

**FACTORS OBSTRUCTING LOCAL GOVERNMENT
AUTHORITIES FROM ATTAINING ESTIMATED REVENUE
COLLECTION GOAL: THE CASE OF ARUSHA CITY COUNCIL**

By

Magdalena Z. Katunzi

**A Thesis Submitted in Partial Fulfillment of the Requirements for the Award of the
Degree of Masters of Science in Accounting and Finance of Mzumbe University.**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled **Factors Obstructing Local Government Authorities from Attaining Estimated Revenue Collection Goal: A Case of Arusha City Council**, in partial fulfilment of the requirements for the award of the degree of Masters of Science in Accounting and Finance of Mzumbe University.

Major Supervisor

Internal Examiner

External Examiner

Accepted for the Board of the School of Business

DEAN, SCHOOL OF BUSINESS

DECLARATION

I, **Magdalena Z. Katunzi**, declare that this thesis is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature _____

Date _____

COPYRIGHT

© 2013

This thesis is a copyright material protected under the Berne Convention, the Copyright Act 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of Mzumbe University, on behalf of the author.

ACKNOWLEDGEMENT

I am greatly indebted to my Supervisors Dr. Nsubili Isaga, without whose guidance and constant encouragement this work would not have been completed.

My appreciation also goes to my Employer the Local Government Training Institute who sponsored me to undertake Msc. Accounting and Finance programme at Mzumbe University of Tanzania.

Special thanks go to the respondents in the Arusha City Council who sacrificed time from their busy schedules

I do appreciate my family friends Mr. and Mrs. Peter Josephat who advised and encouraged me throughout my studies.

Lastly, my sincere thanks are conveyed to my family for tolerating my constant absence when they needed me most.

DEDICATION

This work is dedicated to my dear Husband Mr. Golden A. Kipinge who patiently, allowed me to undertake this course and gave me the support I needed and encouragement throughout.

ABBREVIATIONS AND ACRONYMS

ACC	Arusha City Council
CAG	Controller and Auditor General
CG	Central Government
DC	District Council
DPs	Development Partners
FY	Financial Year
GPG	General Purpose Grant
JICA	Japan International Cooperation Agency
LGAs	Local Government Authorities
LGLB	Local Government Loans Board
LGRP	Local government Reform Programme
LGs	Local Governments
LLG	Lower Local Governments
MC	Municipal Council
MEO	Mtaa Executive Officer
MLGPC	Ministry of Local Government and Provincial Councils
MoF	Ministry of Finance
PMO-RALG	Prime minister's Office – Regional Administration and Local Government
PO-RALG	President's Office - Regional Administration and Local Government
SPSS -	Statistical Package for Social Science
WEO	Ward Executive Officer
URT	United Republic of Tanzania

ABSTRACT

The study set out to evaluate the factors obstructing Local Government Authorities from achieving estimated revenue collection goals. Specifically the study aimed at identifying the economic activities undertaken in the LGAs and to evaluate the relationship between the identified economic activities and LGAs' major own revenue sources, evaluating LGAs' own source revenue collection methods, evaluate the trend of LGAs' actual revenue collections in past four years and pointing out the factors behind LGAs' failure to meet their estimates in actual revenue collections.

The research design used was the case study taking into account the Arusha City Council (ACC). The sample size of 20 respondents was used while the sampling procedure applied was purposive sampling technique. Both primary and secondary data were obtained through questionnaires and interview for primary data and documentary review for secondary data. The data processing was done using the Statistical Package for Social Science (SPSS), while data analysis was been undertaken using both Descriptive Statistics and Inferential Analysis.

Findings of the study revealed some of the economic activities undertaken in ACC to be Business activities comprised of large scale businesses, medium businesses and petty businesses, Tourism activities such as tour guiding, tourism hotels and tourism transportation. The some of the major sources of revenue of ACC were Service levy, Market levy, Guest house levy and Hotel levy, Public parking fees and Posters and billboards fee, where by two methods which are own council revenue collectors and outsourcing were in use. Also, the findings of the study concluded that Central Government's directives, weak and unbinding contracts given to revenue collecting agents to be some of the factors causing low revenue collections by LGAs.

And finally the researcher recommended that, PMO-RALG to assist LGAs to have Taxpayers data base and as soon as possible to approve the draft by-laws submitted by LGAs. LGAs are argued to prepare bounding contracts to their revenue collecting contractors to minimise losses resulting from contractors default while the Central Government should respect LGAs' autonomy.

