

Implications of non-sustainable local authority revenue strategies on Zambian local authorities

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ABSTRACT

This study interrogates the paradox of Zambia's local authorities, which, despite possessing multiple revenue sources, remain financially fragile and heavily dependent on central government transfers. This study adopts a qualitative approach. It employs a case study design guided by the Resource-Based View (RBV) theory. Using secondary data and thematic analysis, the paper examines the implications of non-sustainable revenue strategies on four critical dimensions of local governance: autonomy, service provision, regional equity, and staff morale. Findings reveal that non-sustainable local authority revenue strategies erode a council's capacity to plan, implement, and sustain development projects. This compromises routine service delivery, constrains infrastructure investment, and diminishes council's ability to respond to emergencies or build resilience. Capital projects are frequently stalled, while operational inefficiencies persist. Further, disparities between resource-rich urban councils and weaker rural councils have widened, creating deepening regional inequalities in infrastructure and service outcomes. Staff morale has deteriorated due to delayed salaries, unpaid gratuities, and limited career development, which in turn negatively affects revenue mobilization. Theoretically, the paper applies the resource-based view and federalism to illustrate how both resource weaknesses and structural centralization pressures undermine local governance. The study concludes by recommending reforms such as digitalization of own-source revenue collection, ring-fencing portions of the Equalization Fund, strengthening accountability against political interference, and improving staff welfare.

Keywords: Autonomy, Local Authority, Non-Sustainable Revenue Strategies, Regional Imbalances, Service Provision, Staff Morale

I. INTRODUCTION

UN-Habitat (2015) argue that local cities are assets, solutions and drivers of economic and social development. Cities possess huge untapped economic potential that can and should be leveraged to create wealth and economic opportunities for all. This requires good urban planning that supports urban compactness, integration, and connectivity. However, even the best urban plans risk ending up unused if they are not accompanied by financial and regulatory strategies for implementation. Davis and DeWitt (2021), state that organizations which cannot invest and effectively use their internal resources usually fail to achieve competitive advantage.

To tap in the potential of local cities and towns, central government created Local Authorities with the mandate of managing public affairs at a local level and ensure social economic and sustainable development for everyone in a particular nation. Central Government has delegated several functions to the Local Authorities, including general administration, community development, agriculture, education, public order, recreation and amenity services, fire services, electoral register maintenance, public health etc. (Cabinet Office Decentralisation Secretariat, 2021).

However, provision of these services for some local authorities has proven to be challenging (Mtasigazya, 2019; Mwale & Hampongwe, 2024; GRZ, 2023). Sililo (2021) cited lack of adequate finances as a major hindrance to local authority service provision. Government on the other hand, has argued that Local Authorities have many revenue bases to sustain their operations. According to Cabinet Office Decentralization Secretariat (2021) Local Authorities can venture into various income generating functions or activities such as Levies, Pontoons, Billboards, and Display of Advertisements 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 Undertakings to Sale of Food to the Public, Markets and Bus Fares, Local Parks and Recreation, Refuse Removal, Refuse Dumps and Solid Waste Disposal, Traffic and Parking.

Despite having these many sources of revenue local authorities still failed to collect, utilize, invest and generate more revenue for current and future use. For example, despite Lusaka City Council having more than 15% of the nation's population to collect taxes, levies and user fees from (Sililo, 2021), the Local Authority still struggled to pay the June and July, 2023 staff salaries (Nkhata & Daka, 2025).

The 2014 amendment to the Local Government Act created an Equalization Fund, funded by 5% of the income tax collected at the national level and distributed according to a formula based on population and poverty levels. 20% of this fund is supposed to be used for capital expenditure while 80% is supposed to be used for operating expenditures. However, most Local Authorities in Zambia have continued use the 20% meant of capital expenditure on operating expenditures (Sililo & Mukwena, 2024). This not only prevents Local Authorities from investing the 20% but also ruins the chances of Central Government allocating it to them.

