

**ASSESSMENT OF LOCAL REVENUE IN THE TANZANIA LOCAL
GOVERNMENT: A CASE OF KINONDONI MUNICIPAL COUNCIL**

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CERTIFICATION

The undersigned certifies that has read the entire work and hereby recommends for the acceptance by the Open University of Tanzania (OUT) a research report entitled: “To Assess the Role of Local Revenue Collection on Service Delivery in Local Governments with Focus on Kinondoni Municipal Council” in Fulfillment of the requirements for the Master Degree in Public Administration of the Open University of Tanzania (OUT).

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DECLARATION

I, Joha Dunia Kaongo, do hereby declare that this dissertation is the work of my own and that to the best of my knowledge it has never been submitted anywhere by any person either in whole or part as Research report or in any related fields of study.

.....

Signature

.....

Date

DEDICATION

This work is dedicated to my family for sponsoring me in all academic costs: Their assistance made me complete my studies without serious difficulties.

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I appreciate God for His Goodness, Grace and Mercy for my life, health and strength to accomplish this work. The successful completion of this work also has been possible through the support I needed and received in generous measure from a number of people and institutions.

Initially, I owe a special debt and gratitude to my supervisor Prof. Deus Ngaruko for the her/his assistance he/she provided to me – his excellent and wise guidance, advice, criticism and encouragement I needed and received from him right from the stage of proposal writing throughout the end of the entire research execution.

Finally, I appreciate all the people who in one way or another contributed to the success of my study but because of time and space limitations in this study I have not displayed their names. But I still recognize, appreciate and value their contributions. May the Almighty God grant those merits in all aspects of their lives according to their heart desires?

ABSTRACT

Local Government have the role of service delivery that have high local-public-good characteristics to the citizen. The main objective of the study was to assess local revenue and its importance on service delivery. Specific objective of the study was to assess sources of local revenue available in the local government, perception of the participants in the effects of local revenue collected and the limitation of the local revenue. The study was used primary data which was collected by questionnaires. In general, the findings of this study was shown that there are inherent problems related to local revenue which hamper quality of service delivery.

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LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
LGA	Local Government Authority
PMORALG	Prime Minister's Office Regional Administration and Local Government
SWA	Sector Wide Approach

CHAPTER ONE

1.0 INTRODUCTION

1.1 Chapter Overview

The country of Tanzania has the responsibility of delivering social services to its people through its local government authority. Social services which is talked about are primary education and health care, local roads, water and sanitation and agricultural extension services. According to the Local Finance Act No 9 of 1982, Local government given authority to collect local revenues from their own sources in order to deliver that above services to the community. By doing that, local authority has been receiving a lot of complaints concerning of providing poor services to that community. In order to be specific this chapter provides general objective which is to assess local revenue and its important on service delivery and specific objectives are to assess sources of local revenue available in the local government, perception of the participants on the effects of local revenue collected and the limitation of local revenue. To arrive into these objectives the study set out questions that needed answers. Further this chapter shows scope and significance of the study.

1.2 Background Information

Local revenue collection helps to achieve service delivery in the local government by co-funding development projects. Service delivery is defined as the process of extending basic services like education, health care, water, transport and communication where the end users are the public or the local people within the country. In other words, the locals are the beneficiaries. The provision of basic

services such as water and sanitation, healthcare, primary education, feeder roads and agriculture extension services is left to the local governments. However, the recent policy changes in fiscal decentralization have brought questions about the capacity of local governments to effectively deliver services and ensure value for money in public expenditure. Some government policies which have had alarming impacts include the creation of new districts and the abolition of graduated tax. The creation of new districts has put more expenditure pressures on the local governments, reducing and in some cases taking away completely resources that would have been used in increasing and improving service delivery (Kadiresan, 2009).

According to the Local Government Financial Act No. 9 of 1982 gives mandate to local governments to collect local revenues from their own sources such as property tax, licenses, permits, fines and penalties, market dues, parking fees, and take financial decisions while complying with financial and accounting regulations 1998 guide of the financial operations and specifies decentralization policies, rules and regulations (Alam, 2010). Local governments were empowered to carry out proper planning decisions at budget level, do complete enumeration and assessment of taxes for financial decentralization to succeed in improving local revenue collection.

Defining the Role of Local Governments in Service Delivery Fiscal decentralization requires assigning public services that have high local-public-good characteristics to local governments. Devolving expenditure responsibilities to local governments is an important step in increasing the participation of citizens in local decision-making. A

genuine spirit of decentralization requires assigning a meaningful level of expenditure responsibilities to local governments with service autonomy so that they can respond to local needs (PMORALG, 2008). A clear assignment of service responsibilities requires a well-defined institutional framework that describes the roles and responsibilities of different levels of government. Clear assignment of expenditure responsibilities becomes even more important in sectors where line ministries and other government agencies may also deliver services at the local level—often in the same geographic area (URT, 2010).

1.3 Statement of the Problem

Despite the fact that Kinondoni Municipal Council collects revenue from various sources of income such as (market dues, fines and penalties, parking fees, property taxes, license and permits), effectiveness of the provision of basic social service has become a challenge. In order to carry out service delivery for its residents, expenditure on service delivery for its local population both at Municipal and lower local government remains very low, Controller and Auditor General (CAG, 2011). The problem if not addressed may undermine the autonomy of the local government. Under the decentralization process since reliance will only be donations and the central government transfers (Oriaro et al 1998, Abigaba 1998, Mc lure, 1998) or service provision may be left to market forces which may not be afforded by low income earners in the Municipal (Abayade 1981). Thus this has instigated this research to examine how local revenue collection is affecting service delivery in local governments. Thus there is need to carry out the study with an attention of tracing the loopholes in revenue collections in relation to service delivery in the local

government especially in Kinondoni Municipal Council. So the local people should be satisfied on the importance of paying taxes so that it becomes easy to collect the revenues from them without resistance.

1.4 General Objective of the Study

The general objective of the study is to assess the local revenue and its importance on service delivery in local governments with focus on Kinondoni Municipal Council.

1.5 Specific Research Objectives

The research was guided by the following objectives

- i. To describe different sources of local revenue collection in Kinondoni Municipal Council.
- ii. To assess effect of revenue collection on quality of services delivered in Kinondoni Municipal Council.
- iii. To identify limitations of local revenue collection in Kinondoni Municipality

1.6 Specific Research Questions

- i. What are the different sources of local revenue collection in Kinondoni Municipal Council?
- ii. What are the effects of revenue collection on quality of services delivered in Kinondoni Municipal Council?
- iii. What are the limitations of local revenue collection in Kinondoni Municipal Council?

1.7 Scope of the Study

The study is based on benefit theory which has a modern version, known as the "voluntary exchange" theory. The study was conducted in between May and July 2014. It is conducted in Kinondoni Municipal Council which is found in Dar es Salaam region in Tanzania. Kinondoni Municipal Council is the northern of three Municipals in Dar es Salaam, Tanzania, the others being Temeke (to the far Southeast) and Ilala (downtown Dar es Salaam). To the east is the Indian Ocean, to the north and west the Pwani Region of Tanzania.

