

**MANAGEMENT OF REVENUE COLLECTION IN LOCAL
GOVERNMENT AUTHORITIES:
EXPERIENCE FROM BARIADI DISTRICT COUNCIL**

**MANAGEMENT OF REVENUE COLLECTION IN LOCAL
GOVERNMENT AUTHORITIES:
EXPERIENCE FROM BARIADI DISTRICT COUNCIL**

By

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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (MSc-A&F) of Mzumbe University Dar es Salaam Campus College.

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled **Management of Revenue Collection in Local Government Authorities: Experience from Bariadi District Council**, in partial/fulfillment of the requirements for award of the degree of Master of Science in Accounting & Finance of Mzumbe University.

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DECLARATION

I, **Athumani Juma Kihamia**, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for similar or any other degree award.

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I wish to state hereby that all deficiencies or error that may be contained in this are absolutely my sole responsibility.

DEDICATION

I dedicate this work to my lovely wife & kids

LIST OF ABBREVIATIONS AND ACRONYMS

BDC	-	Bariadi District Council
LGA	-	Local Government Authorities
LGAs	-	Local Government Authorities
PMO-RALG	-	Prime Minister's office, Regional Administration and local Government
SICTAS	-	Simplified Computerized Tax Administration System
VEO	-	Village Executive Officer
WEO	-	Ward Executive Officer

ABSTRACT

The study was investigating the Management of revenue collection in Local Authorities using Bariadi District Council as a case study. The study was guided by research objectives and research questions.

Also, the study involved a sample of 100 respondents, where the sampling techniques used was non probability sampling. The purposive and convenient sampling was used to get respondents from the study population. The data collection methods include interview, questionnaires; focus group discussion and review of various documents.

The collected data were coded, analysed and presented in chapter four; then were later discussed in chapter five of this report. SPSS was used to analyse these data from the field.

Therefore, the study found that, there are many source of revenues in the council, which are grants from central government, donor fund and own source revenues. In respect to own source, the main contributor are cotton cess, local markets (Minada), service levy and other fees. In this council, two strategies are used to collect revenues in Bariadi District Council, that is, revenue collecting agents and council revenue collectors. 75% of respondents favoured use of revenue agents (outsourcing), while 20% favoured use of revenue collectors (council employees) and 5% were not certain which strategy should be used by Bariadi District Council. It was also revealed that, both strategies are doing well although they have some challenges which include corruption, tax evasion, tax exemption, and poor feasibility of revenue sources before outsourcing them to agents.

Finally, the study concluded that, the council should if possible concentrate much using agents (outsourcing) rather than council staff, however, the council should make sure that, all weakness are dealt out to make the sources deliver more revenue to the council, things like feasibility study should be conducted before the source is given to the agents in order to have more revenues.

The researcher really hopes that output from this study shall be of practical use to Bariadi District Council.

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CHAPTER ONE

AN OVERVIEW OF THE STUDY

1.0 Introduction significance

This chapter provides the background information of the study and the component of experiment design that justify scientific inquiry.

1.1 Background information of the study

Fiscal decentralization – the transfer of taxing and spending powers to lower levels of government - has become an important subject of governance in many developing countries in recent years (Manor, 1999). As an outcome of discontent with the performance of centralized systems, reformers have turned to decentralization to split the hold of central government and induce broader participation in democratic governance. Being closer to the people, it is claimed; local authorities can more easily identify people's needs, and thus supply the appropriate form and level of public services. It is argued, individuals are likely to be willing to pay local taxes where the amounts they contribute can be related more directly to services received.

The Local Government Finance Act No. 9 of 1982 empower the Local government authorities (LGA's) to collect revenue from various sources and ensuring proper utilization of such revenue in fulfilling the functions and powers conferred by the Act No. 7 of 1982 the local government (District authorities) Act, 1982. This means that LGA's are required to collect revenue from such sources as stipulated in the Act. For the past twenty six years after the re- introduction of the LGA's in 1984, they have been collecting revenue from various sources but none of them has ever collected adequate revenues to finance its activities for 100 per cent of the total budget requirements.

The ability of local government to provide services depends so much on the level of revenue collected, if revenues are not collected effectively the implication is that people would be deprived off their rights of getting such services as health, water, education, agriculture, roads, just to mention a few. One major administrative problem today for many types of council is their inability to collect fully the revenues due to them. In most council there are huge gaps between reported and projected revenues. Local governments' own source revenues represented less than 6% of total revenues in Tanzania in 2002 (Fjeldstad, 2003).

The LGRP (Local Government Reform Programme) has done a lot to improve the financial management in local authorities with the purpose of empowering the LGA's to manage and control their financial management. The issue of outsourcing revenue was introduced in local authorities with the aim of improving revenue collection, however, in some areas there is some success but in other areas there is poor collection of revenue.

This study was intended to examine and find out the management of revenue collection in local authorities; using Bariadi District Council as a Case study. The study is directed at identifying various sources of revenues, strategies used in collecting revenues, and helping the BDC to know how the authority can manage its sources of revenues towards delivering quality services to its residence in Bariadi.

1.2 Statement of the Problem

After decentralization of finance matters, local authorities have powers to identify source of revenues and come up with strategies of collecting revenues to finance social services in the district, township, municipality or city. Despite various methods used to collect revenue in local authorities, there is still unclear whether collection of revenue is adequate to enable them to provide good quality services. Management of revenue collection is very important in local authorities to ensure availability of revenue to support provision of social services; and the provision of services is very crucial in the sense that, local people evaluate the local governments with regard to quality of the services they receive. The quality of services depends on

revenue performance of the LGAs that result into adequate revenues collection. But adequate revenues collections to finance social and economic services depend on management of revenue collection in local authorities. Among the strategies used to manage revenue collection in local authorities include outsourcing and collecting revenue using council staff.

In this regard, this study was set out to investigate the management of revenue collection in local authorities by using experience from Bariadi District Council as a case study for this project. The study identified the sources of revenues in the district, challenges available towards revenue collection and the study recommends on what can be done improving revenue collection in the district. This study also provides information which helps local authorities to set strategies which will lead to more collection of revenue which will sustainably support provision of quality social services.

1.3 Research Questions

1.3.1 General Research Question

The general research question of the study was to investigate the management of revenue collection in Local authorities?

1.3.2 Specific Research Questions

In order to understand the management of revenue collection in local authorities, with particular reference to BDC the following research questions were answered:

- (i.) What are the sources of revenue for BDC?
- (ii.) What are the strategies used by Bariadi District council to collect own source revenues in the district?
- (iii.) What are the challenges of revenue collection in the district?
- (iv.) What should be done to improve revenue collection in local authorities?

1.4 Objective of the Study

1.4.1 General Objective

The general research objective of the study is to investigate the management of revenue collection in Local authorities.

1.4.2 Specific Objectives

The study was guided by the following specific objectives;

- (i.) To identify sources of revenue for Bariadi District Council
- (ii.) To examine the strategies used by Bariadi District council to collect own source revenues in the district.
- (iii.) To assess the challenges of revenue collection exercise in the district.
- (iv.) To determine what can be done to improve revenue collection in local authorities.

1.5 Hypotheses

The study will be guided by the following hypothesis;

H0: BDC has reliable sources of revenues

H1: BDC has no reliable sources of revenues

H0: BDC has strategies for revenue collections

H2: BDC has no strategies for revenue collection

H0: There are challenges for revenue collection at BDC

H3: There are no challenges for revenue collections at BDC

1.6 Justification of the study.

The study adds value and knowledge to the individual as well as to the society in the following significance:-

Firstly, the study will establish the strategies used towards collecting revenue in local authorities.

Secondly, the study helps to know which sources of revenues and strategies uses to collect revenue in local authorities; and which strategy is not doing well.

Thirdly, the study will be used as empirical literature review with scholars interested in this field under study.

Lastly, the study serves as a partial fulfilment of the requirements for the award of a degree of master of Science in Accounting and Finance of Mzumbe University.

1.7 Limitation of the study

The study was conducted at Bariadi District Council; the following are some limitation the research may encounter during the study:

Firstly, it was difficult to access information which was categorized as confidential; especially contract for sources which are outsourced by the council.

Secondly, time and financial constraints hindered the research to intensively conduct this study.

Thirdly, some respondents were not willingly to answer questions from the respondents in respect to the issues relating to the problem of revenue collection in Bariadi District Council.

1.8 Delimitation of the study.

In order to deal with limitation of this study, the research has to overcome these limitations as follows:

Firstly, the researcher used lobbying to get information which were categorized as confidential. Also, the research being employee of BDC made easier for him to get access to some information which was not easily accessible.

Secondly, due to time and financial constraints, the research has to draw a small sample which was managed in respect to resources available.

Thirdly, focus group discussion, observation and interview were used to supplement information which was not obtained using questionnaires.

1.9 Organization of the study.

The research report consists of three chapters followed by the research budget, time frame for the study, references and appendices. The detail of each chapter is given below.

Chapter one presents the introductory part which, among other things, it covers the background of the study, background of the statement of the problem, objectives of the research, research questions, significance of the study, limitations and delimitations. This chapter shows the direction of this study, this is where the problem of this study is analysed and stated.

Chapter two begins with literature to build a foundation to rely upon for this study. This is the part where work and findings of other people regarding the subject matter under this study had been reviewed, conceptual definition of terms and the conceptual framework narrating how the researcher has conceptualized the study. This is where the research gap to fill from this study has been put forward.

Chapter three reports on the methodology of the study and outlines research design and the study area, Study population, sample size and their sampling techniques, Types and sources of data, Data collection methods, and Data analysis methods.

Chapter four presents and discusses the research finding of this study. All variables which were subjected in this study are detailed discussed. The three questions are answered by research findings.

Chapter Five, presents summary, conclusion and policy implication of this study. This part will help Bariadi District Council in capitalize on identified source of revenues and how to improve their strategies towards revenue collection. Also, this study will help decision makers, agents, revenue collectors and other audience which will be interested in this study.

1.10 Summary.

The chapter has covered the general background of the problem, the objectives and importance of the research to be studied. It has briefly explained strategies used towards collecting revenue in local authorities. The next chapter will concentrate on literature review as far as revenue collection in local authorities is concern; the chapter also have discussed the research problem and research questions as well.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The main objective of the chapter is to present a theoretical framework and relevant empirical findings related to the current study. It further expresses the conceptual framework, mathematical equation variables and the relationships between the equation variables.

2.1 Conceptual Definitions

2.1.1 Concept of Revenue

Local Government Authorities have been provided with Local Government Act No. 9 of 1982 which make provision of sources of revenue and the management of funds and resources of Local Government Authorities and for other matters connected or incidental to securing the proper management of finances in the Local Government system. Each Local Authority has got its own sources of revenue within its area of jurisdiction as it has stipulated in each Local Authority By-Laws. Therefore, for the purpose of this study, Revenue means money collected under various Acts, for the purpose of enabling the Government to spend on activities falling under its responsibility.

According to Tax Revenue Appeals Act No.15 of 2000, Revenue means taxes, duties, fees, fines and other monies imposed by or collected under the law or specified provision of the laws set out in the First Schedule to the Tanzania Revenue Authority Act, 1995. Meigs and Meigs (1982) Defined Revenue as price of goods sold and sources. He continues to say that is equal to inflow of cash and receivable in exchange of service rendered or goods delivered during the period.

2.1.2 Public Revenue

The income of the government through all sources is called public revenue. Public revenue has two senses – wider and narrow. In its wider sense it includes all the income or receipts which a public authority may secure during any period of time. In its narrow sense, however it includes only those sources of income of the public authority which ordinarily are known as “revenue sources”. Also, Bukururu (2006), Public revenue includes only those sources of income of the public authority which ordinarily are known as “revenue sources”

2.1.3 Own Source Revenues

Own source indicates a revenue source over which sub national government (Local Government Authorities) has sub control. Economists considers this to mean a tax for which the collection flow to local level and over which the government jurisdiction have control over the marginal tax rate, either through policy discretion or through over its collection (Boex and Vazquez, 2006). Indicates a revenue source over which a sub national government (LGA) has substantive control. Economists consider this to mean a tax for which (a) the collections flow to the local level and (b) over which local government jurisdictions have control over the marginal tax rate, either through policy discretion or through direction over its collection (Warioba, 1999).

2.1.4 Nuisance Tax

A low yielding tax for which the collection costs exceed the revenue yield of a tax. Examples of typical nuisance taxes include taxes of shoe repairs, dry cleaning, and parking (Ibid).

2.1.5 Property Taxes

A type of tax for which the liability of the tax stems from ownership of assets. Usually the taxable assets are limited to “real property” which includes land, buildings, structures, and other improvements that are constructed on or in the land, or placed upon a foundation (Ibid).

2.1.6 Revenue autonomy

The extent of control that sub national governments are able to exercise over the sources of their revenue. Revenue autonomy is determined by the local governments' discretion to determine taxable bases, determine rates, introduce the tax, or any combination of these three (Ibid).