In addition to this Fund, there is a Constituency Development Fund distributed equally among all the constituencies according to the projected revenues for the fiscal year (Mwale & Hampongwe, 2024). Since United Party for National Development (UPND) came into power in 2021, the Zambian government has been increasing CDF. The special guidelines on the distribution and investment of this fund have also been provided to the local authorities. However, there have been reports of misappropriation of these funds (Kawimbe & Tembo, 2024). Some of the beneficiaries of the funds have failed to be accountable for these funds and others disappear without paying back the loans acquired through this fund. Hence, affecting local authority revenue sustainability (Likando et al., 2023).

Mwale and Hampongwe (2024) revealed that the sound financial position of Zambian local authorities was neutralized by the government decision to transfer almost all flourishing sources of income from local authorities to central government, through the establishment of the Water and Sanitation Act no. 28 of 1997 and the Statutory Instrument no. 55 of 2000, as local authorities could no longer collect revenue from income tax, sales tax, road, water and electricity charges, as they were no longer under the local authorities Jurisdiction.

According to the Local Government Association of Zambia (2019) own source revenue (OSRs) in Zambian local authorities have been low and have systematically deteriorated over the time as the central government has often intervened on taxies, exemptions, and rate levels. The deterioration of local authorities' revenue can also be attributed to political cadres who collect revenue, at the expense of the local authorities (Sililo & Mukwena, 2024).

Sililo (2021) revealed that the major sources of revenue for local authorities in Zambia, apart from central government grants are property rates. However, it must be noted that small sized local authorities do not benefit from this lucrative revenue base, as they have a small population and their jurisdictions normally have very small number of properties captured in their valuation rolls making it difficult for local authorities to collect the necessary revenue.

On the hand, the 'large sized' local authorities who have sufficient revenue base to locally raise revenue and collect adequate revenue are plagued with negative factors such as political interference, unwillingness by local taxpayers for troubled service delivery and corruption (Bowa, 2020). For example, in 2019, Lusaka City Council (LCC) workers boycotted work and demanded the payment of K3.9 million by Council Management for their February and March, 2019 salaries as well as K7 millions which the Local Authority owed them in outstanding salary arrears and unpaid allowances. (Chota, 2019). According to the report of the Auditor General on the audits of accounts of Local Authorities for the Financial year ended 31st December 2019, Kitwe City Council failed to settle former and current staff obligations, as of 31st December 2019 amounting to a total of K11,510,277 in respect of gratuity, long service bonus and terminal benefits. Similarly, Ndola City Council as of 31st December 2019 owed former and exiting staff a total of K71,475,350 in respect to salary arrears, terminal benefits, long service hours and accrued leave, among others (Hang'andu & Banda, 2024). These reports clearly show that despite having lucrative revenue strategies or sources at their disposal, city council also struggle to meet their statutory obligations as highlighted in the three cases above.

There are much deeper implications of non-sustainable revenue strategies on local authorities, apart from just failing to settle former and current staff obligations. The purpose of this paper is to critically examine the implications of non-sustainable local authority revenue strategies on four critical dimensions of local governance, autonomy, service provision, regional equity, and staff morale.

1.1 Research Objective

The main objective of this paper is to examine the implications of non-sustainable revenue strategies on Zambian local authorities.

II. LITERATURE REVIEW

2.1. Theoretical Review

The study is guided by Resource-based view theory, which was proposed first by Edith Penrose in the 1950s, and it was then subsequently refined by several scholars in the 1990s, including Jay Barney, Birger Wenerfelt, and Michael Porter (Kero & Bogale, 2023). The theory states that internal resources within an organization, which are

unique, highly valued, difficult to imitate, and unparalleled, serve as a foundation for sustained advantages in competition and consequently lead to performance improvement (Mailani et al, 2024). Having the few sustainable resources and properly deploying them in their intended markets gives organizations a long-term competitive advantage.

The resource-based theory implies that resources are key drivers of competitive advantage, but if they are over exploited or mismanaged, they diminish in the long-term (Bromiley & Rau, 2016). Based on this statement, it is assumed that over exploitation of human and financial resources in local authorities may result in reduced service delivery capacity. The theory also states that organizational strategies and resources must be valuable, meaning that they should allow the organization to exploit opportunities. If the organization strategies and resources are not valuable, exploitation of resource becomes difficulty (Zahra, 2021). Based on this proposal by the theory, it is assumed that if the local authority relies on revenue strategies that are not valuable, it may lack the resources to invest in innovative revenue strategies needed for exploiting other sustainable revenue generation opportunities.