The 2012 Tanzanian National Census showed that the population of Kinondoni was 1,775,049 (Kinondoni District Homepage for the 2012 Tanzania National Census). The area of Kinondoni is 531 km². The original inhabitants of Kinondoni were the Zaramo and Ndengereko, but due to urbanization the district has become multi-ethnic. It is located at an elevation of 45 meters above sea level. The map of Kinondoni Municipality is attached in Kinondoni Municipality (National Bureau of Statistics 2012)

1.8 Significance of the Study

The study helped to establish the causes of fluctuations in the local revenue collection in Kinondoni Municipal Council. The study is beneficial to policy makers of Kinondoni Municipal Council and other local government in finding a solution to the problems of fluctuations in the local revenue collections and appraises their performance. The research was beneficial to other academicians as they uses it for literature review while carrying out research in the similar area.

The study was used to other stakeholders for example donors and the central government to analyze linkages between local revenue collection administration and performance.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Chapter Overview

This chapter reviews literature that explores what has been done in assessing the impact of local revenue collection on service delivery in local governments. Basically available theoretical and conceptual contributions from different schools of thought are explored. Also empirical findings on the problem have been reviewed. The researcher thought it is important to review the aforementioned issues so as to go to the field with a broad understanding of key concepts related to this study (Jibao, 2009). In this regard, theories related to stakeholder's theory and community participation theory were reviewed so as to relate to this study of Kinondoni Municipal.Council.

2.2 Definitions of Key Concepts

2.1.1 Local Government

Local government is a form of public administration which in a majority of contexts, exists as the lowest tier of administration within a given state (Allers, M. A & Ishemoi, L. J (2010). The term is used to contrast with offices at state level, which are referred to as the central government, national government or (where appropriate) federal government and also to supranational government which deals with governing institutions between states (URT, 2010). Local governments generally act within powers delegated to them by legislation or directives of the higher level of government. In local government generally comprises the third (or

sometimes fourth) tier of government, whereas in unitary local government usually occupies the second or third tier of government, often with greater powers than higher-level administrative divisions (PMORALG, 2008).

The question of municipal autonomy is a key question of public administration and governance. The institutions of local government vary greatly between countries, and even where similar arrangements exist, the terminology often varies. Common names for local government entities include state, province, region, department, country, prefecture, district, city, township, town, borough, parish, municipality, shire, village, and local services district (PMORALG, 2002).

2.1.2 Revenue

Revenue is income that a company receives from its normal business activities, usually from the sale of goods and services to customers. Fjeldstad, O.H and Heggstad, K (2012). In many countries, revenue is referred to as turnover. Some companies receive revenue from interest, royalties, or other fees. Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time (URT 2011).

However, the recent policy changes in fiscal decentralization have brought questions about the capacity of local governments to effectively deliver services and ensure value for money in public expenditure. Some government policies which have had alarming impacts include the creation of new districts and the abolition of graduated tax.

In general usage, revenue is income received by an organization in the form of cash equivalents. Sales revenue or revenues is income received from selling goods or services over a period of time. Tax revenue is income that a government receives from taxpayers (PMORALG, 2006). Thus from that above discussion, there is need for local governments to provide enough information concerning service delivery to the residents. In a budget, service delivery can be strengthened through a number of ways such as improved service delivery and strengthened governance and accountability.

In more formal usage, revenue is a calculation or estimation of periodic income based on a particular standard accounting practice or the rules established by a government or government agency. Two common account methods, cash basis accounting and accrual basis accounting, do not use the same process for measuring revenue. Corporations that offer shares for sale to the public are usually required by law to report revenue based on generally accepted accounting principles (URT 2010). This was due to the fact that laws were not clear at times at who should collect revenues and to whom to offer the services, the poor accounting system, untrained personnel and politicians all affected the performance of local authorities. Fjeldstad, O. H, Katera, L and Ngalewa, E (2008).

2.1.3 Service Delivery

Service delivery is getting services as effectively and quickly as possible to the intended recipient. In most instances service delivery implies a degree of excellence on the part of the organization, and is a hallmark of economies that have moved past

the production phase (PMORALG, 2008). This mandate is embedded in the 1995 constitution of the republic of Tanzania. The provision of basic services such as water and sanitation, healthcare, primary education, feeder roads and agriculture extension services is left to the local governments. Baltaci, A and Yilmaz H (2006).

2.2 Theoretical Framework

Building on the portfolio theory in the corporate finance and regional science literature, this chapter aims to develop a theoretical framework that describes how revenue structure and economic conditions, indicated by the varying nature of economic bases, act together to affect the revenue stability of a region (Broadbent & Guthrie, 2008). The first section gives the overview of the theory that explains the relationship among economic base, revenue diversification and revenue stability. An important issue in understanding the effects of revenue diversification is to separate its influence on revenue stability from that of the economic base. To accomplish this, the second section of this chapter examines the direct relationship between revenue structure and revenue stability by isolating the effects from economic bases. The third section explores the relationship between revenue diversification and stability while taking into account the intermediate influence of economic base.

2.2.1 Overview of the Portfolio Theory

The Portfolio theory of the study reveals the relationship among economic base, revenue diversification and revenue stability: revenue diversification affects revenue stability through its interaction with the economic base which is composed of a variety of industries and sectors, provides the groundwork for a well-defined

government tax structure. When this tax structure interacts with the regional economy which is reflected by the level of outputs from the economy base, it will generate the revenues that maintain the daily functions of a government. Whether the revenue flow is stable has great implications for the financial position of that particular government (Chitembo, 2009). To be specific, increased revenue instability affects the continuity of governmental service delivery and makes a government more vulnerable to changes in economic and fiscal conditions. Furthermore, volatile revenue streams also constrain a government's debt capacity.

The previous research either focuses on the relationship between economic base and revenue stability as measured by credit ratings or emphasizes the positive effect of a diversified tax structure on revenue stability, measured by fiscal performance without explicitly examining the relationship between revenue diversification and revenue stability. It is important to connect these two pieces together by showing how tax structure, acting with the economic base, affects the revenue stability (English, 2007).

Furthermore, the economic base varies region by region: some may be more stable than others. For example, a college town that mainly relies on income from a university presumably has a different economic base than that of a jurisdiction which largely depends upon income from tourism. Therefore, it is important to break down the economic bases into different types and identify the compatible tax structures. This paper posits that given the varying nature of economic bases, a sub-national government should match its base with the appropriate tax structure with different

degrees of diversification. As a result, the revenue stability can be improved through a well-matched tax structure (English, & Guthrie, 2003).

2.2.2 Revenue Structure and Revenue Stability

In corporate finance, risk means the market return is hard to predict or volatile over time. According to portfolio theory, diversification helps to reduce risk or variability, provided that different stocks in an investment portfolio do not move in exactly the same direction or the price changes of different stocks are less than perfectly correlated (Brealey; & Myers, 1991). There are two types of risks we need to distinguish: unique (unsystematic risk) and market risk (systematic risk). The unique risk stems from the adverse conditions that surround a particular company or industry. This risk can be eliminated by diversification.