2.1.7 Revenue decentralization

The degree to which control over revenue is decentralized to sub national governments typically measured as the ratio of sub national revenues and total national revenues (Ibid)

2.1.8 Revenue performance

The degrees of effort with which a sub national government pursues revenue collections, given the revenue instruments and tax bases that are available to it. Typically measured as the ratio of collections to the underlying tax base (Ibid).

2.1.9 Cess

An assessment, tax or levy collected by local authorities for local purposes. Also used to refer to a tax levied on a specific object (Ibid)

2.1.10 Levy

The imposition or collection of an assessment. The term levy is frequently used to refer to a tax levied on a specific object, or to a revenue source collected for a specific purpose (Ibid).

2.1.11 Market fees

A type of user fee, typically paid by the seller of goods in order to sell his or her wares at a public market (Ibid).

2.2 Legal position of Local authorities in Tanzania

The United Republic of Tanzania has two-tier system of Government, the Central Government and Local Government. A Local Government system as stipulated in Local Government Act of 1982 means a “District Authority” or an “Urban Authority”. Each Local Authority is required By-Laws to elect representatives to their own local area known as Councillors. The Councillors are the chairpersons of the Ward Executive committee. Therefore it is responsibilities of ward citizens to pay taxes so as to finance various services for their existence.

Local Authorities have a legal obligation in fulfilling their mission to the public (Local Government Act No.8 sec.54A of 1982). The question of collecting revenue from citizens is laid on the hands of Local Authority to make By-Laws that empowers to impose and collect revenue. The effort in revenue collection and realization, gives a high degree of autonomous. If proper administration of revenue is not fully exercised, the Local Authorities may find itself depending transfer from central government and hence more answerability to central government. Therefore Local Authorities should impose strict measures to maximize revenue collection in order be financing strong. The taxes imposed by Local Authorities are stipulated under sect. 6 of the Finance Act. No 9 of 1982.

2.2.1 Functions of Local Government Authorities in Tanzania

According to Local Government Authorities Legislation of 1982, the basic functions of Local Government Authorities are divided into two broad categories, normally permissive and obligatory.

2.2.1.1 Permissive Functions

These are the functions which a council may perform depends on the availability of financial resources. These functions includes

- (i.) The building, Equipment and letting of and dwelling house both in the rural and urban areas.
- (ii.) The establishment, maintenance, operation and control of drainage and sewage works.

- (iii.) Control and prescription of methods of husbandry on agricultural land.
- (iv.) Any other functions and services which may be beneficial to the residents of the respective area of jurisdiction.

2.2.1.2 Obligatory Functions

These are the basic functions which each required by law to discharge some of them are;

- (i.) To maintain and facilitate the maintenance of peace, order and good government within its area of jurisdiction.
- (ii.) To promote social welfare and economic well-being of all person within its area of jurisdiction.
- (iii.) Subject to the National policy and plans of rural and urban development to further the social and economic development of its area of jurisdiction.

2.3 Review of Supporting Theories

2.3.1 An Assessment of the Current Local Government Revenue System

According to Boex, and Vazquez (2006) the following features combine to form a good local revenue instrument. These factors include adequate revenue yield and buoyancy, horizontal equity, adherence to the benefit principle and correspondence, adherence to the ability-to-pay principle, easy administration and compliance, economic efficiency, and political acceptability.

Boex and Vazquez noted that there are three basic shortcomings associated with the current revenue assignment and local taxation in Tanzania. First, there are a number of significant shortcomings in the overall structure of the local government revenue system. Second, there are problems specific to each of the revenue instruments assigned to the local government level. Third, there are a number of problems with the manner in which local taxes are administered in Tanzania.

2.3.2 Systemic Shortcomings of the Local Government Revenues System.

Manor (1999) noted that in 2003 the government made “rationalization” of local government revenues where the Development Levy and several other nuisance taxes were abolished; resulting in a 40 per cent decline in local revenues they further noted that the system of local government revenues continues to be perceived as highly inefficient.

They argued that, the unresolved shortcomings of the system continue to necessitate a significant transformation of the local revenue system, a reform that should take place in the context of the broader local government finance system. This realization was an important impetus in 2004 for the Ministry of Finance and PO-RALG to engage in a comprehensive review of the policy framework underpinning the structure of the financing of local government in Tanzania, including the local revenue structure. This comprehensive review identified a number of systemic shortcomings in the current assignment of revenue sources to the local level in Tanzania.

2.3.3 LGA Are Mostly Assigned Low-Yielding Taxes

Tanzania’s central government has reserved itself the most important and elastic tax bases in the economy, making it much harder for local governments to generate any substantial revenues from their own revenue sources (Boex and Martinez: 2006).

2.3.4 Fragmentation Causes Horizontal Inequity

Boex and Martinez reported that because no single tax assigned to the local government level again and again yields any significant revenues, the local tax system in Tanzania has seen a rise of numerous local taxes. Even though many of these taxes fundamentally tax similar or related activities or tax bases, these instruments are often structured quite differently in terms of their tax bases and tax rates. This type of breakup has led to significant horizontal inequities between local taxpayers. For instance, different businesses often bear quite different effective rates of local taxation. Such horizontal inequities have been used strategically as an argument for the further elimination of local government taxes (2006).

2.3.5 Excessive Focus on Redistributive Impact of Local Revenues

Boex and Martinez continue arguing that one of the purported shortcomings of the system of local taxation in Tanzania is the system is anti-poor and regressive. Although policy makers must not lose sight of vertical equity issues, there are several conceptual errors in the policy discussion of this issue in Tanzania.

First, the most-recent estimates of local tax incidence in Tanzania show that as a whole, local taxes strongly conform to the ability-to-pay principle: before the revenue rationalization of 2003, high income local taxpayers paid six times more in local taxes and fees than low income taxpayers. Although adequate data are not available to make a conclusive determination, it is quite possible that local government revenues in Tanzania are in fact slightly progressive.

Second, there is a wide consensus among public finance experts that for practical and conceptual reasons, the goal of income redistribution, including through the revenue system, should not be left to local governments. Instead, the function of funding redistributive activities should be assigned to the central authorities. As such, the incidence of local taxes should be considered jointly with the rest of the tax system and with the benefits arising from the locally provided public services (Boex and Martinez: 2006).

2.3.6 Administration of Revenue Collection

Revenue collection is the process of maximizing income from different sources as mentioned above in The Local Authority own source of revenue. Fjeldstad (2001) in his study on “Fiscal Decentralization in Tanzania: For better or for worse?” pointed out that, Local government tax collection is the responsibility of the council staff, and is completely separated from the central government. In district councils it is organized around three levels, namely the council headquarters, the wards and the village levels.

At the council headquarters the responsibility for tax collection rests with the council treasury, headed by the District Treasurer (DT). At the ward levels, the responsibility rests with the office of the Ward Executive Officer (WEO). The WEO also handles

developmental issues and law-and-order functions at that level. For this purpose the local militia is at their disposal. In wards with greater revenue potential there will also be a ward revenue collector (WRC) to support the WEO. At the village level, the responsibility rests with the office of the village executive officer (VEO).

The VEO is also responsible for village developmental issues. These officers are nominated to their position by the village governments, but appointed and employed by the council. The system of nomination ensures that the VEOs come from the villages of their domicile. At the sub-village level the politically appointed kitongoji leader is expected to assist in mobilizing taxpayers.

2.3.7 Hard to Administer and Enforce

It is insincere to argue, that local governments in Tanzania should not be provided with any more tax handles until they prove that they are capable of effectively administering the taxes they now have. Such statements ignore the fact that many of the taxes currently assigned to local governments (such as the property tax) are notoriously hard to administer (especially in the context of property rights in Tanzania), and therefore hard to enforce. A sound revenue assignment and well-designed local taxes should take into account the relative ability of local governments to administer local taxes (Max, 1999).

2.3.8 Compliance Costs for Local Taxes Are High

Subjective evidence suggests that compliance costs for local government revenues are quite high, among others due to the fragmentation and lack of uniformity of the local tax system between different local governments. Because the high compliance costs for local taxpayers have a potential negative impact on both local tax compliance as well as local economic growth, the reduction of such compliance costs should weigh heavily in the design of future reforms (Ibid).

2.3.9 The Least Politically Acceptable Revenue Sources

It must also be recognized that local governments have been handed down the task of implementing and enforcing sources of revenue that tend to be particularly unpopular, such as the (now abolished) Development Levy or the current property

tax. Unless local government taxes are specifically designed in such a way that takes into account this political dimension and proactively mitigates their lack of “popularity” as part of their design, it is unlikely that local governments will be able to effectively rely on such unpopular revenue sources (Boex and Vazquez: 2006).

2.4 Local Tax Administration and Efficiency of the Revenue System

According to Boex and Vazquez (2006) two of the main arguments that led to the rationalization and elimination of local government revenues in 2003 were, first, that the inefficiencies inherent in the local government taxes system form an obstacle to local economic growth, and second, that local government revenue administrations are so inefficient that the local tax system results in a suboptimal allocation of public resources at the local level. Indeed, there is a broadly shared assumption that the quality and effectiveness of local tax administration is consistently poor. On this point, critics of fiscal decentralization base their arguments on conceptual conjecture and anecdotal (unreliable) evidence. Unfortunately, little hard (empirical) evidence is available about the efficiency or inefficiency of the local tax system as a whole, and the efficiency or inefficiency of local tax administration in particular. Although there is ample qualitative evidence to suggest that the local tax system is quite likely the weakest dimension in the intergovernmental fiscal system in Tanzania, it would not be prudent to attribute the inefficiency of the system to poor local tax administration at face value (ibid).

Although limited direct evidence is available on the effectiveness of local tax administration, the available research allows us to consider three aspects of local tax administration. First, we can consider the impact of local tax administration on gross local revenue collections; second, we can break down the factors that influence tax administration performance. Third, we should consider the efficiency of the tax administration apparatus and the cost of local tax administration (Boex and Vazquez: 2006).

2.4.1 Local Tax Administration and Gross Local Revenue Collections

The bottom line in assessing the administration of any tax system is whether it is able to collect the expected level of revenues. A common complaint regarding local tax administration is that local governments simply do not collect enough money. Mathematically, the amount of tax revenue collections could be represented by the following equation (ibid).

$$\text{(Gross) tax revenue} = \text{tax rate} \times \text{tax base} \times \text{tax administration performance}$$

Where the tax rate is the statutory local tax rate set by the local government (within the limits defined by the central government); the tax base is the total amount of the economic activity subject to taxation (such as the value of personal income or property); and the tax administration performance ratio is a measure of the effectiveness of the tax administration. Tax administration performance ranges from 0 per cent, at which point gross revenue collections would equal zero, to 100 per cent, at which point the tax administration would collect 100 per cent of the local revenue potential at the given tax rate (ibid).

Low local revenue collections in themselves are not evidence of poor local tax administration. As noted in the previous section, the tax bases available to local governments are notoriously narrow (particularly in rural areas) and fragmented. Likewise, local tax rates are often bounded by central government at low rates; the crop cess (often the main revenue source for rural local governments) is subject to a 5 per cent maximum, while the rate of the Service Levy (the main revenue source for urban local governments) is subject to a 0.3 per cent limit. Thus, we should not expect substantial revenue collections to take place at the local level given the current local revenue structure even if local tax administrations were to achieve 100 per cent performance (ibid).

The Ministry of Finance's Budget Guidelines for 2004/05 to 2006/07 estimate that less than 40 per cent of potential revenues from local government's own revenue sources are actually collected. While the overall state of local revenue administration may be highly unsatisfactory, local tax performance varies significantly from district

to district and between different tax instruments. For instance, revenue administration performance for the property tax is quite low, with performance in the Dar es Salaam Districts ranging from 30 to 50 per cent. In contrast, tax administration performance of the produce cess in the cashew nut sector is substantially higher; tax administrative performance of the produce cess in the cashew nut sector exceeds 90 per cent (ibid).

2.4.2 Determinants of Tax Administration Performance

Boex and Vazquez: 2006 asked one question, what determines the overall tax administration performance at the local level in Tanzania? Prevailing perceptions in policy circles in Tanzania is that limited administrative capacity is the main culprit. However, tax administration performance is in fact a function of a number of factors, which can be expressed by the mathematical equation.

$$\text{Tax administration performance} = \text{tax base coverage} \times \text{collection ratio} \\ \times \text{revenue corruption}$$

where the tax base coverage ratio can be defined as the share of the actual tax base that is subjected to taxation; the collection ratio is computed as the amount of taxes collected expressed as a share of the tax base subjected to taxation; and the revenue corruption ratio is the share of total revenue collections that is actually deposited into local accounts by local tax collectors' rather than siphoned off by corrupt tax collectors.