TABLE OF CONTENTS

CERTIFICATION	i
DECLARATION	ii
COPYRIGHT	iii
ACKNOWLEDGEMENT	iv
DEDICATION.....	v
ABBREVIATIONS AND ACRONYMS	vi
ABSTRACT	vii
TABLE OF CONTENTS	viii
LIST OF TABLES	xii
LIST OF FIGURES	xiii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the study	1
1.2 Statement of the Problem	2
1.3 Research Objectives.....	3
1.3.1 General Objective.....	3
1.3.2 Specific objectives	4
1.4 Research Questions	4
1.5 Significance of the Study	4
1.6 Scope of the Study	5
CHAPTER TWO	6
LITERATURE REVIEW	6
2.0 Introduction	6
2.1 Conceptualization of Key Terms.....	6
Local Government Authorities	6
Functions of Local Government Authorities.....	6
Revenue.....	7

Government revenue	7
Government Revenue sources	7
2.2 Theoretical Framework.....	7
2.2.1 Sources of revenue for local government	7
2.2.2 Methods of collecting revenue	9
2.2.2.1 Principles of revenue collection	10
2.2.3 Trend of revenue collection between estimated and actual	11
2.2.4 Factors behind poor revenue collection	12
2.3 Empirical Literature Review	12
2.3.1 Economic Activities undertaken in LGAs across the world	12
2.3.2 LGAs major Revenue sources across the world	13
2.3.3 Methods of revenue collections	15
2.3.4 Trends of revenue collection in Local Authorities.....	17
2.3.4.1 Trend of LG Revenue collection by source in Tanzania	19
2.3.4.2 LGAs' Own Source Revenue Collection Trend against Approved Budgets	19
2.3.4.3 Under Collection of Revenue from Property Tax Shs.4,345,570,497.20	
2.3.4.4 Under Collection of Revenue from Produce cess Shs.1, 797,972,949.20	
2.3.5 Challenges Facing LGAs in revenue collection	20
2.3.5.1 Outsourcing Revenue Collection.....	21
2.3.5.2 Dependent of revenue data from TRA and other bodies	21
2.3.5.3 Poor Revenue Management skill.....	21
2.3.6 Factors hindering effective LGAs revenue collections	22
2.3.6.1 Outdated LGAs Legislation	22
2.3.6.2 Poor management of collected revenue	22
2.3.6.3 Political interference	22
2.3.6.4 Poor education to taxpayers	23
2.3.6.5 Poor motivation to revenue collectors	23
2.3.6.6 Inadequate knowledge of by-laws to revenue collector.....	23
2.3.6.7 Weak and unbinding contracts	24

2.3.6.8	Absence of Reliable Taxpayer’s Data	24
2.3.6.9	Limited Own sources revenue base	25
2.3.6.10	Negligence.....	25
2.3.6.11	Central Government’s Directives	25
2.3.6.12	Other hindering factors to LGAs revenue collections	26
2.4	Conceptual Framework model	27
CHAPTER THREE.....		31
RESEARCH METHODOLOGY		31
3.0	Introduction	31
3.1	Area of the Study.....	31
3.2	Research Design	31
3.3	Population and Sample	32
3.4	Sampling Techniques.....	32
3.5	Data Collection Procedures.....	33
3.5.1	Primary data.....	33
3.5.2	Secondary data	34
3.6	Data Analysis	34
3.7	Validity and Reliability.....	35
3.7.1	Validity.....	35
3.7.2	Reliability	35
CHAPTER FOUR.....		36
FINDINGS PRESENTATION AND ANALYSIS		36
4.0.	Introduction.....	36
4.1	Respondents Demographic Characteristics.....	36
4.2	The economic activities undertaken in the LGAs	38
4.3	LGAs’ major own revenue sources	39

4.4 Evaluation LGAs’ revenue collection methods	43
4.5. Trend of actual own revenue collections in past four years.....	47
4.6 Factors behind LGAs’ failure to meet their estimates in actual collections	48
CHAPTER FIVE	50
DISCUSSION OF THE FINDINGS.....	50
5.0 Introduction.....	50
5.1 The economic activities undertaken in LGAs and the LGAs revenue sources.	50
5.2. LGAs revenue sources	51
5.3 LGA revenue collection methods.....	51
5.4: Trend of actual own revenue collections in past four years	55
5.5 Factors behind LGAs’ failure to meet their estimates in actual collections	55
CHAPTER SIX	58
CONCLUSION AND RECOMMENDATIONS.....	58
6.0 Introduction.....	58
6.1 Summary of the Study	58
6.2 Conclusion	59
6.3 Recommendations	60
6.3.1 To Policy Makers in Tanzania	60
6.3.2 To PMO- RALG	60
6.3.3 To Local Government Authorities	61
6.4 Limitation of the study.....	62
6.5 Area for further study	63
REFERENCES	64
APPENDICES.....	70