However, the market risk cannot be eliminated through diversification and it comes from the economy-wide perils which affect all businesses (PMO-RALG, 2006). For a well-diversified portfolio, the only thing that matters is the risk that investors cannot get rid of – the non-diversifiable ones. Since a single security's contribution to the (market) risk of the whole portfolio depends on how sensitive the security is to the market movements (measured by beta), the risk of a well-diversified portfolio “equals the average beta of the securities included in the portfolio” (Brealey & Myers, 1991). If the portfolio risk is driven by the bet as of each different security, it implies that diversification cannot only eliminate the stand-alone risk, but also adjust the market risk of the portfolio by changing the combination of different securities.

In the context of government finance, the idea of revenue diversification is similar to investment diversification. We may consider the various revenue sources or tax bases as a government's investment portfolio and each tax as one of the securities in the portfolio. The variability of tax revenue is analogous to the concept of volatility in market returns in corporate finance. According to White (1983), revenue diversification in government finance relates to the correlation between two or more taxes. In order to reduce revenue fluctuation, a desirable tax structure should include taxes that are not perfectly correlated (English, 2007). In other words, the different tax revenues will not move in exactly the same direction and magnitude at the same time.

2.2.3 Local Borrowing

There was limited progress made with these objectives until 2004, when the Government of Tanzania started to implement a formula-based recurrent sector block grants system, as well as for a General Purpose Grant which includes funding for local administration expenses. The Local Government Capital Development Grant (LGCDG) system is the other major reform initiative in fiscal decentralisation. It was introduced on a nationwide basis in 2005. The LGCDG is used for funding local government authorities' development expenditures (PMO-RALG, 2006).

2.2.4 Expenditure

In addition to local councils' exclusive expenditure responsibilities such as local land use planning, sanitation, public markets, and local administration, local government

authorities have also concurrent expenditure responsibilities. The concurrent expenditure responsibilities consist of primary education, basic health services, agriculture extension and livestock services, local water supply, and local public works (for example road maintenance). For these services, local government authorities are responsible for delivering the service, but the central government remains responsible for policy-setting and financing the local delivery of the services through intergovernmental transfers. In 2006/2007 the aggregate expenditure of local government was about T.Sh. 858 million. No detailed breakdown of this expenditure is available (BOT, 2011).

2.3 Empirical Literature

Most of the empirical studies examining the role of decentralization in service delivery assess the effectiveness of decentralized entities in providing public services. Agrawal & Ribot, 1999; Booth, 2010; Prawda, 1993; Robinson & Stiedl, 2001; Von Braun & Grote, 2000; Wild et al., 2012) Here, the expectation is that empowered local governments will be able to provide more and better quality services to their constituency due to efficiency gains and greater government responsiveness at the local level. A large part of the literature on the role of decentralization on development outcomes focuses on different aspects of the delivery of local public goods and services, such as effectiveness, efficiency and equitable distribution. Here, the vast majority of the research looks at effectiveness, usually defined as the quantity or quality of services provided at the local level. A much smaller set of studies examines the more narrowly defined concept of efficiency in service delivery, and another somewhat smaller set assesses equity.

The empirical research in this area is very diverse with substantial numbers of studies conducted at all levels and using both quantitative and qualitative approaches. At the macro level, quantitative (eDinar et al., 2007; Escaleras & Register, 2012; Khaleghian, 2004; Kauneckis & Andersson, 2009; Schneider, 2003b) as well as qualitative studies present predominantly mixed results that suggest decentralization is having some positive impact on the delivery of local services in some cases, while also contributing to a deterioration or interruption of services in others. It is not possible to meaningfully generalize about the results of these studies, so some examples with more detail are provided.

Among the quantitative studies, Kauneckis and Andersson (2009), for example, use a large sample of municipalities from Brazil, Chile, Mexico and Peru to examine the effect of decentralization on natural resource management services. They find large variation in the quality of service delivery among municipalities attributing it to variability in institutional design as well as national and local incentive structures across countries and local governments. The quality of service delivery for each municipality is measured using a binomial variable indicating the quality as high or low, based on the average assessment of at least two CBOs operating in its jurisdiction. The data set used in their analysis was collected by the FAO and drawn from national statistics and contains a large number of highly relevant variables on institutional, and political economy factors, such as electoral competitiveness, municipal budget, number of CBOs in the municipality, etc. However, due to the cross-sectional and non experimental nature of the data, the logistic estimation approach can only establish association, not causation. Furthermore some of their

measures, in particular the quality of service delivery, are rather crude and based on CSO perceptions that might be biased due to their own political agendas or other factors. Among the macro-level research pursuing a qualitative approach, Robinson and Stiedl (2001), for example, conduct a comparative study of decentralized road administration in Nepal, Uganda and Zambia.

They find that decentralization does not lead to improvements in the delivery of rural transport infrastructure services. The subnational administrations are overwhelmed with issues of management and procurement, and struggle to accommodate local needs in their planning as these prove to be “far less amenable to cost-benefit analysis” (Robinson & Stiedl, 2001). They do not provide a detailed description of their methodological approach, but they do acknowledge that their time in the field and number of interviewees were limited, raising questions on the validity and broad applicability of their findings.

A much more extensive and elaborate research approach is presented by Booth (2010), who provides a midway analytical report of a coordinated multi-country research project examining factors affecting local public goods provision in Sub-Saharan Africa, focusing on bottle necks resulting in the under-provision of essential services, such as maternal health, water and sanitation, facilitation of local economic development, and security. The findings provided by the case studies with regards to service delivery are mixed.

In the health sector for example, the case study from Niger reports that client elastic appointments prevent the rational allocation of human resources with a negative

effect on staff discipline and performance (Hood & Lodge, 2004). In contrast, the health sector in Rwanda is found to benefit from a reasonably coherent institutional framework, leading to improved health outcomes, such as mothers consistently giving birth with the assistance of trained professionals. The research approach is described as consisting of several layers of primary and secondary data collection and analysis that allows for validation and refinement of results strengthening their credibility. Preparatory reflections were based on a detailed review of previous studies and secondary literature.

2.4 The Policy Review

The Policy Paper on Local Government Reform spells out very clearly Government's vision of a reformed local government system, and this, and other key reform documents, is available on web-site, (www.po-ralg.go.tz). The overall objective of the Policy is to improve the delivery of services to the public, and the main strategy for doing so is decentralization by devolution, which entails the transfer of powers, functional responsibilities and resources from central government to local government authorities. The Government's vision is to have a local government system in which Local Government Authorities are largely autonomous institutions, free to make policy and operational decisions consistent with the laws of the land and government policies; strong and effective institutions underpinned by possession of resources (both human and financial) and authority to perform their roles and functions; institutions with leaders who are elected in a fully democratic process; institutions which will facilitate participation of the people in planning and executing their development plans and foster partnerships with civic groups;

institutions with roles and functions that will correspond to the demands for their services; and institutions which operate in a transparent and accountable manner.

2.5 Conceptual Framework

In this study, we have collectively referred to all the providers of local public services as “local administrations” in general. Within this category, we have referred to organizations that deliver local administrative services with autonomous authority independent of the central government as “local governments”, and the entities that govern and provide services under the command of the central government as “local offices of the central government.” Although some development partners tend to push forward devolution in African countries as the only good model for decentralization, this study attempts to conduct analysis of the situation on a different basis (Iversen et al.,2006) Taking into account the reality that there are positive and negative movements surrounding decentralization in individual countries in Africa, the study team considered that what requires assistance in the end is strengthening the foundation of development tailored to the realities and the actual conditions of development and governance in each country, decentralization being one of the elements for that. In this sense, we need to be mindful that decentralization is only a means for achieving certain objectives.