2.4.3 Tax Base Coverage

According to Boex and Vazquez:2006 the first reason why local tax administrators may collect less than 100 per cent of their revenue potential is that the local tax administration is unable to reach 100 per cent of the total local tax base. Examples of tax bases would be the value of taxable local property (for the property tax), the value of farm produce (for the produce cess), or the number of residents subject to the Development Levy (now abolished). There are two basic causes for the tax base covered by the local tax administration to be less than 100 per cent.

First, the tax administration may simply not have a full list of taxpayers from which it should be collecting local revenues, or might otherwise have difficulties fully assessing the value of the tax base. This is especially a challenge in the case of property taxes, where establishing a complete cadastre of properties and valuation of all properties can be an administratively arduous task. In other instances, the technical process of obtaining information about all taxpayers and their taxable bases is much easier to come by for local government officials; for instance, local authorities should be able to extract all necessary information for the Service Levy from VAT records filed with the district office of the TRA.

A second reason why local tax administrators may not pursue revenue collection for 100 per cent of local tax payers (or 100 per cent of tax base) is that they may be instructed not to do so by the local political leadership. Local political pressure to selectively collect local taxes may be the result of political favoritism or corruption, but could also be an expression of the lack of political will to collect revenues. While the absence of political will to collect revenues is often perceived as a shortcoming, there might be a number of good reasons why local officials, and the constituents they represent, may prefer not to maximize local revenue collections. This is especially true considering the onerous nature of many of the tax sources assigned to the local level and the limited tangible benefits (value for money) that local residents perceive to get from local taxes. As such, low revenue yield or poor revenue performance should not a priori be assumed to be caused by incapable local tax administration.

2.5 A Transformation of Local Government Revenues

According to Boex and Vazquez (2006) the local government revenue system perhaps poses the most significant challenge in the reform of a sound system of local government finance. Unresolved shortcomings of the local government revenue system include major system challenges, such as the excessive fragmentation of the tax system at the local level. In addition to these systemic problems, other shortcomings include the poor design of individual local tax instruments, problems with weak local tax administration, and inadequate central government guidance and

monitoring of local taxation. Despite having the right intentions, the rationalization and harmonization that took place in 2003-2004 failed to resolve any of these problem.

They argue that transformation of local government revenues was not given center-stage during these years as part of the local government finance reforms, perhaps because local revenues contributed only a small part of local government finances. Yet, since significant progress was being made on the reform of the intergovernmental transfer system in 2003-2004 the transformation of the local revenues system became an increasingly higher priority for reform for Tanzania authorities. This coincided with a realization that in order for the different pieces of the local government finance system to be effective, the reform of the intergovernmental transfer system and the and the reform of the local revenue system should take place in the context of the broader local government finance system. As noted earlier, this realization was an important driving force in 2004 for the government of Tanzania to engage in a comprehensive review of its entire framework for financing of local government, resulting in a draft strategic framework on local government finance. This policy review was completed in June 2005 (LGRP/GSU, 2005). At the time of writing, the resulting draft policy Paper on Local Government Finance, which contains a road map for the transformation of the local government revenue system, is under consideration by the Cabinet, and will likely be taken forward after the presidential elections in December 2005 (Boex and Vazquez: 2006).

2.6 Revenue Collection Privatization/ Outsourcing Principles

2.6.1 Outsourcing

Outsourcing is contracting with another company or person to do a particular function. Almost every organization outsources in some way. Typically, the function being outsourced is considered non-core to the business or can be performed more cost-effectively by an external organization or person.

2.6.2 Privatization

Privatisation refers to the transfer of a function, activity or organization from the public to the private sector.” Foster (1980). In practice, the privatization of an organization may involve sale of public assets. Thus the difference between the two is that in the outsourcing, the LGA remains with its core responsibility of ensuring effective delivery of service hence monitoring. In the privatization, the asset/function is wholly sold to the private sector.

Some services, functions or activities that councils previously provided ‘in-house’ have been outsourced and are now provided by bodies external to the council. The main reasons for using this means of service provision are:

Firstly, the services, functions or activities have been considered to be non-core functions and capable of being provided more effectively by external organizations e.g. revenue collection, computer services etc.

Secondly, some services, functions or activities can be provided more cost-effectively by an external provider e.g. revenue collection, recreation centres; road construction and maintenance.

In outsourcing services, functions or activities a council can maintain effective financial management by:

Firstly, Developing a detailed specification of the services, functions and activities to be performed, including a comprehensive estimate of the cost/ revenue of service provision or source of revenue; financial management and reporting provisions;

Secondly, calling tenders, consistent with procurement regulations for the service provision;

Thirdly, selecting an appropriate contractor/ agent to perform the task;

Fourthly, Developing an appropriate, and mutually agreeable, contract which makes provision for the delivery of service including:

- (i.) Regular financial and performance reports
- (ii.) Ownership of information and data about the services performed
- (iii.) Clear milestones for contract payments, linked to the achievement of specified outputs and outcomes
- (iv.) Mechanisms for arbitration to determine contract disputes or terminate the contract;

Fifthly, Ensuring that the specified financial and performance reports are received, along with any other regular information that has been required which will assist in properly managing and planning the service provision; Sixthly, reviewing and monitoring received reports and other information and; Lastly, taking action to maintain effective financial management.

2.6.3 Role of the Council in the Outsourcing Process

When outsourcing revenue collection, it is important to note that, the council remains and thus it is solely responsible with all its functions as specified in the laws and regulations. The council should ensure that:

Firstly, there are adequate books for acknowledging the receipt of funds. The receipt books should be controlled right from the printing up to the issuance to the agents,

Secondly, agents perform the services without breaking laws and regulation of the country. Hence need for training and close monitoring of agents in the way they perform the assigned tasks.

Finally, Fjeldstad et al (2008) notes “... *privatized collection offers no ‘quick-fix’ to increasing LGA’s revenue as well as easing administrative problems with the revenue collection. While collection had increased and became more predictable for some 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 reasonable return to the LGA.*”

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

2.7 Impact of Shortfall in Revenue Collections in Tanzania LGA

The impact of the revenue collections shortfall is that the councils will be unable deliver essential services such as primary education, primary health and water to the public. Also district councils will fail to fulfill their responsibility to the public. In accordance with the Local Government finances Act, the Central Government is required to provide grants to urban and district councils. The system of grants allocation is based on level of development, revenue collection by the local authorities and level of services delivery to the general public.

According to Ojong (2002), there are a lot of benefits people enjoy from the internally generated revenue of the local government. Such of them are, “Provision of clean water for the people in the local government area, Construction of good roads for easy movement of transportation”, “Provision of a well-equipped health center in the community to reduce the death rate of the people”, “Provision of free education in the community to reduce the level of illiteracy in the society”, and “Stability of electricity in the community”

2.7.1 Political influence in Revenue Collection

In many Local Authorities, people tend to evade paying of taxes even though they have got ability to pay. This problem stems from the fact that taxes are generally disliked and councilors who want to be re-elected disassociate themselves from increased taxation. Leaders (politicians) who insist the payment of taxes creates enmity to his/her voters.

Fjeldstad (2003) pointed out that councilors are so reluctant to raise local taxes and charges because they are major local landowners or business people who seek to minimize their personal tax burden. Tax collectors interviewed stated that councilors obstructed tax collection and talked ‘cheap politics’. This apparent conflict between

collectors and politicians is rooted partly in divergent objectives with respect to tax design, and partly in the lack of trust between administrators and politicians at the local level. Therefore the situations like those above; collection of revenue in Tanzania Local Government Authorities becomes difficult.

2.7.2 Factors affecting Revenue collection

However, Max (1991) carried out a study in South Africa to determine the causes of revenue shortfalls and found out that short falls arose from increased abnormal expenditure. The expenditure did not match the actual growth of the revenue trends in real terms. With Manor (1999), it is found that administrative expenditures during budgeting process caused inefficiencies in tax revenue collection. They suggest that clear monitoring procedures were required to determine and measure costs such as salaries and wages of revenue collectors, enumeration and assessment of the tax payer, etc. They therefore established that efficiency in tax collection would be realized if these costs were checked with high level of accuracy. These would enhance smooth running of revenue collection exercise and reduction of tax evasion and avoidance.

Warioba (1999) contends that any tax formula is made up of two elements namely, the object of assessment and function. He points out that the function relates the quantity of revenue to be raised from the individual tax payer to the quantity of assessable object in their hands. That is, the relationship between tax revenue and tax base. He asserted that theoretically, this base can be anything but practically, it is largely some sum of money or income in some cases it is quantity of stuff such as commodities or land. In a nut shell he suggests that tax revenue is a function of tax base.

Musgrave and Musgrave (1983) noted that assessment and collection of taxes require personnel and equipment. Tax revenue collectors ought to be facilitated with equipment that enables them to execute their duties efficiently and effectively.

Personnel ought to be empowered to rightly assess, collect and remit tax revenue to the treasury. Therefore how much is collected in tax revenue will depend on how well equipped the tax personnel is.

Richalds, (1983) argue that the major reason why direct taxes have become more increasingly popular is that they can easily be tailored to fit personal ability to pay. They further argue that justice implies taxing equals equally. Therefore the progressiveness and repressiveness of the tax system has got an important bearing on revenue collection. It therefore suffices to say that if local governments are to circumstances such as the size of the family, income, age and more generally the ability to raise more revenue, they should pursue a progressive tax system.

Bukururu (1999) argue that India experienced a wide range of tax revenue shortfalls due to gaps in income distribution between the poor and the rich under federal system of governance. The rich who formed the largest portion of tax revenue deliberately evaded tax payments. Revenue mobilization was a problem due to the inefficiencies in tax structure.

Fjeldstad (2008) argued that the relationship between the tax payers and tax collectors play an important role in determining the revenue collected. There is need for mutual respect between the tax payers and tax collectors if taxes are to be collected efficiently and effectively. A study was carried out and it was found out that income tax in most developing countries is more dependent on the cooperation between tax payers and tax collectors and that lack of mutual respect between the two may increase non tax compliance and lowering revenue collection. Warioba (1999) singles out heavy reliance of local governments on a few revenue sources as possible cause of low revenue collection. He accordingly recommended diversification of revenue sources in recognition that no particular source of local government revenue could solve her problems on its own. However it is noted that Bariadi District Council despite enormous diversification of revenue sources, still encounters revenue collection shortages, implying that there should be other causes to be explored in this study.

Tanzi (1992), argue that inefficient tax administration has been identified as one of the serious constraint to tax revenue mobilization. He further notes that, inefficient tax administration can result from lack of resources, lack of necessary degree of professionalism and accountability and lack of clear strategy for improving efficiency. He also argues that complex and opaque laws and the political system can lead to inefficient tax administration. This problem could also be responsible for low revenue collection from the non-tax sources. That is why this study was investigating the sources of revenues and bye-laws supporting the collection of revenue in the district.

Semboja and Therkliden (1992) in their study in Tanzania revealed that, local authorities were not able to collect enough revenue to finance the operations and maintenance of the basic service in their localities. Due to these problems, additional funds to support the councils were provided by Central Government.

In their study, they pointed out four major cases of poor revenue collection in Tanzania Local Government Authorities. These comprises of the following:

- (i.) The main basic sources of revenue are based on fixed rate per unit and therefore likely to be inelastic.
- (ii.) The administration of revenue collection has generally been poor.
- (iii.) Certain potential new sources have not yet been exploited.
- (iv.) There has not been sufficient political and administrative support from Central Government, to tax a population accustomed to free public service since 1967.

Ojong, (2002), highlights some factors that inhibit the performance of local government generally. Some of them are such as; Poor financial base and limited revenue, Unqualified, inexperienced and unskilled staff, Corruption and misappropriation of funds, Lack of local plans and weak programming capacity, Limited autonomy, where, although constitutionally recognized, the federal and state governments dominate over the local government through the state government offices of local government affairs, the ministry of local government, and the local government service commission.

2.8 Empirical literature review

Various empirical studies had been carried out in selected Local government in Tanzania. A study made by Odd-Helge Fjeldstad et al (2004) on Local Government Finances and Financial Management was a Formative Process Research project on the Local Government reform in Tanzania, that research made observations from six Councils, 2000-2003. The researched councils were Bagamoyo DC, Bariadi DC, Iringa DC, Kilosa DC, Moshi MC, and Mwanza CC. The study found that fiscal autonomy of district councils was limited both with respect to revenue and expenditures. The four rural councils in their sample generated less than 17% of their total revenue from own sources in 2002. In contrast they found that the two urban councils, Moshi MC and Mwanza CC were less dependent on central government grants than the rural councils. In 2002, Moshi MC generated about 64% of its revenue through own sources and Mwanza CC almost 48%. The study identified two methods of collecting revenues, the use of council staff and outsourcing.