According to this theory, an organization should have internally generated resources for it to remain competitive and not depend on the external environment (Kero & Bogale, 2023). Based on this assumption, it is believed that continued reliance on external funding and inefficient tax systems may undermine the development of skilled personnel needed to manage the local authorities' finances effectively. Not only that, it is assumed that over-reliance on central government transfers or donor funding reduces the local authorities' financial independence, making it vulnerable to shifts in national policies and donor priorities.

In addition, in view of this theory, not all resources in the organizations are normally used strategically (Mailani et al, 2024). Based on this statement, it is assumed that if these non-sustainable revenue resources are not carefully managed, they can permanently reduce, leading to failure by the local authorities to provide needed services. Non-sustainable strategies such as increasing taxes without improving service delivery can lead to loss of public trust. This might erode social capital and reduce citizen compliance with local tax policies.

2.2 Empirical Review

The paper reviews literature on some reliable sources of revenue for local authorities, such as Central Government Grants, Property Rates, Levies, Public-Private Partnerships, Business Ventures, Donations and User fees etc. A study conducted by Coker et al. (2015) in Nigeria revealed that some corrupt and fraudulent revenue collectors collected revenue without issuing receipts, and in so doing large sums of revenues were lost by local authorities. While a study by Conteh and Pan (2024) revealed that local authorities in Sierra Leone failed to collect property rates, business levies and user fees due to lack of capacity in local authorities. Sililo (2021) attributed failure by the local authorities in Zambia to have all ratable properties captured in the valuation rolls as one of the major reasons why local authorities failed to generate expected revenue. Similarly, the Auditor General (2022) revealed that most local authorities could not effectively collect property rates despite having ratable properties in their jurisdictions, resulting in loss of potential revenue and service delivery. According to the rating Act No 21. Of 2018, only places of worship and agriculture part of properties were exempted from paying rates. However, during the financial year ended 2022, the Auditors generals report revealed that Itzhi Tezhi Town Council exempted five properties valued at K17,699,000 from paying the rates despite the fact that they were not properties of worship or used for agriculture purposes. A study by Coker et al (2015) also revealed that in some local authorities some tenement assessments were normally under-evaluated, or and at times completely left out in the valuation and rating.

Most Local authorities depend on central government grants to facilitate their operations (Nkhata & Daka, 2025). According to a study by the Nigerian Economic Summit Group (2016), local government revenue remains limited due to the inconsistency of these grants. Similarly, Apeh and Otu (2025) revealed that the allocation of federal government grants to local authorities was not enough to carry out development projects in most political wards of the local government in Nigeria. Equally in Tanzania, the central government normally failed to provide consistent financial transfers to local governments, leaving them to fend for themselves in a context of unpredictable resources (Mtisho & Rutenge, 2024). Sililo and Mukwena (2024) went on to state that grants awarded to local authorities were normally accompanied by conditionality's. Coker et al. (2015) also revealed that the neglect of financially empowering the local authorities were clearly manifested in their share of federal government allocations which were accompanied with conditionalities, resulting in the reduction of fiscal responsibilities among local authorities.

Under the constitution of Zambia a local authority is competent to levy, impose, recover and retain local taxes. Local Authorities may make bylaws to impose a levy on leviable people carrying on a business, trade of occupation within the area of the local authority. However, the report of the Auditor General on the accounts of Local Authorities for the financial year ended 31st December 2022 revealed that Chifunabuli Town Council only collected K53, 236 from the budgeted K177, 640 from the levies, depicting a variance of K124, 377. The failure to collect the budgeted amount of levies was attributed to the Covid 19 pandemic outbreak in 2019, coupled with depleting fish stocks, resulting in failure by the Local Authority to issue business permits and other levies. According to Saidu and Hanga (2015) some local authorities have been underperforming because of inadequate natural resources to levy from. Apeh and Otu (2025)

also revealed that the capacity to harness the natural resources in the local development was adequate and had negatively affected amount of funds in most Nigerian local authorities.