In this study, considering the aim of the public sector reforms of recent years, the current research has placed the “improvement of service delivery” as the objective. In addition, we have defined the following four aspects as factors to measure the

improvement of service delivery as the outcome of the decentralization reforms (Jibao, 2009)

2.5.1 Conceptual Review

From the World Bank Performance Assessment Framework of fiscal decentralization on services delivered in Tanzania the researcher finds it to link conceptually the fiscal decentralization with improved of revenue collection. This study therefore assessed the constructs depicted in the model in figure 2 below.

2.5.2 Conceptual Model

Each approach which we have reviewed has some validity and provides some insight in to key issues of decentralization. The public administration approach provides an institutional framework which focuses on types of institutional arrangements. It is particularly useful in describing different types of institutional ruptures (devolution, delegation and privatization)(Choi et al., 2001). In these cases, it is particularly important to analyze the capacity of the institutions receiving the new powers and authority to take on the tasks assigned.

However, this approach, although it is in wide currency now, is not very useful as a framework for analyzing the choices made by local authorities. Local fiscal choice is especially useful in focusing attention on the accountability of local officials to local populations. Since it uses assumptions of public choice models, it also proposes a clear set of objectives and/or motivations for generating hypotheses about choices at this level(Choi et al., 2001).However, the importance of intergovernmental transfers

and the restrictions on its use by central governments limit flexibility and accountability at the local levels, undermining the utility of this approach as a general framework. The social capital approach suggests that some characteristics of the local community may facilitate the capacity of local governments to perform better and to achieve objectives such as those of the health reform.

2.5.3 Effectiveness: Providing Services That Respond To the Local Needs

“Effectiveness” is a factor that concerns “the level of achievement of the objectives,” whereby services are provided based on an accurate assessment of citizens’ needs and the local context (Jibao, 2009).

2.5.4 Efficiency: Maximizing the Efficiency of Administrative Services

“Efficiency” is considered a factor that can be equated with “investment effectiveness,” whereby services are provided in a prompt and appropriate manner by efficiently utilizing limited resources such as personnel and budgets (Jibao, 2009).

2.5.5 Equity: Fair Distribution to the Poor and Equality among Different Regions

While decentralization has the potential to realize a fairer and more strategic distribution of resources to the deprived classes based on the particular conditions and needs of the concerned local society, it also has potential risks to widen disparities among regions. It is therefore important to pay special attention to ensuring equity among different regions. In this study, we will verify the way in

which decentralization affects the improvement of service delivery, while also looking into its relationship with SWAp and the overall programme of public sector reforms (Jibao, 2009) More specifically, taking into account that there are different forms of decentralization and devolution and applied in African countries, we will analyze each of these forms of decentralization to see their impacts and challenges with respect to the improvement of service delivery. Furthermore, we will also examine the potentiality of the people's "collective action" and the collaboration between the local administration and these kinds of efforts towards the improvement of service delivery (Ibid 2009) Analysis will be made in this context of how efficiently the limited available resources can be mobilized and made maximum use of, and how effectively the service delivery can be made to meet the citizens' needs, through utilization of the above-mentioned collective actions, all of which are expected to lead to the overall goal of "poverty reduction". Figure 1.1 illustrates the conceptual framework of our research study

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Chapter Overview

This chapter describes the methodology that was used to carry out the study. This chapter has covered the following: the study area, research design, research population, sample size and sampling procedures, research instruments, validity and reliability of data, data gathering procedures, data analysis, ethical considerations, limitations and delimitation of the study.

3.2 Research Design

The study employed a simple descriptive analysis research design. Data was collected from local council staff, employees in local government and from community members of Kinondoni Municipal Council.

3.3 Target Population

The target population for the study was comprised of local government officers from 5 selected wards out of 34 wards in Kinondoni Municipal Council. These Wards include Kijitonyama, Msasani, Kawe, Makongo and Msigani. These were selected purposively to ensure that the selected wards have services delivered to all categories of social life to enable the researcher to collect enough data.

3.4 Sample Size

The researcher use sampling technique to select respondent deliberately on the research want to specification from the sample the information requires type of

respondent and nature of the research problem, these include 50 workers. Also this technique used due to nature of the study in which specific respondent are need to provide specific information. In the study, the researcher gave out more questionnaires than was needed. This was to ensure that the response rate didn't go below the minimum sample size that was required. These were given to respondents.

Table 3.1 Shows Sample Size That Was Considered In This Study

Category of Respondent from the Ten Wards	Sample Size
Head departments	5
Traders	20
Ward representatives	5
General public	9
Municipality Treasurer	1
Total	50

Source: Field, 2014

The researcher used purposive sampling to select respondents. Purposive was used to select representatives who included: head of departments, ward representatives and traders from Kinondoni Municipal Council.

3.5 Sampling Procedure

The study employed purposive sampling technique were used to select respondents. It was used to select the head of departments, Municipal treasurer and ward representatives to ensure that the researcher collected data from people who have the relevant information.

3.6 Research Instruments

The study employed questionnaires. The questionnaire was used to collect data so as to describe study variables quantitatively.

3.6.1 Questionnaires

A questionnaire was used to interview key informants focusing in obtaining relevant information. Through questionnaires respondents got an ample time to learn the questions and see what the researcher demanded thus came out with concrete, researchable and reliable information. Generally this method helps mitigating weakness likely to be met in personal interviews because respondents might not be able to respond immediately as sometimes they are busy with their official activities. Self-completion Questionnaires was one of the data collection methods in this study, which was used by the researcher to all the four categories of his respondents

For this case, the questionnaire was a self-completion one, whereby the respondents filled in their replies individually after the questionnaires were distributed to them. Most of the questions in the four categories of questionnaires were similar and were designed by the researcher to solicit the same information that could help the researcher to make an objective and representative investigation. The rest of the questions were specific to each category and they were designed to seek specific information from the different kinds of the respondent (Kothari (1985:14), Rwegoshora (2006), and Kalinge (1973). This method was much used to the respondents who were busy all the time dealing with their official works including serving both, internal and external customers. Therefore they were able to fill the questionnaires after their working hours or whenever they were free.

3.7 Data Collection Procedure

The researcher first obtained a letter from the school of postgraduate studies and

research to introduce her to the local government administration. This was followed by securing permission to conduct the study (letter from Kinondoni Municipal Council is attached). Thereafter, the researcher printed 50 questionnaires which were more than the required minimum sample size to cater for those who would not return the questionnaires.

The researcher selected and trained two research assistants. These were later sent to different fields to collect data from the respondents while the researcher collected data personally from ward officers and traders from Kinondoni Municipal Council. The process of data collection took three weeks. The questionnaires were later collected and handed to the researcher for data cleaning and later data analysis. The researcher also visited the Municipal treasurer.

3.8 Data Analysis

Collected data was cleaned first to remove incomplete questionnaires and discard those that bore respondents' names. This was done by looking at questionnaires and eliminating uncompleted questionnaires.