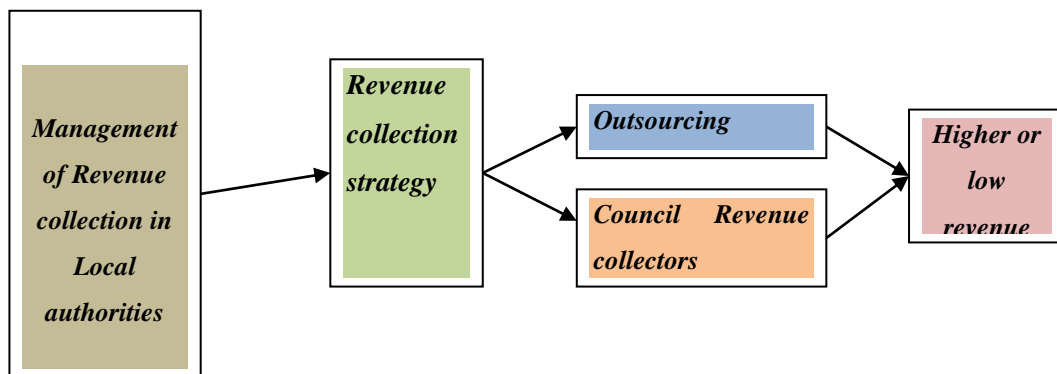
Another research titled 'To Pay or Not to Pay' solicited citizens views on taxation by local authorities in Tanzania, was carried out in 2006 by Odd-Helge Fjeldstad. The same case councils were used as it was in the previous research. The survey data pointed at misuse of tax revenues by council's staff (particularly by tax collectors) and Councillors as the major problem in tax collections in case councils. The research found that people paid taxes because they wanted to avoid disturbances from tax collectors, while at the same time majority of respondents said they would evade taxation if possible.

However, these two studies concentrated on taxpayers' views on tax paying behaviours but did not focus on management of revenue collection in Bariadi District Council. Therefore, this study will concentrate investigating on strategies used by local authorities to manage revenue collection in local authorities with reference to Bariadi District Council.

2.9 Conceptual Framework for studying the problem

The study will concentrate the assessing management of revenue collection in local authorities by looking on two strategies, which is, outsourcing revenue source and collection of revenue by staff from various sources.

Figure 2.1: Revenue Collection Strategies (Conceptual Framework):Problem modeling



Source: The researcher's Modelling 2013

The model shows that, in order to collect enough revenue in local authorities, the council should set strategies for collection; it can be either through outsourcing or through council revenue collectors assigned to collect revenues from different sources. The effective the strategy is applied the more revenue is collected and the vice versa is true.

2.10 Summary.

This chapter have discussed the literature review (both theoretical and empirical), variables and their relationship of this research study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction (Overview)

This chapter discusses the research design, description of the study area, sample size, methods of data collection, and data collection instruments. It further discusses data analysis.

3.1 Research design.

Research design is a master plan specifying the methods and procedures for collecting and analysing the needed information. It is a framework or the blueprint that plans the action for research project. The objectives of the study determined during the early stages of the research are included in the design to ensure that the information collected was appropriate for solving the problem.

3.2 Research strategies.

The research used case study design to focus its study on Management of Revenues Collection in Bariadi District Council, and also Triangulation method was used in order to use various methods to study the subject matter as well as various techniques of collecting data under study.

3.2.1 Case Study Design.

The research used case study design, due to the fact that, case study is a comprehensive description and analysis of a single situation or a number of specific situations i.e. cases. It is an intensive description and analysis of a case. It used both quantitative and qualitative approach to explore the case in as rich a detail as possible. It is more like a clinical analysis in retrospect; starting from the effect and tracing the reasons back in time. The researcher takes the history of the situation and makes use of any other relevant information about the case to identify the factors leading to the present situation.

Also, a case study design is preferred to other study such as survey and experimental due to the fact that, it enables a thorough study of a unit over a range of variables (it is characterized by depth and breadth), it may be conducted in any kind of social setting and is flexible in data collection techniques (May,2001).

However, despite the fact that the case study may be considered empirical yet it lacks rigors in its approach. Therefore it has limitations with respect to the reliability of the findings. Still one may question whether the case is representative of entire population. Hence, generalization of findings using case study design is questionable.

3.2.2 Triangulation method.

The study used Triangulation method, which refers to the combination of different research methodologies and methods within the same research with the assumption that they can complement one another. Therefore, it is the use of more than one research method, where the information is then be brought together; and hence, during study, the in-depth interview and focus information will be able to answer any why questions and validate the information from qualitative and quantitative data.

Triangulation provides confirmation and completeness. It is not simply combining different types of data, but it is an attempt to relate the different types of information so as to leave the validity of each type of information intact; it is an instances in which two or more research methods are employed (Kothari, 2004); and the use of more than one research approach in a single study to gain a broader and more complete understanding of a phenomena (White, 2000). The use of triangulation allows researchers to capture a more complete, holistic and contextual portrayal and reveal the varied dimensions of a given phenomenon, with each source contributing an additional piece to the puzzle. In using triangulation, bias can be minimized and validity enhanced (Ibid). Neither the qualitative nor the quantitative method alone could yield the results of the two combined. The sum of the whole is greater than its parts (synergy).

3.2.3 Study Area.

This research study was conducted at Bariadi District Council, in Bariadi District, in Simiyu region. Various sources of revenues were surveyed in respect to strategies used to collect revenue in Bariadi District. The council was chosen to represent Local authorities in the country. Also, the researcher was familiar with Bariadi District Council; hence, the collection of data was simple and easily accessible. The researcher being employee of BDC made easy for him to access crucial information from finance and other departments which were subjected in this study.

3.3 Survey population.

A population is the theoretically specified aggregation of study elements. It is translating the abstract concept into workable concept. In this study, the population involves revenue council management, politicians, collecting agents, and revenue collectors, and tax payers of Bariadi District council.

Also, target population is the complete group of specific population elements relevant to the research project. In this regards, councillors, MPs, Council management team, revenue collecting agents, revenue collectors, revenue accountants, trade officer, District treasurer and District Executive Director and other decision makers on revenue collection of Bariadi District Council (BDC) were the target population under this study. The researcher visited revenue sources to encounter with revenue collecting agents, tax payers, and staff collecting revenue on behalf of BDC. The population was homogeneous in term of income level, life standards and ability to pay tax within the District; hence it became easier in choosing people to be included in the sample.

3.4 Sampling Design & Procedures.

Non probability sampling techniques were employed, of which purposive sampling method and convenient samplings were used as the basis of selecting the elements to be included in the study. The basic idea of sampling is that, by selecting some of the elements in population, it can be used to draw conclusions and generalization about the entire population. A population element is the subject on which the measurement

is being taken. It is the unit of analysis. In respect to this study the sample size comprised 100 respondents, these respondents were drawn from Decision makers in BDC, Revenue collectors, and revenue collecting agents, and some potential taxpayers.

3.5 Methods of Data Collection.

The study based on collecting both primary and secondary data. Documentary sources such as relevant books, journals, articles, official publications, newspaper clippings, reports and seminar papers were utilized to present the facts and to substantiate the arguments in order to secure secondary data. In respect to primary data, interviews, questionnaires, photographs, and observation, were used to collect data.

3.5.1 Interview.

This is a popular data collection tool in social science research. In this research, two interview schedules were used. One was designed for the local government officials dealing with revenue matters and one was used for the revenue collecting agents. The focused interview was used as the researcher was having aim in mind when conducting the interview, but those who were interviewed were free to talk whatever about the topic. The research visited different revenues sources to meet with revenue collectors and agents for revenue collection in the district. In the entire process, the research maintained mutual relationship with respondents.

3.5.2 Focus Group Discussion (FGD) in Research.

Additional primary data were collected through informal discussions and round table meetings with revenue collecting agents, local government officials dealing with revenue collection, and other key informants who were found in revenue sources. In this research, focus group discussions (FGD) was more formal way of getting groups of people to discuss on selected issues in respect to revenue collection. The researcher used a focus group discussion of 4-10 persons guided by a facilitator. This method encouraged people to discuss issues together in order to see how management of revenue is done at BDC.

3.5.3 Questionnaires Administration.

Research projects always do obtain information using questionnaires, where the reasons being that, questionnaires are flexible, easy to apply, relatively inexpensive (usually) and can be far reaching. Therefore, questionnaires were administered to revenue collecting agents who are included in the sample, questionnaires included both open and closed ended questions in order to expand and enrich the quality and reliability of the information obtained from the respondents. The questionnaires were distributed to management, revenue collectors and agents for revenue collection in the district.

3.5.4 Documentary Review.

In this tool of data collection, information in respect to certain subject were obtained from various available documents; however it was difficult to secure information to the documents which were categorized as confidential or top secret, as permission to access them may was restricted. The purpose of the documentary review was to collect published data and information on the subject as a basis for further verification. In order to complement the documentation identified, the Consultants also collected relevant information from the internet.

Also, the major advantage of documentary sources was in the consistence in referencing them whenever the need arises during or after the research has been conducted. But also the source provides background information for understanding any phenomenon in question.

3.6 Data Analysis Methods

The qualitative data were collected using interview, informal discussion and round table meeting with revenue collectors and agents; these data were thoroughly examined and coded by the researcher; these data were analysed using descriptive and statistical analysis. Data analysis is an important step towards finding a problem under study. According to Kombo and Tromp (2009) data analysis refers to examining what has been collected in a survey or experiment and making deduction and interferences. It involves uncovering underlying structures, extracting important

variables, detecting any anomalies and testing any underlying assumptions. In this case data analysis was conducted using both qualitative and quantitative methods. Quantitative data was analyzed using simple descriptive statistics (spreadsheet data analysis was used too) in terms of percentages and frequencies. Qualitative data analysis was analyzed by matching of information, explanation building and comparison to establish reasons on what has been observed at the case. Data were presented using summary table, figures and graphs. Data were further synthesized in order to discover what is important and what has been learned so as to decide what to tell others. This was performed through the following activities:

3.6.1 Editing

The raw data collected were examined to detect errors and omissions and to correct them wherever possible. It involved a careful scrutiny of the completed questionnaires and schedules. The missed data were again recollected to bring in the information which was sought to be missing.

3.6.2 Coding

Processes of assigning numerals or other symbols to answers so that responses can be put into a limited number of categories or classes were done. The classes were appropriated to the research problem under study. Coding was necessary for efficient analysis and through it several replies were reduced to a small number of classes which contained the critical information required for analysis.

3.6.3 Classification

The huge mass of raw data collected was reduced into homogenous groups so as to bring about meaningful relationships. Data were then arranged in groups or classes on the basis of their common characteristics. Classification was made on basis of data attributes or class intervals.

3.6.4 Tabulation.

After assembling a mass of data, the researcher then tabulated the data in order to give them some kind of concise and logical order. It was the process of summarizing raw data and displaying them in a compact form (statistical tables) for further analysis. Data comparison was done to identify similar data. This was expected to reduce data into manageable and analytical packages which was used for analysing and drawing conclusion as well as putting forward the recommendations for immediate action and further research.

3.7 Reliability and validity

3.7.1 Reliability

The analysis process involved various instruments of measurement such as Ratio scale, Nominal Scale, Ordinal Scale and Interval Scale. The reliability of the findings was tested by finding out whether there was consistence in the results by instruments of measurement.

3.7.2 Validity

Validity was done in three ways: - content validity which looked at the extent to which a measurement instrument provided adequate coverage of the topic under study, criterion related validity which relates to researcher's ability to predict some outcome or estimates the existence of some current conditions and construct validity which deals with the degree to which a measure confirms to predicted relations with other theoretical propositions.

3.8 Summary

The chapter discussed research strategies, sampling and sampling techniques, data collection methods and how data were analysed. The next chapter will present research findings and discussion of this study.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF RESEARCH FINDINGS

4.0 Introduction

In this study, the researcher tried to assess management of revenue collection in local Government Authorities taking Bariadi District Council as case study. Chapter four presents analyses and discusses the data obtained from the empirical study. It describes demographic features of the study areas in terms of gender, age, occupation of respondents.

4.1 General Information (Bariadi District Council).

4.1.1 Location

Bariadi District is one among five Districts of Simiyu Region. The District is located in between Latitudes 2015' and 3010' South of the Equator and Longitude 33040' to 350 10' East of Green which.

The District is bordered by Kwimba, Busega and Magu Districts (Mwanza Region) on the West, Bunda and Serengeti Districts (Mara Region) on the North, Ngorongoro District (Arusha Region) on the East, Maswa, Hilima and Meatu Districts (Shinyanga Region) on the South.

4.1.2 Land Area

The District covers a total area of 8,615.62' Sq. kms (861,562 ha) of which 3,761.62 Sq kms (376,162 ha) is covered with an arable land suitable for agriculture and livestock keeping, 790 Sq kms (7,900 ha) is covered by the Maswa Game reserve and 395.0 Sq. kms (3,950.0 ha) is covered by the Serengeti National Park. The remaining area of 114 Sq. kms (11,400ha) is covered by water bodies, forest and hilly area.