LIST OF TABLES

Table 2.1 Local Government financial resources FY 2001/2002–2005/2006	18
Table 2.2: Total LG Revenue by Source (Actual collections, in TSH millions)	19
Table 2.3: Trend showing approved budget against actual collection.....	20
Table 3.1: Distribution of Sample	32
Table 4. 1: Categories of respondents’ position in the council	37
Table 4. 2: How long have you been working with this council.....	37
Table 4. 3: Economic activities undertaken in ACC	38
Table 4.4: Do the levies, charges and other taxes imposed by the council relate to the council economy?.....	39
Table 4. 5: Reasons for rates imposed	39
Table 4.6: Revenue sources in the list	40
Table 4. 7: Identified major Revenue sources in the council revenue list	41
Table 4. 8: Whether each source of revenue has its by-law that allows the council to collect revenue from the identified sources	42
Table 4. 9: Year by-laws last reviewed/amended.....	42
Table 4.10: Which system does your council currently using in revenue collection?.....	43
Table 4. 11: Factors considered obtaining private revenue collecting agents.....	43
Table 4. 12: Availability of research undertaken on the benefits to be obtained on outsourcing revenue collection tasks	44
Table 4.13: Who from council is responsible for preparation of contracts and follow up of agents’ revenue collection.....	45
Table 4.14: Remittance of the collected revenue by outsourced agents	45
Table 4. 15: frequent revenue collectors check up to identify any misconduct	46
Table 4.16: Measures taken by the council to encourage residents to pay tax voluntarily	46
Table 4.17 Statistical measures for actual revenue collection for FYs 2008/2009 to 2011/2012.....	48
Table 4. 18: Factors that hinder council to attain revenue collections	49

LIST OF FIGURES

Figure 2.1: Conceptual Framework27

Figure 4. 1: Showing the revenue collection trend for ACC For FY 2008/09 to FY
2011/12 46

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Local government authorities are autonomous legal entities governed by elected councils, with their own expenditure budgets, revenue sources, and (in principle) with the ability to borrow funds Tanzania (2006). Also URT: PO-RALG (2000) defines Local Governments (LGs) as the level of government that are closest to the people and therefore responsible for serving the political and material needs of people and communities at a specific local area. Such areas could be a rural setting or an urban setting, a village, a town, a suburb in a city or a city, depending on the size.

A sound revenue system for LGs is an essential pre-condition for the success of fiscal decentralization (Bird 2010; Martinez-Vázquez and Smoke 2010a; Olowu and Wunsch 2003). In addition to raising revenues, local revenue mobilization has the potential to foster political and administrative accountability by empowering communities (Shah 1998; Oates 1998). However, prescriptions deriving from the theory and from good international practice impose huge constraints on the collection of revenue in the LGs.

The local government authorities (LGAs) have powers to tax and set rates for levies, fees and charges by making by-laws prescribing them (URT LG Finance Act 2000 Sec. 13a) The contents of the by-laws have to be set within the limits defined by the Minister responsible for local government in consultation with the Minister for Finance and Economic Affairs (URT LG Finance Act 2000). Collecting enough revenue will enable the LGAs to undertake their major functions of delivering sufficient, reliable, predictable and quality service to the majority of the citizens in the country.

While the central government is obliged to allocate sufficient funds to LGAs to enable them to fulfill their mandate role, Local Councils have the right to pass their own

budgets reflecting their own priorities. The budgets prepared by the LGAs have to be submitted to the Prime Minister's Office – Regional Administration and Local Government for approval (Kuusi 2009; URT Local Government Finance Act of 1982)

Management of revenue collection in the LGAs has not been effective, URT (2011). Very little attempt has been made to improve on revenue collection as well as planning the same (revenue collection) has not been impressive either. In order to provide improved socio-economic services, LGAs must maximize their revenues collections and effectively participate in co-funding the development projects that will receive funding from government subventions, URT (2009).

Therefore this study focused on the ways by which LGAs can increase the' capacity to collect revenue from own sources, types of economic activities undertaken by the LGA under the study to see whether they relate with their identified sources of revenue, the factors behind LGAs' failure to meet their estimates in actual collections also it will evaluate the trend of actual own revenue collections in past four years as well as to suggest the measures to be taken by LGAs to attain the estimates in actual collections.

1.2 Statement of the problem

The trend of LGAs revenue collections from their own sources in Tanzania has not been satisfactory (URT 2011). That is to say, LGAs have been failing to meet their estimated revenue collections each year. Semboja and Therkliden (1992) in their study in Tanzania found that, Local Authorities were not able to collect enough revenue to finance their operations and maintenance of basic services in their localities. The internal sources which are supposed to be used to counteract the funding uncertainties are encircled by major challenges. As a result, the ability of the Councils to finance their expenditures through their local sources of income tends to diminish over the years. For instance, the CAG's reports on the financial statements of the LGAs show that the ability of the local

revenues to finance the Councils' recurrent expenditures dropped from 10.3% in the FY 2005/06 to 7.5% in the FY 2009/10 (URT 2011).