3.9 Ethical Consideration

To ensure research ethics, both the researcher and research assistants introduced themselves to the respondents using a copy of letter that had been given by the school of postgraduate. The researcher also explained the purpose of the study to each of the respondents. The researcher told respondents not to write names on the questionnaires so as to maintain confidentiality. Confidentiality was emphasized to

protect the privacy of respondents. Lastly those who answered questionnaires did so without force.

3.10 Limitations of the Study

The main limitation of the study was that political leaders were not readily available and so the researcher had to look for them for several weeks and worse still the researcher is not sure if really those busy respondents answered by them. Political institutions are critical to the beliefs and perceptions that undermine market-type fiscal discipline. In many situations, the central government is an organization that by its very design has trouble saying no. Local officials and their constituents are aware of this and can exploit it. Consider first the role of legislatures in democracies. When local governments are unable to pay workers, contractors, or bond holders, these groups are likely to put strong pressure on the region's representatives in the central legislature.

The other limitation was that respondents were chosen from the community may not have had adequate knowledge on how local revenue collection on service delivery in local governments with focus on Kinondoni Municipal Council. To mitigate these limitations, the researcher also carried out some interviews with key respondents.

3.1.2 Delimitation of the Study

Kinondoni Municipal Council is a vast area with many wards and it was not possible to conduct a study in all the 32 wards due to limited time. The researcher was however able to reach and cover all the 5 geographically spread wards in the

municipality which was purposively targeted because they have local revenue collection on service delivery in local governments

This was based on the fact that the researcher was conducting the research simultaneously with his studies, and therefore (as he strived to balance the research and other academic programs of his study) it was difficult and partly it resulted onto create of some biasness. This mostly happened, because the researcher at various occasions was sometimes forced to rush in order to meet the dissertation submission deadlines and other deadlines of his academic programs

3.11 Unit of Analysis

The unit of analysis of the study was revenue verses service delivery. The study was trying to look the relationship between the collection of revenue and service delivered to the community.

CHAPTER FOUR

4.0 RESEARCH RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter explains the research findings and its analysis. Research findings were obtained by using questionnaires. The presentation of data has been illustrated in terms of tables. The presentation of the Research findings was carried out according to each research question by pinpointing different issues which support or ignore each research question. The study constituted 50 respondents who responded on questionnaires and interview.

4.2 The Importance of Various Sources of Local Revenue in Kinondoni Municipal Council

The income levy which came into effect on levy payable on gross income, including notional pay, before any relief for any capital allowances, losses or pension contributions. All social welfare payments including social welfare payments received from abroad payments that are made in lieu of social welfare payments such as community employment schemes paid by the Department of enterprise and employment or back to education allowance paid by the department of education. Licenses collected from local business operators for their internally generated funds. This study has been conducted to survey challenges facing rate payers and suggestions on how to address these issues. Local business operators cutting across various localities within the Kinondoni Municipality. The study revealed that rate collectors and rate payers have cordial working relationship and that rate payers are

willing to pay the monthly rate called business operating permit rate which is a rate paid by local business operators for the right to do business within the municipality.

Table 4.1: Distribution of Respondents on Importance of Various Sources of Local Revenue

No.	Description		Very Effective	Somehow Effective	Don't Know	Not Effective	Total
1	Levies	Frequency	32	8	6	8	50
		Percent	64%	16%	12%	12%	100%
2	License fees	Frequency	30	10	7	3	50
		Percent	60%	20%	14%	6%	100%
3	Block grant	Frequency	40	5	3	2	50
		Percent	80%	10%	6%	4%	100%
4	Parking fees	Frequency	25	16	5	4	50
		Percent	50%	32%	10%	8%	100%
5	Penalties	Frequency	27	18	3	2	50
		Percent	54%	36%	6%	4%	100%
6	Fines	Frequency	29	17	3	1	50
		Percent	58%	34%	6%	2%	100%
7	Public washrooms fees	Frequency	20	17	8	5	50
		Percent	40%	34%	16%	10%	100%

Source: Field Data 2014

However, rate payers lament on the lack of public sanitation facilities, unfair distribution of newly constructed stores, unhygienic environment of the Municipality, rate, unprofessional character of some rate collectors, and many more.

4.3 The Effect of Revenue Collection on Quality of Services Delivery in Kinondoni Municipal Council

The study revealed that rate collectors and rate payers have cordial working relationship and that rate payers are willing to pay the monthly rate called business

operating permit rate which is a rate paid by local business operators for the right to do business within the municipality.

Table 4.2: Distribution of Respondents which Perceive the Quality of Services Delivery

No	Services delivered		Very important	Somehow important	Don't know	Not important	Total
1	Garbage collection	Frequency	20	10	10	10	50
		Percent	40%	20%	20%	20%	100%
2	Road light services	Frequency	20	14	8	8	50
		Percentage	40%	28%	16%	16%	100%
3	Business centers	Frequency	20	14	10	6	50
		Percentage	40%	28%	20%	12%	100%
4	Healthy services	Frequency	21	19	8	2	50
		Percentage	24%	28%	32%	16%	100%
5	Sewage services	Frequency	20	19	10	1	50
		Percentage	40%	28%	20%	2%	100%

Source: Field Data 2014

However, rate payers lament on the lack of public sanitation facilities, unfair distribution of newly constructed stores, unhygienic environment of the Municipality, rate, unprofessional character of some rate collectors, and many more

4.4 The Limitations of Local Revenue Collection in Kinondoni Municipal Council

It is necessary to meet the requirements set forth in documents authorizing the issuance of bonds by the state; Taxes, licenses, fees, and charges for services imposed by local, regional, or school district governing bodies; and revenue from taxes, licenses, fees, and charges for services required. The obstacles of revenue

collection requires that in the event there is a transfer of responsibility for the funding of governmental functions between the state and other levels of government, an adjustment to the revenue limitation is to be made by general law to reflect the fiscal impact of revenue collection

Table 4.3: Distribution of the Respondents on the Limitations of the Local Revenue Collection

No.	Descriptive		Very effective	Somehow effective	Don't know	Not effective	Total
1	Timing of revenue collection	Frequency	40	6	3	1	50
		Percent	80%	12%	6%	2%	100%
2	Time wasted when collecting revue	Frequency	38	7	4	1	50
		Percent	76%	14%	8%	2%	100%
3	Financial constrains	Frequency	39	7	2	2	50
		Percent	78%	14%	4%	4%	100%
4	Insufficient of time	Frequency	40	6	2	2	50
		Percent	80%	12%	4%	4%	100%
5	Luck of trainings	Frequency	36	10	2	2	50
		Percent	72%	20%	4%	4%	100%
6	Luck of Seminar to workers	Frequency	30	5	10	5	50
		Percent	60%	10%	20%	10%	100%
7	Poor knowledge on use of device electronic Machine	Frequency	42	4	2	2	50
8		Percent	84%	8%	4%	4%	100%
	Luck of trainings	Frequency	36	10	2	2	50
		Percent	72%	20%	4%	4%	100%
9	Poor knowledge on use of device electronic Machine	Frequency	42	4	2	2	50
		Percent	84%	8%	4%	4%	100%

Source: Field Data 2014

4.5 Relationship between local revenue collection and service delivery in Kinondoni Municipal Council

This meant that an increase in local revenue collection would result in a significant increase in public health service delivery.