Apeh and Otu (2025) also revealed that the collaborative effort with the private sector was usually poor, making it difficult for Local Authorities in Nigeria to generate revenue in these partnerships. Mathotho (2019) revealed that Public-Private Partnerships between Lusaka City Council and Parkrite Limited in car park management, which was meant to relieve the Lusaka City Council of its financial challenges benefited Parkrite Limited the most as compared to Lusaka City Council, resulting in less revenue realization by the Local Authority from car parks compared to what was projected when entering into the partnerships.

According to Government of the Republic of Zambia [GRZ] (2023), the issue of debt in local authorities remains a challenge that continues to compromise the efficient and effective delivery of municipal services. As of June 2022, the debt for all Local Authorities in Zambia combined was estimated at K2.8 billion, of which statutory obligations accounted for the largest share at K2.2 billion (78.6%), with the rest of the categories of debt accounting for 21.4%. UN-Habitat (2015) revealed that most Local Authorities fail to service their debt, which demonstrated a sign of failure to invest and generate the desired revenue from borrowed funds. The Zambian Local Government Act, No 2 of 2019 provides that a council shall use at least twenty percent of the Equalization fund for capital expenditure, while the 80% is used to finance the operating expenditures. However, Mbala Municipal council failed to reimburse K2, 037,290 it borrowed from the capital project, to finance its operational expenses, from the K11, 837,047, the council received as Equalization fund during the 2020/2021 fiscal year. This resulted in Six (6) approved projects totaling K1,634,921 not being undertaken, (Auditor General, 2022).

Local government authorities in Tanzania experience common difficulties in collecting user fees and taxes, (Jeldstad & Heggstad, 2012). This has resulted in difference slippage of own source revenue for various local government authorities LGAs (Katunzi & Mfungo, 2020). A study by Mbegu and Komba (2018) in Magu District Council indicated a slippages of above 30% in the revenue collection. Another study by Kimaro (2014) in Dar es salaam municipalities found that there was a gap of 5% to 8% between LGAs budget and revenue collection. Equally important, the report of CAG also revealed that in Tanzania, starting from 2015/2016 to 2018/2019, there were slippages from its target for an average of 13.5% (National Audit Office, 2020). The poor and inadequate services provided by LGAs to the public were pointed out as one of the contributing factors for resident unwillingness to pay both user fees and local taxes in Tanzania (Katunzi & Mfungo, 2020). In South Africa, there are concerns about the ability of municipalities to collect outstanding debts and service charges, with a substantial proportion of residents unable to pay service fees (Alexander, 2010). According to Lubbe and Rossouw (2014), debt collection and corruption remain significant issues, leaving Local Authorities financially strained.

Although the literature explores the non-sustainability of local authority revenue strategies in Africa, it is not comprehensive; it does not establish the implication of these un-sustainable local authority revenue strategies on local authority's autonomy, service provision, staff morale and regional disparities. This is the gap this paper will attempt to fill by examining the experiences in Zambia.

III. METHODOLOGY

The data in this article came from secondary sources. These consisted of the documents written by other researchers. The documents comprised peer-reviewed journal articles, research reports, working papers, Auditor General's reports, Ministerial statements, and doctoral and master's dissertations. Creswell (2014) states that secondary data is data that was previously collected and used for a different purpose again. In this context, the relevant information was retrieved to discuss the implication of non-sustainable sources of local authority revenue on Zambian local authorities. The study employs a case study design guided by the Resource-Based View (RBV) theory.

To ensure reliability and validity of the information cited in the findings, the study used quality documents. These included official reports by the government institutions mandated to provide information on the operations of government; reports by credible think tanks; articles published by journal of international reputation; and doctoral and master's dissertations by students who used appropriate research methods. The study used thematic analysis to analyze the data and developed themes based on the patterns that emerged from the data (Berg & Latin, 2008). The secondary documents were gathered using a set quality criterion and reviewed leading to the discussion on the implications of non-sustainable sources of local authority revenue on Local Authorities in Zambia.