More effort has been done to analyze the causes and the impact of the factors affecting revenue collections in LGAs, as well as suggesting possible measures to overcome the problem, still lower revenue collections is still ongoing in many LGAs of Tanzania, (For examples see Fjeldstad 1996; Fjeldstad et al. 2006; Fjeldstad et al. 2009; Vázquez & Smoke 2010).

As a result of poor own revenue collections, most Tanzania LGAs depend much on external sources of finance such as central government grant and foreign aids, Mzenzi (2013). However, the external sources of finance are also unreliable in both timing and amount. There were many incidences in the past whereby the Development Partners (DPs) cancelled their pledged funds during the implementation of budget, Mzenzi (2013). Also funds from the Government were normally disbursed to the Councils very late, which led to a substantial amount of them being unspent at the end of fiscal year.

ACC as a case study is also experiencing the same problem. Even though some studies undertaken on this issue and recommendations on how to solve the problem is made, the problem still persists. This reason has led the researcher to undertake further study over the problem and recommend alternative measures to be undertaken.

1.3 Research objectives

The research objectives are divided into two, which is general objective and specific objectives.

1.3.1 General objective

The overall objective of this study to analyse the factors obstructing Local Government Authorities from achieving estimated revenue collection goal taking Arusha City Council as a case study.

1.3.2 Specific objectives

The following are the specific research objectives derived from the above stated general research objective:

- i. To identify the economic activities undertaken in the LGA under study.
- ii. To evaluate the relationship between the identified economic activities and LGAs' major own revenue sources.
- iii. To evaluate LGAs' own source revenue collection methods
- iv. To evaluate the trend of LGAs' actual revenue collections in past four years.
- v. To point out the factors behind LGAs' failure to meet their estimates in actual revenue collections.

1.4 Research Questions

- i. What are the economic activities undertaken in the LGA under the study?
- ii. Is there any relationship between economic activities undertaken and the identified major sources of revenue in the LGA under the study?
- iii. What are the LGAs' own source revenue collection methods?
- iv. What is the trend of the revenue collected by LGAs from its revenue sources the past four years?
- v. What are the factors behind LGAs' failure to meet their estimated revenue in actual collection?

1.5 Significance of the study

This study is useful to the government and LGA's community. The results of the study can be used by the government to evaluate her policy about LGAs' own revenue sources taking into account the contribution of LGAs' own revenue to the total revenue. Improvement of policy itself or its implementation can be reviewed for betterment of the Local Community. On the other side firms, organizations and companies can use the

results of the study to develop new strategies in making sure that the respective objectives of establishing those LGAs are achieved.

Apart from the study results to fill the knowledge gap of factors obstructing LGAs from achieving estimated revenue collection goal, it also add empirical evidence considering the debate found in literature. In addition to that, the study is very significant to the researcher as it is a requirement for her Master degree in Accounting and Finance.

1.6 Scope of the Study

The study was dealing with factors obstructing LGAs from attaining their estimated revenue collection goal with the view of identifying the hindering factors and coming out with the possible solution to overcome the problem. It took into consideration the major economic activities, LGAs' major revenue sources, methods adopted by LGAs for collecting revenue and assessing the trend of actual revenue collections in relation to the budgeted revenue.

The research topic was very wide; it included all LGAs in Tanzania as they face problems with revenue collections. The researcher chose ACC as the case study to represent other LGAs.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is divided into four sections. The first section defines key words used in this study while section two present theoretical literature review on LGAs own sources of revenue. Section three discusses empirical literature review basing on previous studies while section four present conceptual frame work which guide this study.

2.1 Conceptualization of Key Terms

Local Government Authorities

Local government refers collectively to administrative authorities over areas that are smaller than a state. The term is used to contrast with offices at nation-state level, which are referred to as the central government, national government, or (where appropriate) federal government. "Local government" only acts within powers delegated to it by legislation or directives of the higher level of government cited by Jaba, (2010). Local government authorities are autonomous legal entities governed by elected councils, with their own expenditure budgets, revenue sources, and (in principle) with the ability to borrow funds, (Tanzania 2006).

Functions of Local Government Authorities

The functions of LGAs have been stipulated under the Constitution of the URT (1977) under Article 146 (2) of the constitution provides: "Without prejudice to the generality of sub article (1) of this Article, a local government authority, in conformity with the provisions of the law establishing it, shall have the following functions:

- (a) to perform the functions of local government within its area;
- (b) to ensure the enforcement of law and public safety of the people; and
- (c) To consolidate democracy within its area and to apply it to accelerate the development of the people."