This means that when the level of local revenues collected is high, there will be increased service delivery unlike when the levels of local revenues collected are low.

4.6 Different Sources of Local Revenue Collection

According to specific objective one, results shows that many local government authorities in Tanzania have reformed their tax collection systems in recent years in order to increase their revenue. This brief examines recent experiences with privatized revenue collection in seven urban and rural councils in Tanzania, with particular focus on the outsourcing of revenue collection to private agents. Such knowledge is relevant for present and future tax administration reforms and for the broader issue of outsourcing local government services. Outsourcing of revenue collection was enhanced by the guidelines on outsourcing local government services

The study found that revenue collection offers no 'quick-fix' to increasing a local government authority's revenue, as well as easing administrative problems with the revenue collection. While collection had increased and became more predictable in Kinondoni Municipal Council which had outsourced revenue collection, others had experienced substantial problems with corruption and exceptionally high profit margins for the private agents at the expense of accomplishing a reasonable return to

the local government authority. However, when appropriately managed and monitored, the outsourcing of revenue collection can establish a platform for more effective and efficient local government revenue administration.

Kinondoni Municipal Council has reformed their tax collection systems in recent years in order to increase their revenue. This brief examines recent experiences with privatized revenue collection in Tanzania, with particular focus on the outsourcing of revenue collection to private agents. Study reveals that the council's own revenues were collected by private agents. Revenue collection is outsourced to a range of different types of agents within and across the councils studied. For example, in Kinondoni the revenue collection of property taxes in certain areas were collected by a private consultancy firm; while the collection of market fees was outsourced to market associations or co-operatives operating in the respective markets. In Kinondoni, the collection of fish market fees was outsourced to a fish dealer organization, while the collection of fees at the central market was contracted to a vegetable cooperative operating in the market. Also the study reveals that collecting property tax has undergone a number of changes. The movement of the property tax collection between the council and the private agents shows the complexity of this revenue base as compared to others. In Kinondoni, the property tax was outsourced and was returned back to the council.

In general, outsourcing of revenue collection is based on an open tender process, based on guidelines provided by the Local Government Reform Programme. Before floating a tender the council often conducts an assessment to determine the revenue

potential and the tender bids are expected to be within the council's revenue estimates. The applicant is also required to show a bank guarantee or an asset as security, this measure aims to ensure that the council's revenues are not lost if the contractor defaults. Moreover, to further minimize the losses if the contractor defaults, some councils have instituted a system whereby the contractor has to submit revenues to the council in installments, most commonly on a weekly or fortnightly basis, but in some cases also daily, which was the case for bus stand fees from the Ubungu Bus Terminal in Dar es Salaam City Council.

Many local revenue sources are seasonal; for example, taxes on agricultural products reach a peak during the harvest season. Thus, the inputs required for revenue collection also fluctuate, however, since council staffs are employed on a permanent basis, the labor costs are fixed throughout the year. In contrast, a private agent or a market association have much more flexibility with respect to labor inputs, and thus can reduce the operational costs of revenue collection. For example, the company contracted to collect fees from the Kunduchi Fish Market engaged up to 25 collectors during the peak season, and reduced the number of collectors to 10 people during the low season. Private collection lowers the council's administrative costs by shifting the costs of collection onto the private sector rather than utilizing local government employees for the same purpose.

Furthermore, private collection may facilitate more predictable budgeting and planning for the council, since the revenues are given as specified in the contracts- if the agents comply with the contract.

How much of the revenues collected are retained by the agent? This varies between revenue sources, locations and agents. The agent contracted to collect entry fees from vehicles and passengers at the Ubungo Bus Terminal in Dar es Salaam retained almost 60% of the revenues collected. Data shows that on average 32% of the officially reported revenues collected were retained by the agent to cover costs and profits. Such margins are very high, by any country's standards. Moreover, it is likely that the official margins understate the actual margins, since the revenue potential reflected in the contracts in many cases is underestimated. For instance, a recent study from Uganda shows that the actual gross margins realized by private agents caused by the undervaluation of market yields varied between 71% and 70%. (Goden 2013)

Private tax collection is likely to reduce corruption at the collection point by offering mechanisms for penalizing poor collector performance. A private collector has in general (i) a stronger personal interest in the collection result, and (ii) more effective mechanisms for penalizing poor performance on the part of collector. These factors combined may reduce corruption at the point of collection. The potential profits connected with such contracts can, however, encourage corrupt arrangements between members of the tender board and private entrepreneurs.

The case involved senior council officers and had resulted in substantial financial losses for the municipality. Experience from other countries shows that this is a problem that may seriously undermine the credibility and working of the outsourcing system. An important measure to reduce this potential problem is to ensure the

capacity of the local government revenue administration to assess the actual local revenue base. Assessment of the revenue potential is still poor in many types of council in Kinondoni and may imply that the contracted amount which is to be remitted to the council only represents a small fraction of the revenues actually collected by the agent.

There is a recognized danger, as reflected in historical evidence that overzealous collection can occur under privatized tax collection systems; however, this does not seem to be a problem in the councils covered by this study. Perhaps generous profits attributed to the agents as a result of accidental circumstances, such as the structure of local markets, bus stands etc, explain this observation. More general mechanisms for curtailing overzealous behavior have also been established by awarding contracts to market associations, which collect the market fees from its own members. However, still there is a need for establishing systems for dealing with complaints from taxpayers, including market vendors and property owners.

How to minimize the risk to give the contract to incompetent or dishonest agents? Initially, several of the councils covered by this study experienced that some agents did not comply with their contracts, either by not submitting revenues collected to the council, or by submitting less money than stipulated in the contract. In Kinondoni problems were partly due to the agents' lack of experience, reflected in over ambitious bids, and partly because the agents in some cases did not pay their own collectors properly, which reduced their incentives to collect. In some cases the council brought the agents to court, which was a costly and time consuming exercise.

An additional problem experienced with property tax collection was that some agents only targeted the most easily accessible taxpayers to minimize the collection costs. This method by the private agents did not contribute to expanding the revenue base as intended and it also led to complaints from taxpayers who were approached for tax collection, when others were not. Consequently, the tendering process and contracts were revised by incorporating mechanisms to reduce the risks for defaults, including measures for more efficient monitoring of the agents.

Moreover, to avoid substantial losses by default or embezzlement, the agent must submit revenues to the council in daily or weekly installments. Kinondoni is planning to institutionalize a system whereby the contractors will have to pay a monthly submission in advance of the collection. Furthermore, the contracts are usually for a limited period of time, often one year, although an agent can still apply for renewal on a competitive basis. The agent collecting fees at the Ubungo Bus Terminal in Dar es Salaam are collecting parking fees in Dar es Salaam city centre seem to be exceptions from the general procedures.

4.7 Effect of Revenue Collection on Quality Services Delivery

According to specific objective two, study reveals that majority of the respondents demonstrate major flaws in the administration of their own revenues. The two years' research conducted by the author within the four LGAs in Mainland Tanzania revealed substantial inadequate controls related to the Councils' revenue (Luhanga 2011). In this of councils visited, virtually all of the revenue related functions such as

follow-up, recording, and maintenance of the cash collected, were done by few individuals.