IV. FINDINGS & DISCUSSION

4.1 Findings

4.1.1 Implications of Non-Sustainable Local Authority Revenue on Local Authority Autonomy

Lack of sustainable locally generated revenue has compelled most local authorities to be over dependent on central government grants. However, this has deprived them autonomy, as grants normally have conditions attached to them (Policy Monitoring and Research Centre [PMRC], 2020; Chishimba et al, 2020). According to the Local Government Act number 2 of 2019, a local authority is conditioned to allocate at least twenty percent of the grant it receives from the Equalization fund to finance capital expenditure and the eighty percent to recurring expenses throughout each fiscal year (PMRC, 2020; Sililo, 2021; UN Habitant, 2015). This has several implications on their autonomy, one being limited budgetary flexibility, which results in failure to complete some projects. For example, failure by Chama Town council to complete its construction projects in the Financial year ended 31st December, 2022, can be attributed the falling short of the twenty percent allocated for capital expenditure. The local authority could not use the eight percent, as it is conditioned for recurring expenses (GRZ, 2023). Similarly, Lavushimanda Town Council failed to implement its approved project (drilling of borehole and construction of water reticulation system) and carried it over to 2023 budget, as the budgeted amount for the project which was within the capital expenses was lower than the actual amount quoted (ibid). Coker et al. (2015) noted that inadequate locally generated revenue of local authorities was clearly manifested in their share of federal government allocations which were accompanied with conditionalities, resulting in the reduction of fiscal autonomy among local authorities. Similarly, Ngome (2025) contends that local authorities in Cameroon possess limited decision-making power, largely due to strict control mechanisms imposed on them and their lack of adequate resources, as well as their limited influence over how those resources are allocated to expenditures.

If local authorities had stable and sustainable revenue, reliance on central government approvals would reduce. However, due to financial constraints, they are compelled to engage in activities such as borrowing and accepting external donations, actions that require central government approval, thereby undermining their autonomy (Mwale & Hapongwe, 2024; Mushimbwa, 2020). Section 49 of the Local government Amendment Act, number 2 of 2019, demands that local authorities to seek prior approval from the Minister, whenever, they want to borrow from a source outside the republic of Zambia (Mathotho, 2019; Sililo & Mukwena, 2024). With regards to donations, Central Government approves the type of donations to be accepted by local authorities from a source outside Zambia. For example, before receiving donations from the European Union in 2019, Chongwe Municipal Council and other 19 local authorities, obtained consent from the Ministry of Local government (Sililo, 2021).

In the financial year ended 31st December 2022, Luanshya Municipal Council (LMC) budgeted for k376,517 to be collected from Billboard fees but only collected k196,105. Lundazi Town Council Failed to collect K580.300 from the sale of plots. Similarly, Mulobezi Town Council failed to collect K25,750 from the sale of plots (GRZ, 2024). According to Radom et al. (2025), these counterintuitive results, require effective control mechanisms from central government, which results in local authorities' partial autonomy. Ngome (2025) also argue that, while the intention to oversee local authorities' revenue and expenditure had its merits, it also negatively impacts their autonomy by depriving them of meaningful self-governance.

While certain provisions in the Local Government Amendment Act, 2019 aim to support local revenue generation, others place significant constraints on the financial autonomy of local authorities (Tembo & Mwanaumo, 2022). For instance, Section 23 and 27 require ministerial approval before undertaking certain revenue-related activities. Similarly, Section 46 and 76 of the Public Finance management Act, 2018, impose approval requirements for specific financial decisions (Policy Monitoring and Research Centre, 2020). Collectively, these restrictions limit the independence of local authorities in both financial planning and decision making, making them heavily reliant on central government approvals and hindering their ability to sustainably grow and manage their revenue base.

Low owned source revenue bases among local authorities in Zambia, has resulted in central government having so much authority over local authorities' taxes. Mwale and Hapongwe (2024) revealed that Central Government has often intervened on levies, exemptions, and rate levels thereby affecting the decision-making power of local authorities over revenues. For example, removal of crop levy, granting tax exemptions and curtailing of tax rates reduced local authority autonomy. Ngome (2025) argued that some local authorities in Africa, privileged to determine the rate of existing local taxes, lack the power to introduce new taxes, highlighting the clear limitations of their fiscal authority.

4.1.2 Implications of Non-Sustainable Local Authority Revenue on Local Authority Service Provision

The capacity of local authorities to deliver effective services ranging from waste management, road maintenance, and sanitation facilities to community development is directly tied to their financial health. Non-sustainable revenue sources undermine this capacity by creating volatility, unpredictability, and dependence, which weaken both short-and long-term service provision outcomes.

