 and FY 2014, property tax revenues rose from UGX 11 billion to UGX 24 billion<sup>i</sup> (\$3.3 million to \$7.2 million), and parking fees (now including taxis) rose from UGX 5 billion to UGX 16 billion (\$1.5 million to \$4.8 million). Even as national GDP growth fell off notably between 2011 and 2013 (KCCA’s first two years of operations), OSR continued its steady rise.<sup>ii</sup> When KCCA revenues reached UGX 110 billion (\$32.5 million) in June 2015—up from UGX 30 billion (\$8.9 million) in 2011—OSR was providing about one-third of the entire KCCA budget.<sup>1</sup>

<sup>i</sup> Based on an exchange rate of UGX 3,333 to the US dollar

<sup>ii</sup> Real GDP Growth (KCC) 2009 2010 2011 (KCCA) 2012 2013 2014 2015 2016 2017 2018

Source: IMF (2019) 8.1 7.7 6.8 2.2 4.7 4.6 5.7 2.3 5.0 6.2

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Independent analysts credited Musisi and the KCCA for this notable rise in revenues over the first four years, which perhaps suggested a more general principle that OSR “can be substantially increased by improving the administration without changes in national legislation; which are often difficult, impossible, or unnecessary and are often used by local governments as an excuse rather than the real reason for their lack of action and results.”<sup>2</sup> National GDP growth, for instance, did not appear to point to more taxable economic activity producing greater revenues; nor was there a booming housing market or significant expansion of commercial real estate.<sup>iii</sup>

## Fighting Corruption

Improved parking fees and diminished “revenue leakages” were a principal reason for the jump in revenues but they also delivered a powerful blow to corruption. On January 30, 2012, the violent parking cartel UTODA lost its court case against the KCCA, and Musisi moved swiftly to cordon off the taxi parks and have the KCCA take over collections. In March, the KCCA announced that each taxi would pay a UGX 155,000 (\$46.50) monthly fee directly to the KCCA.<sup>3</sup> (Protests from drivers and politicians—including Lord Mayor Lukwago—reduced it to UGX 120,000.) For the first quarter of 2012, while other sectors lagged, the taxi fee collection rate of 75 percent (UGX 3 billion collected from a UGX 4 billion target) was notably improved.<sup>4</sup> Just in February 2012, the month after the court judgment, the KCCA collected UGX 1.5 billion (\$450,045); the cancelled UTODA contract—when fulfilled—had been UGX 392 million monthly (\$117,612).

With UTODA broken, *matatu* drivers now paid out less of their total earnings, though at \$36 per month many drivers complained that fees remained steep and continued their protest. By siding with the taxi drivers against his own KCCA on what he called “extortion” of “illegal fees” that had not been “properly approved,” Lukwago’s relationship with Musisi worsened. “If our Lord Mayor and a few Councillors don’t stop interfering in revenue collections, they risk not having their monthly emoluments paid,” she warned him.<sup>5</sup>

## Building Capacity

Even though Uganda’s government promised to increase budget support annually for Musisi’s agenda, adequate funding never materialized to fully fund the KCCA staff structure approved after she took office. After a year, regular staff recruitment “was about only 40 percent,” she recalled, forcing her to recruit on temporary terms (usually four-month contracts). “Maybe I should have told government that I would not start work until I had a permanent team; perhaps that would have compelled them to provide an adequate budget for permanent staff recruitment.”<sup>6</sup> In a riposte to critics in Parliament nearly two years into her term, she noted she still had only 309 staff of the 1,332 approved at the start, and was paying one billion shillings monthly (or \$300,000) on politicians’ salaries: one billion shillings, in total, just for Mayor Lukwago’s office.<sup>7</sup>

Nevertheless, the KCCA was able to continue on its three-year staged adoption and implementation of e-Citie, an electronic revenue management system. The old model with private agents, collections, and

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<sup>iii</sup> Commercial real estate, when taxable, did not seem to have been a significant source of KCCA revenues, perhaps because of under-occupation or surplus building. Generally, in the years 2013-14, the property market was significantly depressed.

manual record-keeping was eliminated and replaced with modern services. The e-Citie platform began roll-out in 2013-14 with additional features like walk-in, one-stop service centers and a customer assistance hotline. A first step was automatically registering clients through the national taxpayer identification system and providing them a Short Message Service (SMS) to monitor account status and make cell phone payments.

Property tax reform was ongoing. In 2015-16, when making the final UGX 2.5 billion (\$750,075) payment for e-Citie, the KCCA was able to allocate a nearly equal sum from a World Bank loan toward investment in computer-aided mass property valuation (CAMV), again replacing a manual system.<sup>8</sup> During Musisi’s tenure, over 15,000 properties in the lucrative central business district—valued at UGX 350 billion (\$93.5 million) with annual tax of UGX 22 billion (\$5.9 million)—were added to a property register which had not been updated since 2005. Overall, the new technologies (which, besides CAM/CAMV, included GIS mapping) enabled Kampala officials to identify, label, and record over 90,000 properties in the main urban divisions.