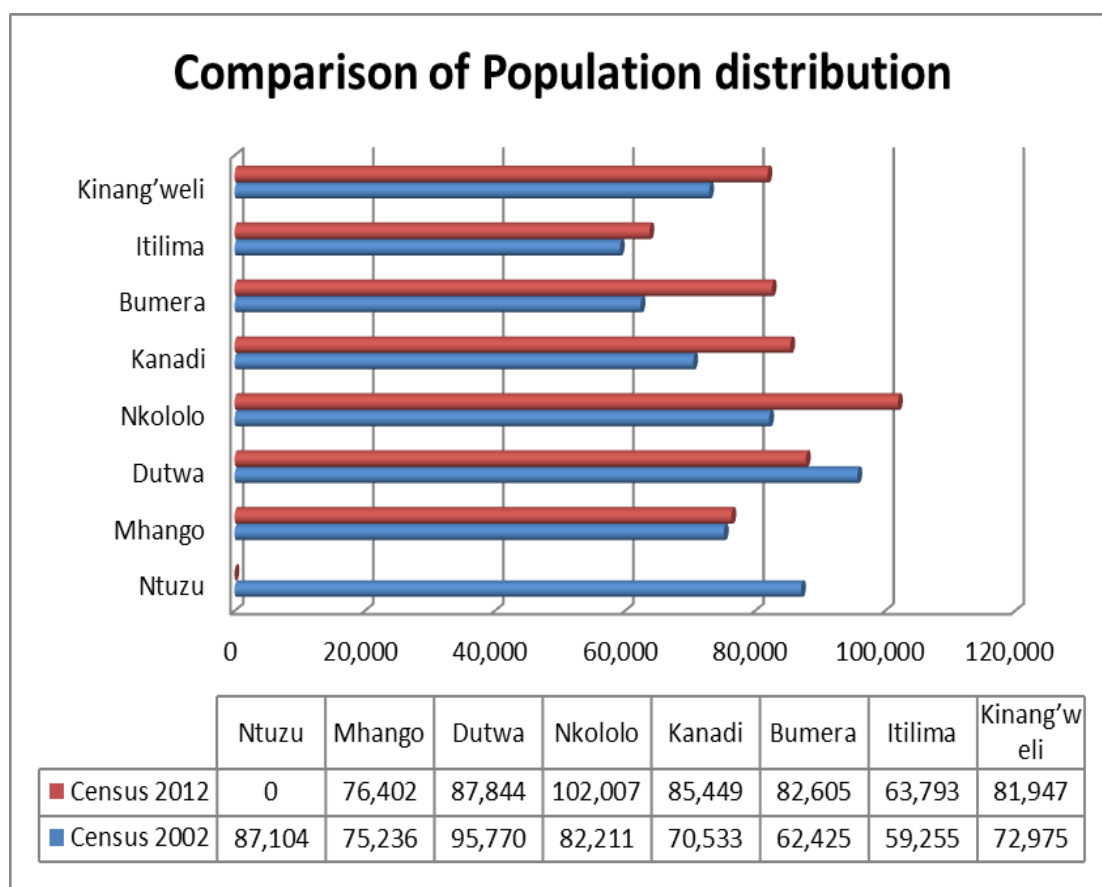
4.1.3 Administration Units

Administratively, Bariadi District is divided into 8 divisions namely: Ntuzu, Dutwa, Mihango, Nkololo, Kanadi, Bumera, Kinang’weli and Itilima. The eight (8) Divisions are subdivided into 32 wards and these wards are further subdivided into 172 villages and 1,089 hamlets. This was before Bariadi District was divided into two Districts namely Bariadi District Council and Itilima District Council.

4.1.4 Population Distribution

The population distribution patterns as shown in table 1 are greatly influenced by soil fertility, conducive climate conditions, and trade activities particularly in the township and trade centres.

Figure 4.1: Population Distribution trend by Division in 2002 and 2012



Source: Council Profile, BDC 2012

4.2 Structure of own-source revenue in BDC

4.2.1 Legal Framework in Place at KUMC

The revenue collection and administration at BDC is guided by laws, council bye-laws and regulations relating to revenues and financial management. These laws are:

- (i.) The Local Government Finance Act No.9 of 1982
- (ii.) The Public Procurement Act No. 21 of 2004
- (iii.) The Local Authority Financial Memorandum (2009)
- (iv.) The Local Government Procurement Regulations (2007)
- (v.) The BDC By-Laws of 2010.

4.3 Sources of revenue for Bariadi District Council

Until 2003, Bariadi District Council used to levy a large number of taxes, licenses, fees and user charges as allowed by the Local Government Finance Act (1982). The abundant economic resources in the district, provides the district with a wide tax base. Despite the large number of revenue sources, the main sources of tax revenue are natural resources especially from forestry and agricultural products e.g. Cotton, maize, rice, banana, groundnuts and other crops.

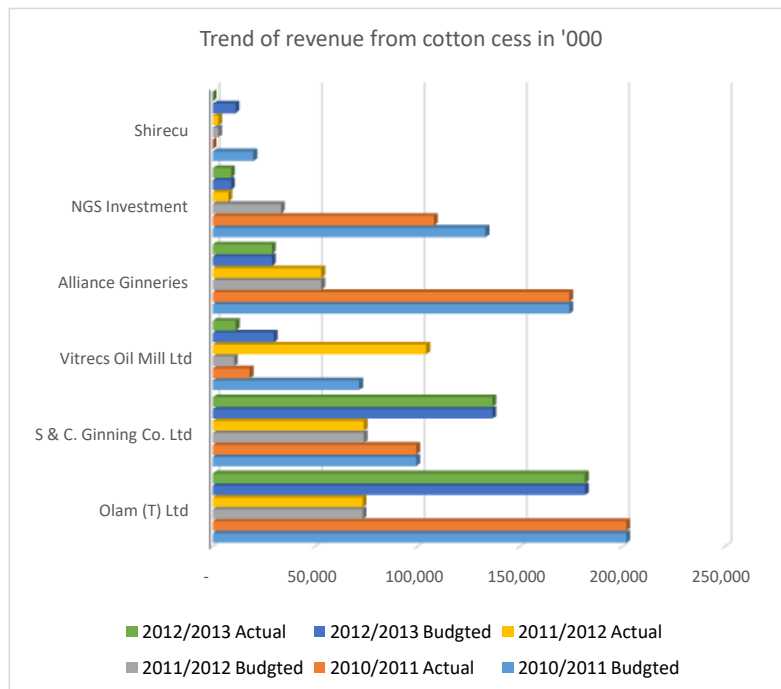
Following the tax and revenue reforms of 2003 and 2004, in which the Central Government listed sources of local government's own revenue, BDC remained with fewer revenue sources i.e. about 12 different types of sources. Some of the key sources are crops cess (food crops cess) cotton (cash crops), forestry products cess, licences; fees (especially market and auction mart fee). In general terms, the contribution of local sources in respect of financing total expenditure of the council has also been declining, though expected to increase in financial year 2013/2014 due to reintroduction of licence fees and refund of abolished sources from central government.

4.3.1 Cotton cess

Cotton is the major cash crop in the district contributing large amount of cash in internal revenue. Many companies which are operating in the district do pays their

dues in the right time. The big contributor from this source are Olam (T) Limited which paid Tshs 201,820,000 in year 2010/2011, Tshs 73,225,000 in year 2011/2012 and year 2012/2013 the company paid Tshs 181,640,000 as cotton cess. On the other hand, S&C. Ginning Co. Limited paid Tshs. 99,303,000 in year 2010/2011; Tshs 73,751,000 in year 2011/2012; and paid Tshs 136,503,000 for year 2012/2013. Moreover, Alliance Gineries Ltd paid Tshs 174,049,000 in year 2010/2011; paid Tshs 52,932,000 in year 2011/2012 and paid Tshs 28,824,000 in year 2012/2013. However, Shinyanga Region Cooperative Union (Shirecu) in among the poor contributor to the council as for instance in year 2010/2011 it was expected the union will pay Tshs 19,817,000 but it did not operate in the district, and hence no revenue was collected from this union; and in the year 2011/2012 the cooperative union paid Tshs 2,750,000 and year 2012/2013 no revenue was collected from this source despite the planned collection of Tshs 11,080,000 from this source. The figure 4.2 below indicates this trend graphically.

Figure 4.2: Trend of Revenue Collection from Cotton Cess



Source: Field data, 2013

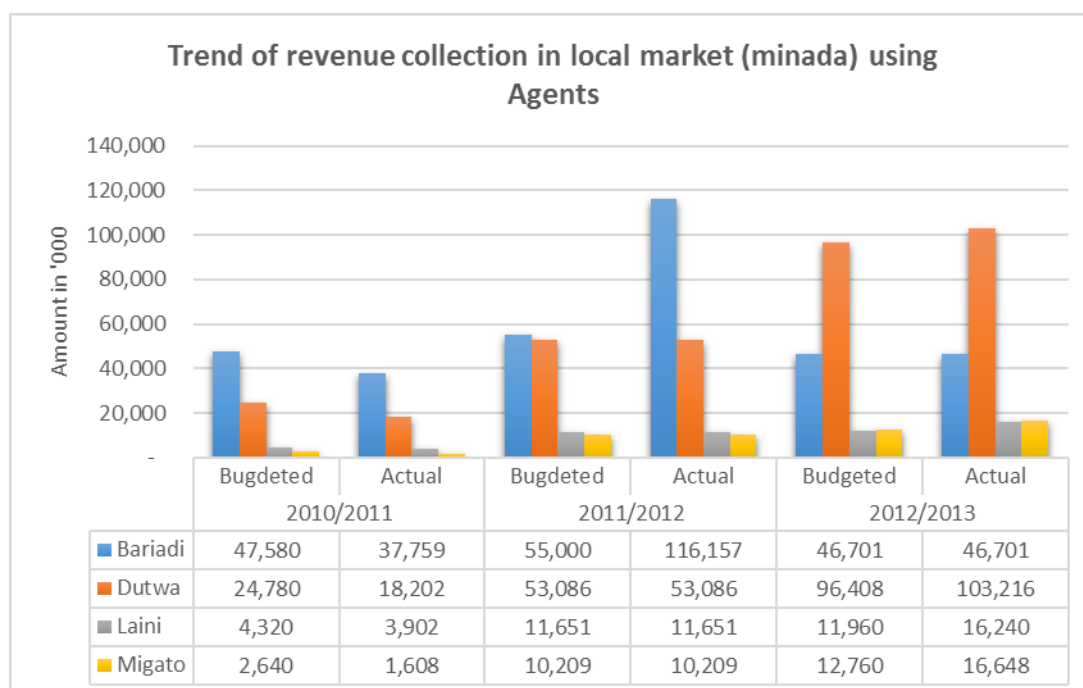
The findings indicate that, this is potential source for the council revenue; good strategies should be designed to make sure all planned revenues are effectively collected from this source.

4.3.2 Local Market (Minada) fees

This is another source of revenue in the district. The council has different Local markets (Minada) in the district; however, the prominent ones are Bariadi, Dutwa, Laini and Migato respectively. For instance, revenue collected from Bariadi local market for three years consecutively using agents are Tshs 37,759,000 for year 2010/2011, Tshs 116,701,000 in year 2011/2012 and Tshs 46,701,000 for year 2012/2013 respectively. On the other hand, Dutwa market collected Tshs 18,202,000

for year 2010/2011, Tshs 53,086,000 and Tshs 103,216,000 using agents for revenue collection. This is very potential source of revenue to the council; the council need more effort to maintain this source of revenue. The figure below indicates this trend of revenue graphically.

Figure 4.3: Local Market (Minada) Fees



Source: Field Data, 2013

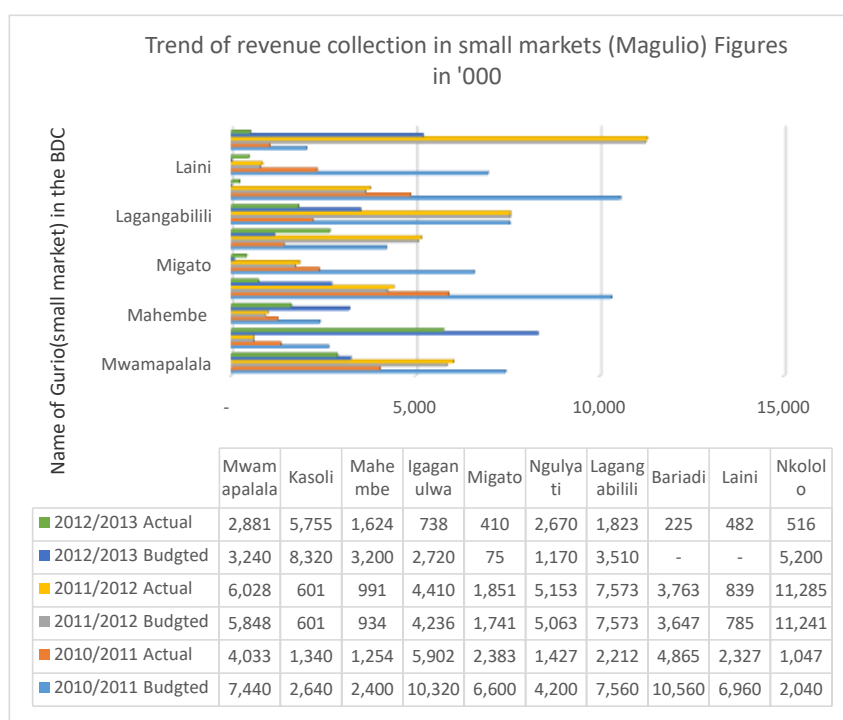
The above findings indicate that, Bariadi and Dutwa are doing better than Laini and Migato Local markets, also effective feasibility study is need in order to have realistic projection from this source. The recommended strategy of outsourcing this source should continue with realistic projection for the revenue to be collected.