The study reveals that the shortage of competent staff existed at the Councils in general, and revenue section in particular, did not allow sufficient segregation of duties which is potential for the efficient monitoring of the Councils' revenues. Also, unlike TRA which has put in place the revenue computerized system, majority of the Councils do not have one. They maintain a list of the tax payers depending on the type of local taxes and they normally adjust accordingly whenever the payment is made. This, not only increases the administration costs to the Councils, but also runs a risk of inappropriate accounting for revenues. Furthermore, most of the Councils' revenue receipt books tend to be missing, and it is difficult to establish precisely whether the revenues related to those missed receipt books have been collected or not. Related to this is the alleged tendency of some of the dishonest revenue collectors who use other receipts in place of those given by the Councils. These anomalies as a whole have contributed to the low revenues

Study reveals that central government's directives some of the government directives are also responsible for the decline of the revenue raising ability of the Councils. This largely associated with the restrictions imposed by the Government on certain sources of revenue. For example, a decision to abolish the Development Levy and local business licenses and permits in 2003 had resulted into a major decline of the total local revenues. The revenues from the local business licenses and permits alone had been reduced by nearly 54% (Chidumuo 2009). Similarly, a decision to ban the

importation of forestry products announced by the Ministry of Finance had significantly affected most of the Councils, especially those located in rural areas where forestry produce access accounted for substantial part of their income. It is also important to acknowledge that with effect from the business license fees were reintroduced as an attempt to increase the Councils' revenue.

The study found that however, the actual imposition of the business license fees was encircled with the delays of implementation, a reason which had contributed to the reduction of the actual revenue of local governments. In general, the constant interference of the Government makes it harder for the Councils to institute proper planning mechanisms for their own revenues. This has partly caused the Councils to be less proactive in forecasting and monitoring their sources of income. While it is vital for the Government to play its role as the custodian of all public sector organizations, thorough assessment of the Government directives on the Councils' revenues needs to be taken into account to reduce unnecessary negative impact

4.8 Limitations of Local Revenue Collection

According to specific objective three, the revenue study reveals that limit is determined by multiplying the average annual growth rate in income revenue collection whereby study shows that over the maximum amount of revenue permitted under the limitation in the study areas. In the first fiscal year of the limitation is based on actual revenues in fiscal year accordingly. Revenues collected for any fiscal year in excess of the limitation are to be transferred to the Budget Stabilization Fund until such time that fund reaches its maximum (10% of general

revenue collections in the previous fiscal year and then are to be refunded to taxpayers as provided by general law. Such an increase must be in a separate bill containing no other subject and must set the amount increased. Study reveals that 70% of limitations were found in taxes, licenses, fees, and charges for services imposed by the Legislature on individuals, businesses or agencies outside of state government.

It is necessary to meet the requirements set forth in documents authorizing the issuance of bonds by the state; Taxes, licenses, fees, and charges for services imposed by local, regional, or school district governing bodies; and revenue from taxes, licenses, fees, and charges for services required. The obstacles of revenue collection requires that in the event there is a transfer of responsibility for the funding of governmental functions between the state and other levels of government, an adjustment to the revenue limitation is to be made by general law to reflect the fiscal impact of revenue collection.

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMANDATION

5.1 Introduction

The Kinondoni Municipal Council is one of the three Municipalities within the City of Dar es Salaam in Tanzania. The vision of the Council is to have a community, which is highly motivated, dynamic, with developed socioeconomic infrastructure. The overall objective of the mission is provision of quality services to the community through effective and efficient use of resources; capacity building, good governance and respect to the rule of law hence improve the living standard. The Kinondoni Municipal Council is charged with the responsibility of delivering services to the people.

The council has been depending on various levies and taxes as its major sources of revenue. The main sources include property tax, levies on billboards, City service levy and others. On the other hand the central government is assisting through subsidy on specific areas like health, education and infrastructures. However, the available resources are not sufficient to meet the Municipal's requirements of providing good and quality services. The Municipal put effort to deliver quality services to the public through promotion of investment opportunities.

5.1.1 Findings Different Sources of Local Revenue Collection

Findings from the research study show that Kinondoni Municipal Council collects local revenue from different sources and they include licenses and permits, parking

fees, fines and penalties, rent and rates, market dues in order to deliver services to the people.

5.2.1 Effect of Revenue Collection on Services Delivery Quality

Study reveals that some of central government's directives also responsible for the decline of the revenue raising ability of the Councils. This largely associated with the restrictions imposed by the Government on certain sources of revenue. For example, a decision to abolish the Development Levy and local business licenses and permits in 2003 had resulted into a major decline of the total local revenues.

The revenues from the local business licenses and permits alone had been reduced by nearly 54% (Chidumuo 2009). Similarly, a decision to ban the importation of forestry products announced by the Ministry of Finance had significantly affected most of the Councils, especially those located in rural areas where forestry produce access accounted for substantial part of their income. It is also important to acknowledge that with effect from the business license fees were reintroduced as an attempt to increase the Councils' revenue.

5.2.2 Findings on the Limitations of Local Revenue Collection

There has been low local revenue collection in Kinondoni Municipal Council and this has been due to the harshness of tax collectors, high administrative expenses corruption practiced by revenue officers ,inadequate sources of revenue, political intervention for example tender defaulters who supported politicians during campaigns are being protected by tax authorities, poor enforcement of rules and

procedures of collecting revenues, tribalism, low incomes and wealth which reduces the tax base thus leading to low local revenue collection and thus low service delivery in Kinondoni Municipal Council.

5.3 Conclusion

Despite of major reforms of the local revenue collected is channeled towards delivery of services government tax system during the last two decades, local government tax systems remains largely neglected. This study shows that the local tax systems often are distortive, costly to administer, and exacerbate inequity. The findings of the study show that although part of the local revenue collected is channeled towards delivery of services, some percentage of the local revenues collected is misused by some of the administrators involved in planning for the revenues collected and thus strong measures have to be put in place to reduce the misuse as will be seen in the recommendations.

In this setting, fundamental issues to be addressed in the context of local government fiscal reforms are to redesign the current revenue structure and to strengthen financial management. In addition, measures are required to enhance taxpayers' compliance and to improve the accountability of revenue collectors and elected councilors. This cannot be achieved without substantial and consistent political support from the local revenue collected is channeled towards delivery of services government.

Improved information supplied to the publican budgets and accounts may improve the opportunities for citizens to exercise their voice and demand accountability from

local authorities. This is among the lessons we can draw from local revenue collected is channeled towards delivery of services reform in Kinondoni Municipal Council. It is, however, important to stress that encouraging citizens and civil society to engage in fiscal and financial monitoring at the local level does not imply that such measures should replace formal auditing and accounting mechanisms. Nor does it imply that such measures will weaken the formal accountability mechanisms. On the contrary, it can strengthen the legitimacy and standing of local government authorities in the communities by contributing with complementary measures to improve and the control of revenue collection and expenditures.