Firstly, volatility in central transfers erodes the councils' ability to plan and implement projects. The Equalization Fund which intends to guarantee minimum service delivery capacity often arrives late or is insufficiently disbursed, leaving councils unable to execute annual budgets. When revenues are unpredictable, recurrent expenditures such as fuel for garbage collection and equipment for road maintenance are postponed, resulting in deteriorating service quality. Empirical evidence from South African municipalities demonstrates similar patterns: when municipal revenue collapses, service delivery protests intensify (Alexander, 2010).

Second, over-reliance on politically vulnerable levies and user fees compromises continuity in service delivery. For instance, markets and bus stations are key revenue sources, yet they are frequently taken over by political "cadres" who divert collections. This not only reduces council income but also creates inefficiency in waste management and public health oversight. In Lusaka, cadre interference has been linked to irregular garbage collection and increased outbreaks of waterborne diseases (Phiri, 2014).

Third, weak property taxation systems constrain council's capacity to fund long-term infrastructure investments. In most urban councils, property rate rolls are outdated, valuation capacity is weak, and enforcement mechanisms are compromised by corruption. Consequently, councils cannot generate predictable revenue streams to sustain water reticulation, storm drainage, or road rehabilitation. Compared with OECD municipalities, where property taxes constitute the most stable local revenue, Zambia's councils remain severely constrained (Sililo, 2021).

Fourth, the lack of sustainable financing undermines council's ability to respond to emergencies and build resilience. The cholera outbreak in Lusaka (2017-2018) exposed how fragile financing directly impacts public health response. The Lusaka City Council lacked the funds to enforce sanitation regulations, rehabilitate drainage systems, or undertake timely garbage collection, exacerbating the crisis (Nyakalale & Madimutsa, 2021). This is consistent with the findings in Sierra Leone, where fiscal stress weakened Ebola response at local government level (Koroma & Lv, 2015).

Beyond infrastructure, social service delivery suffers significantly. Councils play key roles in primary health, education support services, and community development projects. When revenues are unsustainable, programmes targeting vulnerable groups youth, women, and informal sector workers are the first to be cut. This reduces inclusivity and undermines the equity goals of decentralization.

In theoretical terms, the Resource-Based View suggests that councils lacking sustainable financial resources cannot sustain a competitive or functional advantage in service provision. Fiscal Federalism further explains why dependence on central government allocations reduces autonomy, resulting in delayed responses and weakened accountability to citizens.

Ultimately, non-sustainable local authority revenue produces a vicious cycle: poor revenue undermines service delivery, which erodes citizen trust, discourages tax compliance, and further weakens revenues. Breaking this cycle requires strengthening own-source revenue collection through digitalization, transparent ring-fencing of capital funds, and institutional reforms that reduce cadre interference.

4.1.3 Implications of Non-Sustainable Local Authority's Revenue on Regional Inequalities

A major but often underexplored consequence of non-sustainable local authority revenue strategies is the widening of regional inequalities between urban and rural councils. While decentralization aims to promote equity in development, Zambia's current fiscal arrangements have exacerbated disparities rather than reducing them.

Urban councils such as Lusaka, Kitwe, and Ndola benefit from relatively larger revenue bases, including property rates, business levies, and service charges from more formalized economies (Sililo, 2021). Even so, these councils still face financial stress, as much of their potential revenue is lost through cadre interference and weak enforcement. By contrast, rural councils such as Itezhi-Tezhi, Chifunabuli, or Lunga have extremely limited own-source revenue opportunities. They rely almost exclusively on central government transfers, which are insufficient, unpredictable, and politically mediated.

The result is a growing urban-rural divide in service outcomes. Urban councils, despite financial stress, can maintain basic road networks, partial waste collection, and some investment in water drainage systems (Phiri, 2014). Rural councils, however, struggle even to pay salaries, let alone invest in infrastructure or social services. This deepens inequalities in access to sanitation, education support, and primary health facilities and services. Citizens in rural councils often perceive decentralization as rhetorical, since fiscal incapacity leaves councils unable to meet even minimum service expectations.