Revenue

The income generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of an organization before any costs or expenses are deducted. Revenue is shown usually as the top item in an income (profit and loss) statement from which all charges, costs, and expenses are subtracted to arrive at net income (**businessdictionary.com**).

Government revenue

Government revenue is revenue received by a government. It is an important tool of the fiscal policy of the government and is the opposite factor of government spending. Revenues earned by the Government are received from sources such as Taxes levied on the incomes and wealth accumulation of individuals and corporations and on the goods and services produced, exported and imported from the country, Non-taxable Sources such as Government-owned corporations' incomes, Central bank revenue and Capital receipts in the form of external loans and debts from international financial institutions

Government revenue sources

Government revenue refers to the income generated by the government through various income sources inside and outside the particular government. The following are the source of revenue of various governments including United Republic of Tanzania (URT):- Taxation, fines, fees, grants and foreign investment, MoF (2004).

2.2 Theoretical framework

2.2.1 Sources of revenue for Local Governments

According to Dalton (2011), public revenue has both narrow and broad meaning: “In broad sense, public revenue includes all income and receipts received by the government. But in a narrow sense, public revenue includes only the revenue received from taxes”. Since the revenue should increase in proportion to the increase in government expenditure, the study of public revenue is important.

According to Taylor (2012) the government receives income from three sources:

1. In the form of compulsory payment such as tax, fine, compulsory loan
2. In the form of voluntary payment such as fees received for services rendered, voluntary loan, prices.
3. The special assessment, gift and grants which are neither voluntary nor compulsory payments.

Taylor (2012) excludes debt as government debt as he observes —“The revenue receipts of government are those receipts which increase the funds over which the treasury has control without comparable increase in debt obligations”.

On the other hand, Musgrave, R. and Musgrave P. (2002) include even debt as government revenue. Since the public debt should be returned with interest in future, this cannot be the pure income of the government.

According to Musgrave and Musgrave (2002) “Taxes are compulsory imposts. Taxes are withdrawn from the private sector without leaving the government with a liability to payee”. The tax revenue consists mainly of the following sources:

Custom Duty -The custom duty includes import tax and levied on goods imported and exported respectively. The custom duty is an in direct tax.

Tax on Consumption and Product of Goods and Services - It consists of excise tax, sales tax, value-added tax, entertainment tax, contract tax, road and bridge tax etc. These taxes fall on the category of indirect tax.

Land Revenue and Registration - This includes land revenue and house and land registration charges.

Tax on Property, Profit and Income - This source of tax revenue includes income tax from public corporations, private corporate bodies and individuals, urban house and land tax, vehicle tax and tax on interest. These taxes are direct taxes.

Non-tax Revenue

The non tax-revenue consists mainly of the following sources (Musgrave and Musgrave 2002):

Grants and Gifts - The funds provided by the individuals and institutions of a country to the government voluntarily for public works-are known as gifts. The donation provided to the government for people suffering from flood.

Fees, Licenses and Permits - A fee is compulsory payment to defray cost of each recurring services undertaken by the government primarily in the public interest but conferring a measurable special advantage on the fee payer”.

Fines and Penalties- The fine is the monetary penalty imposed for violation of law or for doing illegal works such as committing crime. The additional amount to be paid for not paying the telephone, water, electricity, license renewal fees within fixed time is the example of fine.

Income from Public Properties and Public Enterprises - The income received from public properties and public enterprises is broadly called commercial revenues. The government receives income as a landlord by renting land, forest, river, mineral etc. Such income received is called royalty. This income is similar to permit, charge.

2.2.2 Methods of collecting revenue

There are four methods of revenue collection methods used worldwide, this is according to Bailey (1999) Cash and Cheque, Direct Remittance to Bank, Electronic Payment Services (EPS) and Credit Cards.

2.2.2.1 Principles of revenue collection

According to Credit Research Foundation (1999), certain principles have been found especially useful in the field of collection and may be grouped into the following areas:

- collect the money
- maintain a systematic follow-up
- get the customer to discuss the account
- and, preserve goodwill

Collect the money

The primary job of the person responsible for revenue collection is to collect the money as close to the terms of the obligation as possible. There should never be any doubt as to why the individual is engaged in this particular task. The debtor has an obligation to pay within the terms of the agreement. It is the job of the collection person to make sure that this obligation is met, (Credit Research Foundation 1999).