Still, as late as April 2018, the KCCA’s revenue chief estimated he was losing UGX 20 billion (\$6 million) annually on the property tax exemption.<sup>9</sup> Sometimes Musisi wondered about the commitment to revenues among the elected members of her own KCCA, which, in May 2018, voted to reduce the property tax from 6 to 4 percent, an act she pledged to resist.<sup>10</sup> “Our politics is populist politics,” she said later, meaning politicians were more sensitive to the clamor and voting power from large or powerful groups (whether poor street vendors, rich *matatu* owners, or everyday property-holders) than to true long-term planning.<sup>11</sup>

## A Turning Point in 2016

In Kampala, murky national politics were never far away, and the 2016 elections—in which President Museveni and his NRM party lost votes in the capital—proved a turning point in relations between the government and the KCCA. In his victory speech, the president blamed Musisi, saying her aggressive enforcement methods had cost the NRM large numbers of votes. Revenues began to suffer: a year’s worth of parking fees—an estimated 16 billion shillings (\$4.8 million)—was lost following a presidential directive in November 2017 to reduce monthly taxi fees by one-third. The lack of new guidelines meant taxi collections were altogether suspended, a situation that continues to this day.

Furthermore, Musisi had already decided to end an initially successful effort to regulate and tax the 100,000 *boda-boda* motorbike drivers who ferried small goods and passengers and were an unusually violent and politically connected force in Kampala. They were notorious for frequent fatal accidents and even drive-by shootings that made Musisi feel she had to back away from outright confrontation. The annual ministerial policy statements, setting forth the KCCA’s accomplishments for the previous fiscal year and projections into the next one, tell the story of these revenue setbacks through diminishing targets in the later Musisi years. (See table with figures on next page.)

KCCA Own-Source Revenue (OSR) in billions of UGX:									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	30	39.5	55.06	70.01	80.04	85	85.75		
And declining revenue projections in later years:									
FY 15/16					94.47	111.08	153.02	195.87	250.72
FY 17/18							112.70	122.80	127.35
FY 18/19								122.80	166.80

Erias Lukwago remains Lord Mayor of Kampala. In July 2012, a judge threw out his case against Musisi regarding leadership of the KCCA, but the mutual antagonism continued. In November 2013, Lukwago was impeached by the KCCA, but was soon acquitted and won re-election in 2016. When Musisi resigned in October 2018, Lukwago spoke to media “while intermittently breaking into dance,” and reminded his audience of their long battle: “Because of her impunity which led me to be locked out of the lord mayor’s office for three years, I am glad that I witnessed the exit of Musisi, and I am more than keen to witness the exit of President Museveni.”<sup>12</sup>

Still president of Uganda after thirty-three years, Museveni appears to be readying himself for a re-election campaign in 2021, with Parliament having amended the Constitution to allow him another run. Privately, he apologized to Musisi for blaming her for his poor election result in Kampala in 2016. In December 2018, Musisi left office, two months after submitting to him her letter of resignation. For some observers, loss of confidence or trust between Museveni and Musisi was a principal reason for her resignation. “While she was courageous,” wrote one columnist, “blaming her for poor performance broke her back.”<sup>13</sup> Another said Musisi’s resignation “proves the triumph of populist politics over progressive policy and management of Kampala. The votes are with vendors, hawkers, *boda-boda* riders and such other popular forces . . . This country’s politics is dominated by social groups without a vested interest in social transformation.”<sup>14</sup>

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*“All over Africa, cities puzzle over the same conundrums. Rwanda has a new electronic land register, which could help with taxation. Several Tanzanian cities have plumped up revenues through canny administrative reforms. Lagos has patiently cultivated a tax-paying culture, with impressive results. The lingering question, in Kampala and elsewhere, is who will bear the biggest burden.”*

- Liam Taylor, “How One African City is Flipping the Script on Urban Development,” Next City, July 26, 2016, <https://nextcity.org/features/view/kampala-africa-urban-development>.

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## Endnotes

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<sup>1</sup> Amy Fallon, “How Kampala is Building a Culture of Taxpaying,” September 26, 2016, <https://www.citylab.com/life/2016/09/how-kampala-is-building-a-culture-of-taxpaying/501695/> (Accessed November 7, 2019).

<sup>2</sup> Mihaly Kopanyi 2015, “Local Revenue Reform of Kampala Capital City Authority,” IGC Working Paper C-43306-UGA-1 (October, 2015), p 6.

<sup>3</sup> Edward Ssekika and Siraje Lubwama, “Lukwago, Musisi feud deepens,” *Observer*, March 4, 2012.

<sup>4</sup> Christopher Bendana and Brian Mayanja, “KCCA to tax big residential homes,” *New Vision*, Dec 29, 2012.

<sup>5</sup> Ssekika and Lubwama.

<sup>6</sup> Musisi interview with case authors, May 31, 2016.

<sup>7</sup> Feb 2013 letter.

<sup>8</sup> KCCA Ministerial Policy Statement FY 2015-16, pp. 40-1.

<sup>9</sup> “How African cities can pay for their own upkeep,” *The Economist*, April 7, 2018.

<sup>10</sup> Amos Ngwomoya, “Property tax kicks up storm at City Hall,” *Daily Monitor*, July 21, 2018.

<sup>11</sup> Musisi interview with case authors, May 31, 2016.

<sup>12</sup> Alon Mwesigwa and Siraje Lubwama, “Dead bodies haunt Musisi,” *The Observer*, October 17, 2018.

<sup>13</sup> Ibid.

<sup>14</sup> Andrew Mwenda, “The fall of Jennifer Musisi,” *The Independent*, October 19, 2018.