Non-sustainable revenues also exacerbate regional migration and spatial inequality. The inability of rural councils to provide opportunities and services drives rural-urban migration, placing additional strain on urban councils while depopulating rural areas of skilled manpower. This cycle mirrors Nigeria's experience, where urban local governments dominate fiscal flows while rural ones remain peripheral. Studies show that urban councils, benefiting from denser economic activity and political leverage, command stronger internally generated revenue bases, while rural councils rely almost entirely on statutory transfers (Nwosu & Okafor, 2013; Agba et al., 2014). The state-local government joint account system further entrenches this imbalance, often diverting funds away from weaker rural LGAs

(Alo, 2013; Emoghene & Oluyemi, 2025). Consequently, the financial marginalization of rural local governments perpetuates spatial inequalities in Nigeria's local governance landscape (Adebayo, 2014).

Moreover, Zambia's Equalization Fund, which was designed to address these disparities, has been compromised by delays, lack of ring-fencing and political manipulation. Instead of functioning as a genuine equalizer, the fund has often reinforced dependency and failed to address the structural gaps in revenue potential. Comparative evidence from Kenya's county government's shows that formula-based equalization can be effective but only when counties strengthen own-source revenue, apply transparent allocation rules, and maintain strong accountability for use of funds (World Bank 2018; Kimenyi 2013; Kenya Institute for Public Policy Research and Analysis [KIPPRA], 2024).

Regional imbalances are not only economic but also political. Councils with weak revenue bases have limited bargaining power in intergovernmental negotiations, leaving them more vulnerable to central government influence. This undermines the principle of fiscal decentralization as enshrined in Zambia's 2016 Constitution, which envisioned equitable distribution of resources to all regions. The Resource-Based View frames this as a disparity in "strategic resources": urban councils possess at least some capacity for resource mobilization, while rural ones lack this foundation entirely (Bromiley & Rau, 2016). Fiscal Federalism highlights the structural flaws of Zambia's intergovernmental fiscal framework, where central government dominance perpetuates inequity rather than correcting it.

The consequences of regional imbalances are far-reaching. They include uneven infrastructure development, increased regional poverty gaps, and weakened national cohesion. In the long term, such disparities threaten both democratic legitimacy and sustainable development. Citizens in underfunded councils lose faith in decentralization reforms, perceiving them as empty promises. Policy reform must therefore move beyond equalization transfers alone. Strengthening rural councils requires deliberate investment in local economic development, capacity building in property valuation, digitalization of revenue collection even in small councils, and transparent allocation of donor and PPP projects. Without such reforms, decentralization risks reproducing rather than reducing regional inequalities.

4.1.4 Implications of Non-Sustainable Local Authority Revenue on the Morale of Staff in Local Authorities

In terms of employees' morale, Resnick et al. (2020) surveyed 153 bureaucrats across 16 district councils across Central, Copperbelt, Lusaka, and Southern Provinces in March 2019. Their survey revealed that most of the employees in the local authorities were dissatisfied with their wages and other types of non-wage benefits, such as pensions, health insurance, and education support. The latter finding is not surprising given that the Auditor General reports indicate that most councils are deficient in remitting their employees' pension contributions to the National Pension Scheme Authority (NAPSA) and the Local Authorities Superannuation Fund (LASF), (Office of the Auditor General [OAG], 2021). Lapses in pension remittances intensify perceptions of injustice, as employees recognize that delayed contributions permanently erode future benefits, thereby deepening demotivation, distrust, and overall morale decline (Adea et al., 2024).

Salary delays and inconsistencies remain a critical factor undermining employee morale in local authorities, as they directly affect workers' financial stability and sense of fairness. At Lusaka City Council for instance, evidence illustrates how this salary challenges translate into acute morale crises, with 82% of employees reporting diminished motivation (Nkhata & Daka, 2025). In 2019, persistent salary delays triggered worker protests, strikes, and widespread financial distress among employees. Similarly, Hang'andu and Banda (2024) study at Ndola City Council highlights the behavioral consequences of salary inconsistencies, demonstrating increased absenteeism, reduced performance, and reduced staff. The emotional consequences of revenue-induced salary delays are further substantiated by Nkhata and Daka (2025), who document elevated stress, worry, and anger among employees in Zambian local authorities. These emotional states are not peripheral; they directly affect morale, decision-making, and service delivery. Persistent uncertainty over income erodes employees' commitment to organisational goals, replacing professional engagement with survival-oriented behavior. Such conditions create a workforce that is physically present but psychologically disengaged.