Systematic follow-up

After the initial contact with the delinquent customer, it is important to keep additional contacts on a strict schedule. If the collector, for example, is told that a check will be mailed in a few days, it should be noted. If the check is not received at the promised time, a follow-up is essential; otherwise the collection effort will become ineffective (Credit Research Foundation 1999).

Discussing the account

This is where the debtor is invited to talk by the revenue collector. During the discussion, the collector may begin to see the debtor's situation more clearly. If the slow payment is the result of a temporary cash flow problem, tolerance of slower payments may be accepted, but it should be emphasized to the customer that the new schedule of payments must be completed, (Credit Research Foundation 1999).

Preserve goodwill

Even though the customer may be experiencing some difficulty in meeting payments, it does not preclude them from becoming a good customer in the future. Therefore, it is important to preserve goodwill while pressing for collection. This requires not only tact, but knowledge of the customer and industry. One of the advantages claimed by specialized collection personnel is that they can develop these techniques to their fullest, (Credit Research Foundation 1999).

Revenue collection techniques

According to MLGPC (2008), revenue collection techniques are tools available to Local Authorities (LAs) when collecting revenue. There are four revenue collection tools namely:-

- LAs should consider the 80/20 rule when collecting revenues owed – 80% of the money generally can be collected from 20% of the accounts. Concentrate collection efforts in areas that will bring the greatest return for the effort.
- Newer accounts that are delinquent should be addressed quickly to ensure that account holders do not grow accustomed to paying late or not paying at all.
- Work with citizens to allow them every opportunity to pay. Most LAs give a discount for accounts that are paid at the beginning of the year. These types of discounts are very useful in collecting what is owed.
- Cost recovery operations should be utilized to ensure the LAs collects revenues from the services it can, in order to support the services that do not bring in revenues.

2.2.3 Trend of revenue collection between estimated and actual

According to Bartle (2003) local government revenues are affected by economic, technological and demographic changes. Because of their openness to the external environment, the productivity of revenue systems and their administrative and political acceptability is subject to change.

According to Keating (2011), in United States of America Local governments see increased tax revenues, but are losing out on mortgage related filing fees. News reports show some cities are seeing a boost in tax revenues. Workers and businesses in Toledo, Ohio, for instance, have paid more income taxes to the city so far this year compared to last year. The latest data shows Toledo collected almost \$2.3 million more in income tax from January through April of 2011 compared with the same period last year.

2.2.4 Factors behind poor revenue collection

According to Milasell (1998), factors that lead to poor revenue collections are:-

- Weak administrative capacity to assess revenue sources such as taxes and levies and then to enforce revenue laws and by-laws;
- Taxpayer resistance and low tax morale on the part of the community;
- Corruption, including embezzlement of revenues;
- optimistic projections that cannot be put into reality
- other policy interference

2.3 Empirical literature review

In this part the related studies on the specific objectives are reviewed.

2.3.1 Economic activities undertaken in LGAs across the world

Morgan(2009) in his study in south Carolina pointed out that the Carolina local authorities' economic activities are grouped into major groups of manufacturing industries, tourism and hospitality, retail or service business, high tech industries , warehousing and distributions, residential houses, agricultural activities and retirement services.

Local Government Act 1999 of Republic of South Australia under Section 7 points out the Functions of Local Governments to include to Plan for the development and future requirements of their area; Provide services and facilities that benefit their area,

ratepayers and residents, and to visitors to that area, Provide for the welfare, well being and interests of individuals and groups within their communities; Take measures to protect their area from natural and other hazards and to mitigate the effects of such hazards; Manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner, and to improve amenity; Provide infrastructure for their communities and for development within their area; Promote their areas and to provide an attractive climate and locations for the development of business, commerce, industry and tourism; Establish or support organisations or programs that benefit people in their areas or Local Government generally (South Australia 1999).

Agriculture is the backbone of Tanzania's economy accounting for 45.7% of Gross Domestic Product (GDP) and 75% of export earnings URT MoF (2011). As the second sector after mining in terms of receipts, it remains critical for achieving sustained growth, poverty reduction and rural development. Huge opportunities exist in coffee, cotton, tea, sisal, tobacco, sugarcane, spices, maize, rice cashew nuts and horticultural products. The industrial sector is fast growing (8.6%) contributing 6.5% to the total GDP (URT MoF (2011)). The overall GDP growth rate is at 6.8% (URT MoF (2011)).The economy of the country is increasingly oriented towards manufacturing and export. Other economy dependency sectors are mining, fisheries, tourism and natural resources such as forestry (URT MoF (2011)).

2.3.2 LGAs major revenue sources across the world

The study undertaken by Kellam and Kehew (2004) in Rwanda it advances 16 areas that local governments in Rwanda can explore to enhance their revenue generation ability so as to increase their financial and fiscal autonomy. These areas are of two major types, which are user charges and fees and sources related to local economic development.