4.3.3 Small Market (magulio) fees

This source of revenue is collected using council staff and it is not outsourced to private agents like local markets (Minada). Some magulio in the district include Nkololo, Laini, Bariadi, Lagangabilili, Ngulyati, Migato, Mahembe, Kasoli and Mwamapalala respectively.

Three sources are doing well compared to other sources as indicated in the figure 4.3 below; these include Mwamapalala, Kasoli and Ngulyati. For instance, Mwamapalala collected Tshs 4,033,000 in year 2010/2011; Tshs 6,028,000 in year 2011/2012 and Tshs 2,881,000 in year 2012/2013. On the other hand, Ngulyati collected Tshs 1,427,000 in the year 2010/2011; Tshs 5,153,000 in the year 2011/2012 and Tshs 2,670,000 in the year 2012/2013.

Figure 4.4: Trend of Revenue Collection in Small Markets (Magulio)



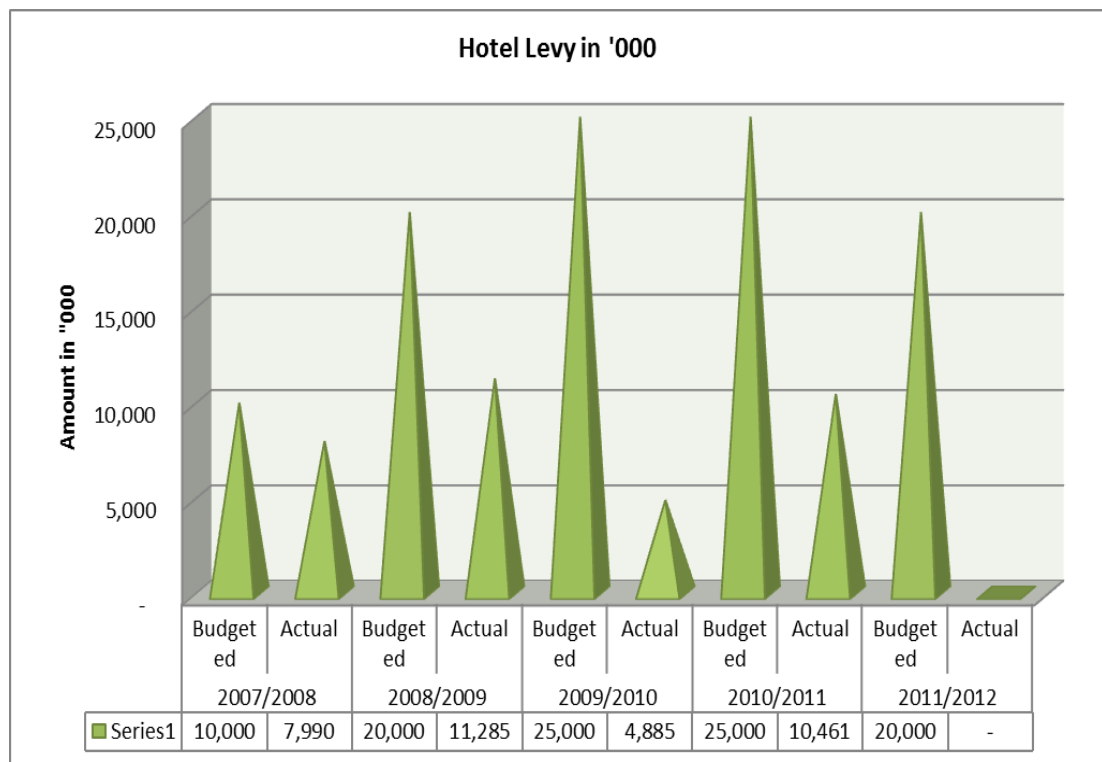
Source: Field data, 2013

The findings indicate that, the trend is not bad, only strategy should be changed in order to collect more revenue from this source. It is recommended that, this source should be outsourced after a though feasibility study to establish the amount of revenue to be collected from this source.

4.3.4 Hotel levy

This source is not doing well, as for the financial year 2007/2008 the council collected only 80% of the planned budget of 10,000,000; in the year 2008/2009 the council collected Tshs 11,285,000 which is 56% of the estimated budget of Tshs 20,000,000 and financial year 2009/2010, the council collected Tshs 4,885,000 which is 20% of the estimated budget of Tshs 25,000,000; in the year 2010/2011 the council collected only 42% of the planned collection of Tshs 25,000,000; and the following year 2011/2012, the council did not collect any amount from this source. And in the financial year 2012/2013 the council is expecting less from this source as to the large extent the Bariadi Town Council will exhaust this source

Figure 4.5: Hotel Levy



Source: Field Data, 2013.

4.3.5 Other sources

This source also is not stable in its collection in the trend of three to five years subjected for this study. It may be the planning is not realistic for this source. In the year 2010/2011 the council collected Tshs 20,202,769 which is 404% of the planned

collection of Tshs 5,000,000; in the consecutive year 2011/2012 the council collected Tshs 34,312,014.00 which is 154% of the planned collection of Tshs 22,280,349 respectively.

The findings revealed that, there is need for the council to conduct a realistic feasibility study in this source before outsourcing to private agents. Also, the council need to strengthen the revenue team on making follow-up of these sources so as the council can attain the estimated budget, and should have a realistic budget for this source.

4.4 Revenue Collecting Strategies in Bariadi District Council

4.4.1 Collecting using Agents

Bariadi District Council does use Agents in collecting revenue. The revenue collected in each source is fixed for every financial year. This strategy is doing well in sources which have been outsourced like cotton cess and Local market (Minada) in the district. Despite doing well, this strategy has different challenges including failure of collecting agents to honour their contracts and hence fail to remit the revenue collected as per contract, for instance as at June 30th. 2013, the council had an outstanding revenue not collected amounting to Tshs 29,497,700 from different agents. This situation has forced the council to open cases in the court of law. See

Table 4.1: Outstanding revenue from various collecting Agents Shs. 29,497,700 as at June, 30th 2013

S/N	Name of Agent	Contract No.	Amount due(Shs)	Amount paid	O/S Balance	Remarks
1	M/S Nyaki Investment	BCD/AD2008 /09/49A	1,040,000		1,040,000	
2	M/S Hamad Marwa Ramadhan	BCD/AD2008 /09/41	1,080,000		1,080,000	
2	M/S Hamad Marwa Ramadhan	BCD/AD2008 /09/45	650,000		650,000	
2	M/S Mashaka Kapongo	BCD/AD2008 /09/47	1,512,500		1,512,500	
3	M/S Jackson Mabura	BCD/AD2008 /09/40	405,000		405,000	
6	M/S Budodi General Supplies	BCD/AD2008 /09/40	660,000		660,000	
7	M/S Bahati Shilikale	BCD/AD2008 /09/40	1,000,000		1,000,000	Mgt has opened case no.46/2012
8	M/S Bahati Shilikale	BCD/AD2008 /09/40	2,072,000		2,072,000	Mgt has opened case no.46/2012
9	M/S Bahati Shilikale	BCD/AD2008 /09/40	1,320,000		1,320,000	Mgt has opened case no.46/2012
10	M/S Bahati Shilikale	BCD/AD2008 /09/40	1,674,200		1,674,200	Mgt has opened case no.46/2012
11	M/s Malongo Lukago	BCD/AD2008 /09/47/A	12,600,000		12,600,000	Mgt has opened case no.28/2012
12	M/S Bahati Shilikale	BCD/AD2008 /09/40	2,160,000		2,160,000	
13	M/S Hamad Marwa Ramadhan	BCD/AD2008 /09/49B	1,200,000		1,200,000	
14	M/S Kenyata John	BCD/AD2008 /09/49	2,124,000		2,124,000	

Source: Council Financial Report, 2013

The above table indicates that, M/S Bahati Shilikale has been taken to court for failure to remit Tshs 6,066,200 to the council; while M/s Malongo Lukago was also taken to court with case no. 28/2012 after failed to pay Tshs 12,600,000 as per contract.

The findings suggest that, the council should conduct assessment on the capability of applicants as agents for revenue collection; and those taken to the court should be blacklisted as collecting agents in the district and entire region.

4.4.2 Revenue Collection by Revenue Collectors

Revenue collecting using council revenue collectors (council staff) is one of the strategies used by Bariadi District Council. The strategy is used in some sources which are not run by collecting agents. Council staff is collecting revenues in small markets (magulio) in the district.

According to the council revenue accountant, this strategy is not doing well compared to outsourcing sources of revenues. The reasons put forward to this weakness of this strategy is that, council staff are not committed as revenue collecting agents; and sometimes, council staff do collect revenue without issuing council receipts; and sometimes they do collude with tax payers for paying less without being given receipt. Therefore, fraud and corruption is the major problem in using this strategy; and it is advised that, this strategy is just a burden to the council; all sources need to be outsourced in order to have constant flow of fund on monthly or weekly basis.

4.5 The challenges of revenue collection exercise in the district.

In order to have better control of revenue collection, the Government of Tanzania initiated and has implemented a number of local government reforms. These reforms, to a great extent, aimed at increasing the resources available to local government authorities and improving the management of those resources. But of even greater significance is the need to improve on the collection of revenue from the existing sources of local government authorities. Relatively a bit

of effort has been directed at imparting improved procedures for collection of revenue from councils' own sources to council's staff.

Despite certain positive developments on the part of the Central Government, LGAs in the country still face a number of setbacks. One such major administrative challenge is the inability to collect fully the revenue due to them. The huge gaps between reported and projected revenues in the BDC revenue data is an indication of inability to collect and this is due to:

Firstly, weak administrative capacity to assess taxes and levies and then to enforce revenue laws and by-laws; the fluctuation of cotton cess is one of good example of poor projected revenue.

Secondly, taxpayer resistance and low tax morale on the part of the citizens;

Thirdly, corruption, including embezzlement of revenues; the case of revenue collectors at BDC is one point to note.

Fourthly, external pressure on the local finance department to provide optimistic projections; and

Fifthly, Political pressure on the revenue collectors to relax on revenue collection. This situation has caused interference to revenue staff and agents and hence failure to meet projected revenues.

In specific terms revenue flow for BDC is limited by the following factors:

Firstly, Cotton fee is collected at a rate of 5 per cent of the indicative prices instead of the market price;

Secondly, there are few sources of revenue, for example there are few guest houses in the area and the compliance level by guest house operators is very low.

Thirdly, BDC collects revenue from various sources, but the collection is not backed by up to-date legal instruments. For example there By-Law used does not reflect the current situation as were formulated ten years back.

Fourthly, Lack of records and information on all businesses conducted in the district and their respective taxes.

Lack of up to-date By-Laws denies the Council more opportunities to collect revenue from a number of sources. For example livestock products are not captured as revenue sources which can contribute, albeit in a small way, to the Council's budget. Businesses such as animal slaughtering, meet shop, sell of live animals, milk and other fees related to animal management form revenue sources to the council but are not considered because there is no specific legal backing.

4.5.1 Challenges to council revenue collectors

The findings indicate that, revenue collectors face various challenges in collecting revenue in Bariadi District. 80% of respondents revealed that, revenue collectors face lot of challenges; while 20% of respondents argue that, there are challenges for revenue collectors. Some of the cited challenges include political interference in the district, where political leaders such as councillors, member of parliaments, and political leaders in most case do discourage people to pay fee due to their various reasons. In this study, it is advised to create awareness to all stakeholders on the need to pay fees, user charges and other taxes in the district which are legally recognized.

Figure 4.6: Challenges in Collecting Revenue



Source: Field Data, 2013

The study suggests that, if awareness on the need to pay taxes is created among the stakeholders in BDC, the challenges for revenue collectors will be reduced. Also, the council should provide social service to reflect the tax paid by taxpayers. One of the respondent argued that, we are willing to pay more tax so long as we can the use tax we pay to the council.

Also, the findings shown that, the strategy challenged under the following grounds, Firstly, the findings indicate that, there some council staff who corrode with tax payers to minimize the tax intentionally after being bribed with business people. Secondly, due to political influence, the tax base is relaxed by many exemptions, and hence more revenue is lost.