At the district level, Makasa and Hampongwe (2024) study at Lukulu Town Council revealed that 83% of employees felt they lacked adequate morale to perform their duties effectively, primarily due to inadequate and unreliable salaries caused by revenue strategies that do not generate adequate finances in the long run. These findings reinforce Mushimbwa's (2020) conclusion that failed revenue collection strategies in Gwembe District Council constrained the council's ability to meet staff obligations, resulting in low morale. Similarly, Mwale and Hampongwe (2024) observed that ineffective local revenue-generating strategies in Muchinga Province resulted in widespread employee dissatisfaction. This dissatisfaction reflects not only material deprivation but also a perceived breach of the psychological contract between employees and their employer. When local authorities fail to honor salary and pension commitments, employees interpret this as institutional neglect or exploitation. These studies collectively suggest that morale decline is not an isolated occurrence but a recurring outcome in councils with fragile revenue bases.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

Financial instability severely restricts budgetary flexibility, forcing councils to rely heavily on central government approvals for borrowing and external funding, thereby weakening meaningful self-governance. Unpredictable central transfers and weak local revenue systems, particularly ineffective property taxation further erode councils' capacity to plan, implement, and sustain development projects. This volatility compromises routine service delivery, constrains long-term infrastructure investment, and diminishes councils' ability to respond to emergencies or build resilience.

These challenges intensify spatial inequalities, widening the urban–rural divide in service provision. While urban councils are often able to maintain minimal service levels, rural councils experience acute fiscal distress, frequently failing to meet basic operational obligations such as salary payments and adequate infrastructure investment. Consequently, disparities in access to essential services deepen, reinforcing public disillusionment with decentralization, which is increasingly perceived as symbolic rather than practical.

Moreover, persistent reliance on non-sustainable revenue strategies triggers labour unrest, absenteeism, declining performance, and staff attrition. These challenges are compounded by significant emotional distress among employees, resulting in very low staff morale. Collectively, these outcomes undermine institutional capacity, weaken service delivery, and further constrain the effectiveness and credibility of local authorities.

5.2 Recommendations

Local authorities should prioritize reforming property taxation, given its potential as a stable and locally controlled revenue source. Specifically, councils should use GIS- Based property mapping systems to update and maintain accurate valuation rolls, particularly in rapidly expanding urban and peri-urban areas where informal development remains largely untaxed.

Regular revaluation cycles-legally mandated and centrally supported should replace outdated valuation rolls that currently undermine revenue yields. To improve billing and collection efficiency, councils should deploy digital revenue management platforms that integrate billing, payment, and compliance monitoring. These systems should be compatible with mobile money and electronic payment platforms, which are already widely used and can reduce cash handling, leakages, and administrative costs. In rural councils, simplified flat-rate property or service levies, supported by mobile payment systems, may offer a more administrative feasible alternative where valuation capacity is limited.

Given the findings on staff demoralization, Central Government, in collaboration with training institutions and development partners, should implement specialized training programs for local authority staff in property valuation, revenue auditing, customers' relations, and digital financial management systems. These programs should be complemented by non-financial incentives, such as professional certification, career progression pathways, and recognition schemes, to rebuild morale and institutional commitment. Clear legal limits should be established to distinguish strategic oversight from operational controls, thereby reducing bureaucratic delays and political discretion that currently constrain council's fiscal responsiveness.

To address weak accountability and political interference, institutional oversight at local level should be strengthened and mandatory public disclosure of revenue collection and expenditure data through council notice boards, websites, or open-data portals should be institutionalized. Regular publications of collection targets, actual revenues, and arrears would enhance transparency, build public trust, and reduce opportunities for rent-seeking.

Finally, clear and enforceable guidelines should be developed to separate political party activities from official council revenue collection processes. Political actors should be legally prohibited from influencing billing, enforcement, or debt recovery decisions. Violations should attract explicit sanctions under both local government and anti-corruption frameworks. By insulating revenue administration from partisan interference, councils can improve compliance, protect staff from intimidation, and restore the credibility of local governance institutions.

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