In USA the Local Authorities own sources of revenue come from local taxes, charges, and miscellaneous revenues (Rueben and Shadunsky 2013).

Among other sources of revenue in Kenya, business licensing is also used for revenue purposes either indirectly or intentionally by local authorities where by net revenue is generated by setting the regulatory license fees higher than the actual cost of administration (Kelly and Devas 1999).

The sources of Local Government revenue is divided into two, which are internal and external sources. Kumshe and Bukar (2013), External sources of the revenue which comprised of revenue from Federal Statutory allocations and Loans obtained while Internal sources of revenue are obtained from market fees, fees collected from motor parks, street hawking fees, shop fees and other miscellaneous fees includes proceeds from fines, bicycle fees, kiosk fees, hawking permit, butchers license fees, general contractors registration fees, cattle dealers fees, corn grinding machine license fees, entertainment/ drumming permit, slaughter house fees, tender fees, approval of building plan fees, community tax and livestock tax.

Others include revenue from Commercial undertakings, mass transit bus operated by the local government, tenement rates on properties belonging to the local government such as housing or other similar property belonging to the local government.

In Tanzania the Local Government Finance Act No. 9, 1982 defines the revenue sources of local government authorities. The Local Government Finance Act provides that the revenue sources consist of the main categories of LGAs' own revenue sources, shared taxes, central government grants, and donor funding Kuusi (2009).

The broad government policy for LG financing is outlined in the overall LG reform policy of 1998 (JICA 2008). The policy states in broad terms that the Government's objectives are to improve on LGA revenue generation; to promote transparency and fairness in the allocation of sufficient funds; to encourage equity in access to services; and to ensure efficient use of resources for service delivery at all levels of government.

2.3.3 Methods of revenue collections

According to Kumshe and Bukar (2013), one major administrative problem today for many local government councils is their inability to cost-effectively collect all revenues from different sources. The following are some of the cost effective methods of revenue collection;

- Make assessment of taxpayers and ascertain number of taxpayers for that year.
- Reminder notice should be sent to tax payers 2-3 weeks before taxes are due for collection.
- Designate revenue collection points for convenience.
- In addition, losses through corruption and tax evasion need to be reduced by applying stiffer penalties to corrupt officials and tax evaders.
- Contract out collections to a private collection agency. Contracting revenue collection to private collectors increases revenues from existing sources and also reduces cost.
- The traditional rulers should be co-opted more especially in collection of community tax, this will also reduce cost.
- Reducing costs, for example by limiting the number of surplus staff.
- Measures are required to enhance taxpayers' compliance and to improve the accountability of tax collectors.
- E-collection: this is a situation where the local governments will device a means of allowing tax payers to pay their taxes online. Here tax payers will be registered and connected using the internet with the revenue office/collector such that tax payers can be reminded or compelled to pay their taxes online as at when due and automatically identify defaulters for further action, this would make the job of revenue collection lot easier and cheaper.
- Finally, Adam Smith in his principle of taxation stated that taxes should not be imposed if their cost of collection is excessive.

In Malawi some taxes and fees are collected by the government and channeled back to the local government. In Malawi the non-tax revenue is intended to be collected by the central government, before the resources are redistributed to District Assemblies using a formula approved by the Cabinet (Malawi Government 1998).

According to the New York State Comptroller (2012) a number of options, electronic and non-electronic, are available for local governments to accept and process tax and fee payments in New York State. These include: Lock Box - A lock box is set up by contract with a bank or trust company to process real property taxes, special assessments, and sewer and water user fee payments that are made by check or cash. Under the contract, the bank or trust company receives and processes the payments for the local government, decreasing municipal staff time needed. The second is Credit Card Payments - General Municipal Law allows local governments to accept credit and debit card payments for, among other things, fees, fines, taxes or other charges.

The third method is Online Payments where Local governments are authorized to accept payments of penalties, rent, rates, taxes, fees, interest or other charges online and the last one is Electronic Value Transfer Program (EVT) - Local entities in New York may implement electronic payments through State contract, as part of the Electronic Value Transfer Program (EVT) which is administered by the State Department of Taxation and Finance.