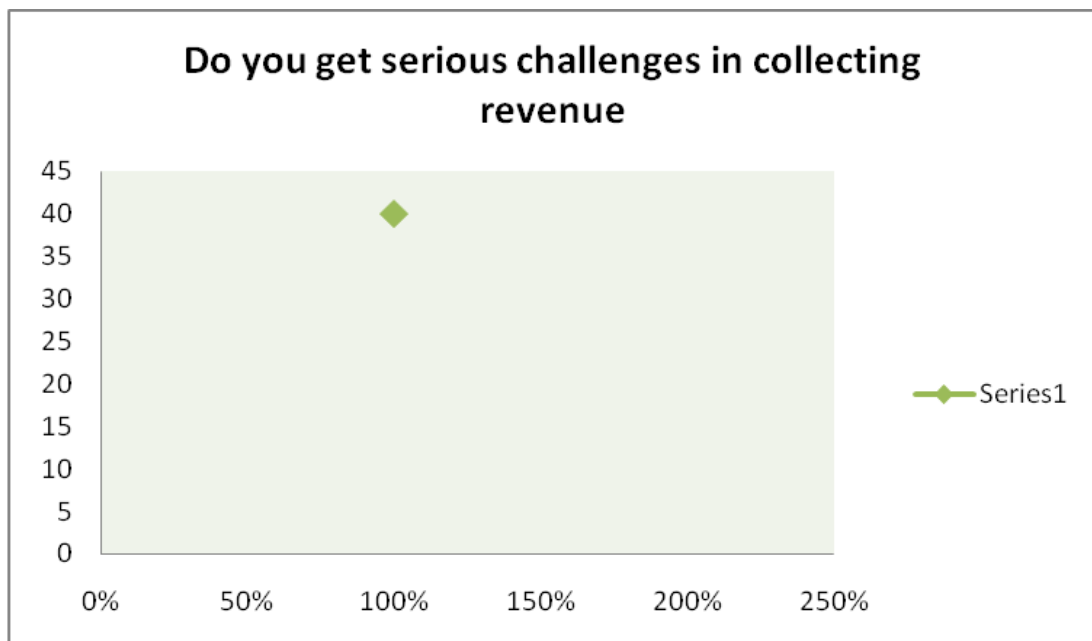
Also, lacks of reliable facilitation demotivate revenue collectors. Things like transport if is not provided by the council, and hence it becomes difficult for revenue collectors to collect revenue within the District; as some of the sources are very far from the council headquarter.

4.5.2 Challenges to revenue collecting Agents

In respect to whether revenue collecting agents face challenges in collecting revenue in Bariadi District Council, 100% of respondents argued that, there are lot of challenges they face in the process of collecting revenue from various sources which are outsourced by the council. The figure 4.6 below indicates this information graphically. Some of the challenges cited, include taxpayers not willing to pay revenue to the council, interference from the councillors, and other political leaders, unrealistic projection of revenue from the different sources.

In order to make effective and efficient use of this strategy, the council need to create awareness on the need to pay tax, formulate current by-laws which reflect the current situation in the district; and review all by-laws which are out of date.

Figure 4.7: Challenges in Collecting Revenue



Source: Field Data, 2013

The findings suggest that, if by-laws are review to reflect the current market condition and value for money, the council will be in position to collect more revenues using this strategy which even now has proven to be effective in some cases where it is effectively implimented.

Further, in respect to this study, Agents are challenged for being inefficient in collection of revenue since they use unprofessional person in order to maximize their profits. Some time they destroy the established tax system of the council by taxing less to established tax. Also, some of the respondents argued that, the contract takes entire year even if the business environments changes and more revenue are collected, only agents benefits to the expense of the council.

4.6 How to improve revenue collection in local authorities

The fundamental requirement when redesigning local revenue systems is greater emphasis on the cost-effectiveness of revenue collection, taking into account not only the direct costs of revenue administration, but also the overall costs to the economy, including the compliance costs to taxpayers. In addition, losses through corruption and evasion need to be reduced. Clearly, improved revenue administration cannot compensate for bad revenue design.

Thus, reforming the revenue structure should precede the reform of revenue administration since there is not much merit in making a bad revenue system work somewhat better. Corruption, however, was perceived by citizens to be a major problem in both surveys, with implications for their trust in government and government officials and, thus, their willingness to pay taxes and fees. There was also an increasing demand by citizens for more information on revenues collected and how the revenues are spent.

Moreover, many types of council have started to explore methods to reduce the financial gap caused by the rationalization by:

Firstly, outsourcing revenue collection to private collectors to increase revenues from existing sources;

Secondly, reducing costs (for example, by limiting the number of meetings and workshops and by retrenching surplus staff); and

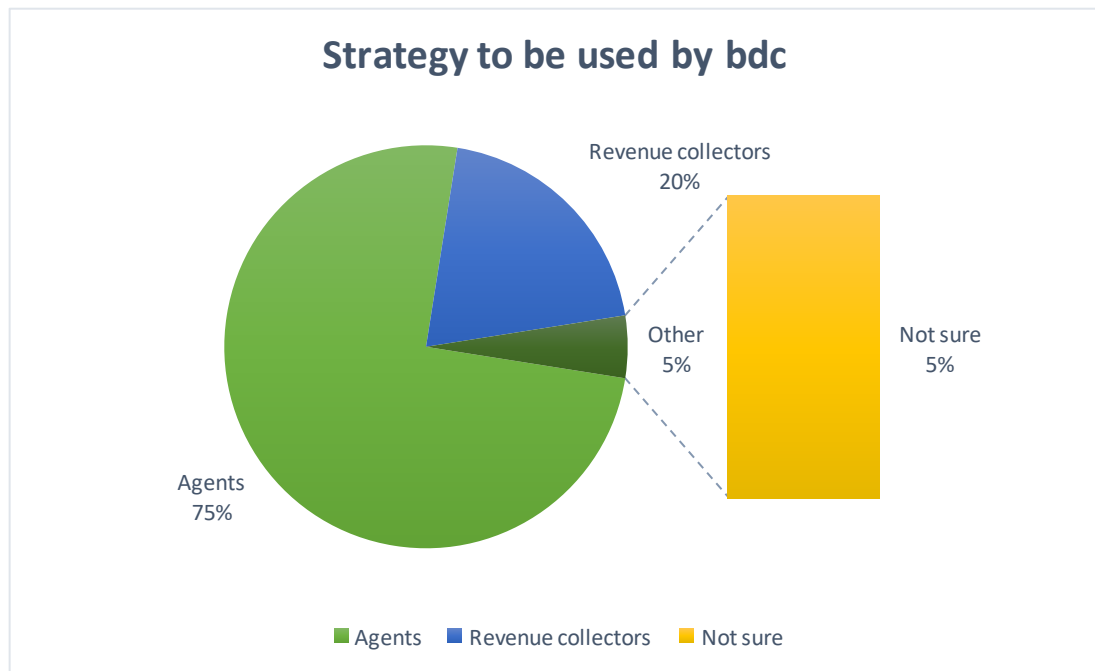
Thirdly, imposing more cost-effective spending (for example, on electricity and stationery).

Fourthly, current attempts for economic diversification may also help to expand the local revenue base in the longer term. Furthermore, co-production of services by councils and local communities is on the rise. For instance, an increasing number of primary schools are maintained and expanded via self-help schemes combined with technical support from the local government authorities (Fjeldstad et al, 2004).

In respect to which strategy can be used to improve the collection of revenues in local authorities between outsourcing and collecting using revenue collectors, the findings revealed that, outsourcing is successfully being used in Bariadi District Council. This was supported by 75% of respondents who were interviewed in this study argued that, revenue collection using agents is the best strategy, while 20% of respondents' favoured council revenue collectors, while 5% of respondents were not certain as to which strategy is the best.

The findings suggest that, Bariadi District Council is advised to outsource all sources of revenues if it wants to collect enough revenues to finance development projects in the district. The figure 4.7 below indicates this information graphically.

Figure 4.8: Successful Strategy



Source: Field Data 2013

4.6.1 Fees and charges

As already indicated LGA's have the mandate to raise certain revenues from taxes, levies and fees. They are therefore allowed to set their own revenue policy within the limits set by Central Government. It is recommended that BDC re-enacts the Bariadi District Council (Fees and Charges) By-laws, 1990 afresh and consider introducing many of the following types of fees and charges:

Firstly, the council should introduce Business and Professional Licences; which among others, include, Intoxicating liquor license fee; Private health facility license fee; Motor cycle license fee; Plying permit fees; and Other business licenses fees

Secondly, other Taxes on the Use of Goods, Permission to Use Goods, which include Forest produce license fees; Building materials extraction license fee; Hunting licenses fees; Muzzle loading guns license fees; and Scaffolding / Hoarding permit fees.

Thirdly, the council may also introduce Administrative Fees and Charges which among others, include Market stalls / slabs dues; Auction mart fees; Meat inspection charges; Land survey service fee; Building permit fee; Permit fees for billboards, posters or hoarding; Abattoir slaughter service fee; Artificial insemination service fee; Livestock dipping service fee; Health facility user charges; Clean water service fee; Building valuation service fee; Central bus stand fees; Sale of seedlings; Insurance commission service fee.

Fourthly, the council may introduce Fines, Penalties and Forfeitures, such as Stray animal's penalty; Share of fines imposed by Magistrates Court; and other fines and penalties

4.6.2 Streamlining revenue administration

The study further found that, whereas it is necessary to enact effective revenue raising legislation, this is far from sufficient. It is equally important to establish an effective and efficient revenue administration system that will be responsible for enforcement of all revenue by-laws as well as accounting for the revenue collected. It would appear logical to centralize this function in the Finance Department under the District Treasurer. Given the currently existing extensive network of VEOs and WEOs, administering the enhanced BDC own-source revenue system should add little, if any, additional costs to the Council.

4.6.3 Computerization of revenue management

Moreover, the study found that, in order to enhance efficiency and minimize human error and corruption opportunities, a simple computerized revenue management system would be feasible. Such a system should be able to automate the key tax administration functions of registration, assessment, collection and accounting for the revenue collected. The Institute of Tax Administration has designed a similar system at affordable costs to manage local revenue collection in three states of the newly established Republic of South Sudan. The system is known as Simplified Computerized Tax Administration System, in short SICTAS.

The Bariadi District Council may think of coming with such system in order to improve management of its revenue sources in the district.

4.6.4 Outsourcing revenue collection

Furthermore, the study found that, outsourcing revenue collection by LGA's is not an alien phenomenon in Tanzania. Several LGA's have at times outsourced administration of certain revenue sources including property rate (flat), market fees, forestry levies, livestock auction and abattoir fees, bus stand fees and parking fees. The outsourcing has been to a range of agents including market associations, cooperatives and private firms especially those dealing with debt management. In assessing the success of outsourcing, it has been argued that although outsourcing does not offer a quick-fix in terms of increasing revenue and easing administration, in general, revenue from the outsourced sources did actually increase with significant improvement in predictability as well (for example, REPOA, 2008).

In view of the above, once BDC has put in place an elaborate fees and charges structure, it is advisable on efficiency grounds to consider the possibility of outsourcing the administration of some of the fees and charges. This could work out very well in remote villages where a resident contractor could cheaply collect BDC fees and charges, retain an agreed percentage of the collections and remit the balance to the Council on a periodic basis. Respective VEO's and WEO's could act as enforcers of such contracts with regular support from the BDC headquarters i.e. Finance Department To start with, market stall dues, mobile market fees, plying fees, livestock auction fees and abattoir fees seem to be feasible candidates for outsourcing. Issues of corruption, an appropriate retainer fee and monitoring of the collection agent will have to be carefully considered including borrowing from the experiences of LGA's that have at one time or another engaged in revenue collection outsourcing.

4.6.5 Compliance promotion strategy through awareness raising

The study also came to agree that, there need for Tax compliance promotion strategy, which refers to activities designed to encourage voluntary compliance with the requirements of revenue laws and by-laws. Such a strategy forms an integral part of any effective compliance strategy, the other component being an enforcement strategy as discussed above. BDC will have to determine the most effective mix of compliance promotion and enforcement response. Experience has shown that promotion alone is often not effective. Enforcement is important to create a climate in which taxpayers will have clear incentives to make use of the opportunities and resources provided by promotion. Experience in several countries has also shown that enforcement alone is not as effective as enforcement combined with promotion. That is why it is hereby proposed to have both.

The enforcement strategy would come as a result of streamlining revenue administration. Therefore, this strategy has the key elements of an effective tax compliance promotion strategy which include: Providing education and technical assistance to taxpayers; Building public support; Publicizing success stories. These key elements are discussed in detail below:

4.6.5.1 Providing education and technical assistance to taxpayers

Education and technical assistance lay the groundwork for voluntary compliance. They are essential to overcome barriers of ignorance or inability that otherwise would prevent compliance. Education and technical assistance make it easier and more possible for taxpayers to comply by providing information about tax obligations and how to meet them, and by providing assistance to help taxpayers comply, particularly in the early stages of a new tax or rate. Several types of information and messages will have to be communicated to taxpayers such as; who is subject to pay a given tax or charge or fee? How much is to be paid? When is the tax or fee due? What are the consequences of not complying?