A fundamental requirement when further redesigning the local revenue system is greater emphasis on the cost-effectiveness of revenue collection, taking into account not only the direct costs of tax administration, but also the overall costs to the economy, including the compliance costs to the taxpayers. In addition, losses through corruption and tax evasion need to be reduced. To achieve the seams, there is a need further to simplify the business license and fee structures by reducing the number of rates and coverage. Moreover, local taxes and licenses should be harmonized with local revenue collected is channeled towards delivery of services government tax bases, to avoid double taxation and conflicts with national development policies, such as job creation and private sector development.

The experiences from Kenya with the one-stop-shop Single Business Permit systems are promising for future reforms. More realism is also required when it comes to the implementation of a well-functioning property tax system. (Wanjiku 2013).

An important element of the fiscal local revenue collected is channeled towards delivery of services give municipalities the power to value, asses, bill, collect, and enforce property taxes. Property tax has many attractions as a local revenue base since it is imposed on immobile assets and therefore is difficult to avoid at least in principle. However, it has some obvious weaknesses that need to be taken into consideration before heavy reliance is placed on it.

In particular, problems of valuation and tax enforcement often occur due to political interventions and administrative weaknesses. The municipalities' capacity and capability to administer the property tax have in general proved to be inadequate. Hence, it has been difficult for many municipalities across Africa to maintain the current property valuation registers, let alone to continue the property valuation initiatives (Agoro 2013).

It is therefore a need to reassess the basis of the property tax in urban councils and to implement a simpler and more coherent approach to the valuation provision, which takes into consideration administrative capacity and capability constraints facing the urban councils. A pragmatic policy approach is required, which may imply local revenue collected is channeled towards delivery of services of certain issues, such as management of property titles, valuation assessments, etc. Local own revenues are a necessary but not a sufficient condition for fiscal local revenue collected is channeled towards delivery of services. In most local government authorities in Africa, local sources are generally not sufficient to develop and supply adequate services for the fast-growing population.

The reality is that most local government authorities in Kinondoni Municipal Council for a long time will continue to be heavily dependent on channeled towards delivery of services government. Only a few large urban governments located in rich areas are able to finance a substantial share of their total expenditure with their own revenue sources. Transfer systems based upon revenue sharing between the local revenue collected is channeled towards delivery of services and sub-national levels of government and grants from the local revenue collected is channeled towards delivery of services level should therefore be considered important components of the fiscal local revenue collected is channeled towards delivery of services programs

5.4 Recommendations

There is an immense need for mechanisms to ensure that they substantially increase their local revenues. In this regard, the Government needs to set broader revenue targets for the Councils and refrain from the revenue administrative activities, such as setting and approving of the collection rates. To achieve this, instead of issuing the ‘closed list’ of allowed local sources, the Government needs to provide a list of abolished local taxes and allows the Councils to charge all other genuine taxes which are within their area of jurisdictions

In light of the findings and the need for local revenue to provide services in Kinondoni Municipal Council since transfers from the central government are only to support the budget of Kinondoni Municipal Council, local government to enable them fulfill their obligations. Therefore a lot of effort should be put in to ensure that local revenue collection and administration is improved in Kinondoni Municipal

Council local government to fully provide quality service to the people Kinondoni Municipal Council needs to simplify the licensing process in order to reduce non compliance of businessmen to pay taxes. License registers should be computerized to reduce tax evasion and tax avoidance. Markets and other rental places should be fenced off for the case of locating operations. So in this case those found operating outside the fenced off places should be punished accordingly.

Kinondoni Municipal Council should regularly conduct field surveys for taxis, buses and other vehicles operating in parking areas so as to set realistic reserve prices. Revenue collection in Kinondoni Municipal Council should be privatized by giving out tenders to individuals or companies to collect revenues on behalf of Kinondoni Municipal Council, local government to reduce the increasing rate of tax defaulters. Enforcement teams should check businesses that have failed to pay taxes and penalize them accordingly. Sensitization, mobilization and publicity to the community about the importance of paying taxes. This can be done through rallies, village meetings, newspapers, radio programmes, commissioning of projects and use of local revenues collected for activities that have immediate and visible impact.

Kinondoni Municipal Council should try to explore other sources of local revenue collection for example fines and fees imposed by local council courts, annual bicycle license user charges, fees and property rates. The tendency was to collect themselves initially in order to establish rates prior to outsourcing. For the sources which they could not initially collect on their own, they used 'guess work' to determine the collection rates. These intuitive methods are partly responsible for the low revenues.

Research into the Councils' revenue collections would potentially reveal appropriate collection rates and other unexploited revenue sources. Also, improving health cost sharing scheme in terms of administration, staffing, and financial controls, could possibly minimize health financing dependence and increase the Councils' own revenues.

5.5 Implications

The findings of this study imply that there is a need for the LGAs to increase the revenue so that they can be able to efficiently provide social services to the local communities. This has potential of improving social welfare of the communities served by LGAs. It is equally important for the Government to institute or set proper local revenue policies which would help LGAs and other stakeholders to raise revenue.

5.6 Areas for Further Study

This study covered sources of local revenue collection, impacts of local revenue collection on service delivery, and limitations of local revenue collection, but there is need to study, Local Government expenditure and efficiency levels of administrators. Also, further studies should focus on building a more extensive empirical knowledge on the technical, economic and political dimensions of local government taxation. More broadly, the suggestions for further research in this study focus on the politics of successful tax reform, new insights about taxation and growth, and on the connection between revenue collection and state building at the local level.

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APPENDIX
QUESTIONNAIRE

INSTRUCTIONS

A: Please state the importance of various sources of local revenue in Kinondoni Municipal Council. For each please use the 1-4 scale as shown below and tick in the appropriate cell in the table.

Scale: 1=Very effective 2=Somehow effective 3=Don't know 4=Not effective

No.	Sources of revenue	1	2	3	4
1.	Are levies sources of income in Kinondoni Municipality?				
2.	Are License fees source of revenue in Kinondoni Municipality?				
3.	Is block grant source of income?				
4.	Is parking fees sources of income?				
5.	Are penalties effective on increasing income?				
6.	How does fines effective on increasing source of income				
7.	Is publicwashrooms fees increase revenue?				

B: Please state the effect of revenue collection on services delivery quality in Kinondoni Municipal. For each please use the 1-4 scale as shown below and tick in the appropriate cell in the table.

Scale: 1=Very Important 2=Somehow Important 3=don't know 4=No important

No.	Services Delivered	1	2	3	4
1	Is revenues collected are directed togarbage collection and street cleaning?				
2	Is revenue collected are directed on improving road light services?				
3	Is revenue collected are directed to improve business centers?				
4	Is revenue collected are directed to improve health services?				
5	Is revenue collected are directed to improve sewage services?				

C: Please state the limitations of local revenue collection in Kinondoni Municipality. For each please use the 1-4 scale as shown below and tick in the appropriate cell in the table.

Scale: 1=Very effective 2=Somehow effective 3=Don't know 4=Not effective

No.	Question	1	2	3	4
1	Is timing of revenue collection a limitation?				
2	Is time wasted a limitation when collecting revenue?				
3	Is financial constrains limit revenue collection?				
4	How does time insufficient limit revenue collection?				
5	How does lack of trainings limit revenue collection?				
6	How does lack Seminar to workers affects revenue collection?				
7	How does Poor knowledge on use of device electronic Machine limits revenue collections?				