Therefore, promotion can be enhanced by developing a communications plan which specifies what type of information will be communicated, how it will be developed, when it will be released, and how it will be distributed. Similarly, a technical assistance plan can be developed to indicate what assistance will be provided, to whom, and under what circumstances. This strategy will help taxpayers and political leaders to create awareness on paying tax without being forced by the council.

4.6.5.2 Building public support

The study suggests that, the public can be a powerful ally in promoting tax compliance by supporting the creation of a tax ethics culture. The public can also serve as watchdogs that alert officials to non compliance. To foster this, the public should be educated to conceive the act of paying tax as being ones contribution to public goods. In public goods studies, willingness to cooperate has been found to depend on various variables, including effective communication between actors, group identity, payoffs, or identifiability of contributions. It can therefore be argued that, the extent of knowledge among citizens about the use of contributions and the provision of public goods is a relevant factor determining voluntary compliance. In this regard, BDC, need to have full-time information officer, who will effectively communicates how BDC uses tax money for providing public goods, then taxpayers could be expected to be more compliant as compared to taxpayers with poor knowledge.

The findings revealed that, maximum impact; two approaches should be used simultaneously. On one hand, communication should focus on the necessity of paying taxes to enable BDC invest in the provision of public goods such as health care, education, roads etc. On the other hand, there should also be communication that emphasizes the negative consequences resulting from non-compliance in terms of lack of health care, education, good roads etc.

Therefore, in order to ensure effective communication, multiple media should be employed to deliver the above message.

These may include:

Firstly, Mass media both print and electronic such as radio, television and newspapers;

Secondly, special bulletins and notices for periodic distribution to targeted stakeholders and general ones for display at notice boards or at exhibitions;

Thirdly, sponsoring entertainment groups (drama, music bands etc.) to compose relevant songs, plays and other messages for radio/television and public gatherings on occasions such as public celebrations, visits by national leaders, uhuru torch race etc.

4.6.4.3 Publicizing success stories

Finally, the study found that, program officials can provide an incentive for the regulated community to comply by publicizing information about public goods that BDC has particularly been very successful in providing. It may also pay even higher dividends for BDC to publicise compliant taxpaying businesses and link improvements in the provision of public goods to taxes paid by certain firms. In this way, the positive publicity about a firm's tax compliance can enhance its reputation and public image. Such publicity helps create a positive social climate that encourages tax compliance among other firms.

4.7 Summary

The chapter presented and discussed research findings of the study by assessing which strategy is successful in Bariadi District Council. The study found that, 51% of respondents' favoured collecting revenue using agents rather than council staff. The next chapter will present Summary, conclusion, and policy implication of the study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND POLICY IMPLICATION

5.0 Introduction

This chapter presents Summary, Conclusion and policy implication of this study after having presented, analysed and discussed the findings of the study in the previous chapters.

5.1 Summary

The study was investigating the Management of revenue collection in Local Authorities using Bariadi District Council as a case study. In order to study this problem, the research had three research objectives; these are;

- (i.) To identify sources of revenue for Bariadi District Council
- (ii.) To examine the strategies used by Bariadi District council to collect own source revenues in the district.
- (iii.) To assess the challenges of revenue collection exercise in the district.
- (iv.) To determine what can be done to improve revenue collection in local authorities.

The area of study was Bariadi District; the sample of 100 respondents was preferred where both probability and non-probability sampling was used in this study. The data collection methods included interview, questionnaires and review of various documents. Also, observation and focus group discussion were used get information to supplement

The collected data were coded, analysed and presented and discussed in chapter four of this report. Spreadsheet was used to analyse these data from the field; and finally, chapter five presented the summary, conclusion and policy implication of this study. The study found out that revenues collected included rates, Grounds, Car parks, Licenses, Debt recovery rates among others. It also revealed that the major factors affecting revenue collection performance were; level of tax administration,

willingness of tax payers to pay taxes, level of income of the tax payers among others. Also revenue collection using agents was rates as good strategy to be used in the district.

Finally, the study recommending on what can be done to improve revenue collection in the district. Some of issues which were put forward is to create awareness to taxpayers on the need to pay tax, good feasibility study to be done before the source is outsources to revenue collecting agents.

5.2 Conclusions

A fundamental requirement when redesigning the local tax 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. Such improvements may take a long time to achieve, although additional simplification of the local revenue system should provide a positive contribution towards these aims. That is why this study concentrated on identifying the sources, challenges facing them, strategies used to collect revenues and what can be done to improve revenue collection in Bariadi district council.

In respect to research questions under this study, the study revealed that, the council has different source of revenues, ranging from cotton cess, Local Market and mobile small markets in the district. The study indicates that, cotton cess is doing well, however, more effort are needed to make sure more revenue is collected from this source. The study also, recommended various sources to be introduced in the district. Also, for the case of objective two, the study revealed that, two strategies are used in the district that is outsourcing and collecting revenues using local staff in the council. The study further revealed that, collecting revenue using agents is doing well, though there some agents who have failed to remit fund as per contract and forced the council to take them to the court of law. However, despite problems of using agents, the study revealed that, it is even worse using council staff as they do engage in fraud

and corruption practice to sabotage council revenues, hence it was suggested that, all revenues sources should be outsourced after a thorough feasibility study in order to have realistic projection. Therefore, the council need to do some feasibility study before subjecting the revenue sources to either council revenue collectors or revenue agents for this matter.

Thirdly, in respect to objective three, the study found that, there many challenges which face the council in respect to collection of revenue in the district. Some of them include interference of political leaders, lack of awareness on the need to pay tax and other fees, lack of up to-date by-laws in the district, and poor projection of revenues to be collected in the district.

Finally, in response to objective four, the council among other things, need to create awareness to taxpayers on need to pay tax, the council should publicize projects implemented using collected revenues, to build culture of paying tax willingly, to modernize management of revenue collection and to increase tax base by identifying other sources of revenues in the district.

5.3 Policy implications

Basing on the findings of the study, the researcher has come up with the following recommendations for this study in order to improve management of revenue collection at Bariadi district council:

First BDC should review the existing legal framework for revenue collection with a view of making it more effective and capable of enforcement. The current by-laws were formulated ten years back, hence are not reflecting the current market condition and inflation rate in the country.

Secondly, a comprehensive system of fees and charges should be introduced by re-enacting the Bariadi District Council (Fees and Charges) By-laws, 1990.

Thirdly, the revenue management system should be streamlined by centralizing it within the Council Treasury, basic revenue administration functions should be automated and outsourcing revenue administration for one off payment of fees and charges should be considered.

Fourthly, there is a need to engage in massive public awareness as far as the total pay taxes is concerned. BDC needs to exploit a lot of possible avenues like radio programs, Seminars and market officials in order to sensitize the public about the benefit of paying taxes. This will play an important role in improving revenue collection.

Fifthly, the BDC needs to use all the pieces of law at its disposal against all tax defaulters and ensure recovery even if it means use of courts of law. This is important given the fact that a lot of revenue is being lost through tax evasion and avoidance which can account for a substantial portion of revenue. In this regard, the council need to have a strong team of advocates to deal with agents who defaults from paying their dues.

Sixthly, tax rates should be revised with the objective of through tax base widening. If taxes are low more people will be willing to comply than when they are high; and therefore taxes should be lowered and tax base widened; and this is due to the fact that, people hate taxes though they are necessary for any economy to stand. Therefore as far as Tanzania is concerned and BDC in particular, tax collectors and other relevant tax authorities should work hard to ensure that the basic principles of taxation are applied correctly. This will make tax payers responsible to pay taxes.

Seventhly, there is need to motivate the tax collectors since this is a tempting job. In order to enjoy the good fruit from the collected taxes, good work incentives and welfare can reduce on the level of corruption in tax collection. To improve revenue collection from market vendors while minimizing collection costs, the company needs to employ committed people who are trustworthy.

Eighthly, BDC needs to improve personal training and logistical support. It also needs to recruit more law enforcement officers and train them. All this is necessary to improve on efficiency.

In addition, current attempts for economic diversification will also help to expand the tax base like, for instance, a longer-term strategy of introducing new cash crops in the district as an alternative for cotton as the main cash crop in the district. Also, co-production of services by councils and local communities is on the rise. For instance, in several councils recently visited the increasing number of primary schools is maintained and expanded via self-help schemes combined with technical support from the council. Such measures are welcome as well as promising for the future sustainability of local authorities.

Moreover, BDC should provide proper accountability for the tax revenue collected. It should give back to the market vendors and other tax payers through some services such as rodents control among others. This will increase the willingness of tax payers to pay since they know that they are the very beneficiaries of the taxes they pay.

Furthermore, proper record keeping is necessary especially as regards tax payers and this will ease the work of administrators when collecting taxes from them and thus the rate of tax evasion will be lessened too.

Finally, it should be noted that there is need for BDC to engage in activities designed to promote voluntary compliance with the requirements of revenue laws and by-laws. Such activities form an integral part of any effective compliance strategy. Experience has shown that, promotion activities complemented with effective enforcement can go a long way to build a tax paying culture among the citizenry. It is thus imperative that, BDC formulates and implements a deliberate tax compliance promotion strategy that includes as a minimum the provision of education and assistance to taxpayers, building public support and publicizing success stories.

5.4 Areas for further research

In future, other academician who will be interested in doing study in the area related to this, may concentrated on these topics below which were not covered by this study.

- (i.) The effect of tax education on revenue collections in local governments in Tanzania.
- (ii.) The effect of the abolition of Graduated tax on revenue collection in local governments in Tanzania.
- (iii.) An investigation of the factors that influence tax compliance behaviour in Tanzania.
- (iv.) Assessing the impact of Local government reform in improving revenue collection in Tanzania Local Government Authorities.

5.5 Chapter Summary

The study was about Management of revenue collection in Local Authorities; using Bariadi District Council as a case study. The study found that, the council needs to improve and identify new sources of revenues in the district; to concentrate on strategy of using agents in collecting council revenue; and finally reeving by-laws and creating awareness to people in the area on the need to pay taxes. Finally, different strategies have been revealed, if implemented, will improve management of revenue collection in Bariadi District Council.

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APPENDICES

Appendix 1: DATA GATHERING QUESTIONNAIRE

SET 'A'

(To be filled by The Senior Officials of Bariadi District Council)

The researcher is conducting a study on “Management of revenue collection in Local Government Authorities – An experience from Bariadi District Council”. This information is for academic purpose only. In this regard therefore, you are kindly requested to answer the questions below so as to help the researcher to accomplish his academic requirement. The answers will be kept completely and entirely confidential.

1. Fill your job title and duration of stay at Bariadi District Council

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2. What are the strategies used by the council to collect revenues?

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3. What are the challenges of revenue collection at Bariadi District Council?

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4. What should be done to improve revenue collection in local authorities?

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5. What are challenges for revenue collection in BDC?

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This Marks the end of this Questionnaire.

Thank You Very Much for Your Cooperation.

Appendix 2: DATA GATHERING QUESTIONNAIRE

SET 'B'

(To be filled by Revenue stakeholders in the district)

The researcher is conducting a study on “Management of revenue collection in Local Government Authorities – An experience from Bariadi District Council”. This information is for academic purpose only. In this regard therefore, you are kindly requested to answer the questions below so as to help the researcher to accomplish his academic requirement. The answers will be kept completely and entirely confidential.

Therefore, as one of stakeholder of council revenue for Bariadi District Council, what can you say regarding management of revenue in the council? Circle the appropriate number using the scale below.

- 1 – YES
- 2 – NO
- 3 – Not certain

Department & Position

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.....
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- | | | | | |
|----|--|---|---|---|
| 1. | Councilors are cause of poor revenue collection in the council | 1 | 2 | 3 |
| 2. | Politics affect revenue collection in the council | 1 | 2 | 3 |
| 3. | No education for revenue payments to tax payers | 1 | 2 | 3 |
| 4. | Taxpayers are not willing to pay revenue to the council | 1 | 2 | 3 |
| 5. | Taxpayers are involved in identifying new source of revenues | 1 | 2 | 3 |
| 6. | What should be done to improve revenue collection in Bariadi District Council? | | | |

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Thank You Very Much for Your Cooperation.

Appendix 3: INTERVIEW CHECKLIST.

This checklist was used by the researcher as guideline during interview process of gathering data of the research titled “Management of revenue collection in Local Government Authorities – An experience from Bariadi District Council”.

1. Challenges facing revenue collection in the council.
2. Sources of revenues in District Council.
3. Differences between outsourcing and using council employees in revenue collection.
4. Data recording of revenue so collected.
5. Awareness of taxpayers.