In Tanzania, collection is either centralized, outsourced to private collecting agents or it is undertaken by the council own staff.

a) Centralised revenue collection

A less typical example from Tanzania is the collection of property tax in Dar es Salaam which is assigned to the Tanzania Revenue Authority (Fjeldstad *et al* 2011).

b) Outsourced to private revenue collection

In Tanzania, councils have introduced new methods of increasing revenue from existing sources by outsourcing some of the revenue collection to private collectors (Fjeldstad *et al.* 2009b). They include private collection of property taxes in some urban council; market fees in both rural and urban councils; forestry levies (until 2005) mainly in rural councils; cess on certain agricultural products in rural councils; bus stand; and parking fees. Fjeldstad *et al.* (2009b) pointed out an example of Mwanza City Council, where more than one-third of the council's own revenues in 2006 were collected by private agents. Revenue collection is outsourced to a range of different types of agents within and across councils. Fjeldstad *et al.* (2009b) revealed that in Kilosa District Council the collection of forest levies (until they were abolished in 2005) was outsourced to a private company whose main activity is to run private schools.

c) Revenue collection by the councils own staff

According to the study undertaken by Mugoya and Chikongoye (2011) Masasi District Council(MDC) is a good example, where by tax collection rests with the council treasury, headed by the Treasurer, collects Service Levy from liable taxpayers, receives Export Levy from central Government, Tender Fee from bidders, dividend from council investments, and also collects other business license fees. Almost all these are straight forward receipts flowing to the MDC accounts. Sometimes, staffs from Finance Department are required to follow up to facilitate remittance by taxpayers or remitters.

2. 3.4 Trends of revenue collection in Local Authorities

In Peru, revenue collection trend as studied by Bacarreza (2012) the revenues actually collected from these sources are not especially relevant (insignificant). He also noted that total own tax collections as well as sum of charges and fees, which includes street cleaning, road tolls, parks maintenance, public safety services and construction permits has been historically lower. This collection trend of own revenue collection has lead to

local municipals to have high dependency on intergovernmental transfers which represent 75% of the municipal budget in 2008.

From other local authorities in Tanzania, the study undertaken by Mugoya and Chikongoye (2011) in Masasi District council reported a fluctuating trend of revenue collected in four years with effect from FY 2007/2008 which reported actual revenue collection of 126%, FY 2008/2009 reported actual revenue were 74%, FY 2009/2010 reported actual revenue were 109% and in the FY 2010/2011 the reported actual revenue reported were 98% of estimates.

LGAs failure to meet revenue estimated when it comes to the actual collection is not a newly emerged problem. In their study, JICA (2008) they found LGAs own revenue declining while the Central Government transfers to LGAs increasing. Their findings on revenue trend for the five years are depicted in Table 2.1 which excludes development funding. The most important trend over the last 5 years 2001/2002–2005/2006 is the expansion of fiscal transfers from central government (Local Grants) and the significant relative decline of own source revenue.

Table 2.1 Local Government financial resources FY 2001/2002–2005/2006

	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
TSH million					
Local grants (incl. GPG)	201,119.0	247,027.3	313,872.7	386,767.8	452,831.2
Own source revenues	51,200.2	57,740.2	48,343.6	42,871.4	49,291.0
Local borrowing	50.0	225.0	442.5	250.5	1,495.9
Total	252,369.2	304,992.5	362,658.8	429,889.7	503,618.1
Percent of LG resources					
Local grants (incl. GPG)	79.7	81.0	86.5	90.0	89.9
Own source revenue	20.3	18.9	13.3	10.0	9.8
Local borrowing	0.0	0.1	0.1	0.1	0.3
Total	100.0	100.0	100.0	100.0	100.0

SOURCE;- Local Government Fiscal Review 2006 which has computed data from PMO- RALG and MoF

2.3.4.1 Trend of LG revenue collection by source in Tanzania

In actual sense, LGA's own source revenue collections have been declining year after year. Some studies undertaken have revealed different causes of the incidence.

In their study, JICA (2008) found that LGAs own revenue collections have declined in the period primarily because of the abolishment of various taxes including the development levy that constituted the main tax in rural districts. This fact is reflected in the table below (Table 2.1), which shows how LGA revenue has been declining after abolition of Development Levy in the year 2003.

Table 2.2: Total LG revenue by source (Actual collections, in TSH millions)

Revenue source	2002	2003	2004/2005	2005/2006
Development levy	11,368.7	3,205.4	0.0	0.0
Property tax	3,547.9	3,134.7	4,208.1	4,857.2
Agricultural cesses	9,251.3	9,017.5	11,375.5	10,862.3
Service levy	9,260.7	7,786.6	10,681.8	11,733.7
Land rent	567.1	654.6	571.9	770.7
Licenses and fees	11,648.2	12,134.1	5,462.7	1,008.9
Charges	5,525.9	5,179.2	6,338.0	12,611.6
Other revenues	6,570.3	7,231.6	4,233.6	7,446.6
Total revenues	57,740.2	48,343.6	42,871.4	49,291.0

Source: LG Fiscal Review 2006, PMO-RALG data on actual collections.

(JICA 2008) It is increasingly being recognised that a sound LG financing framework need to include viable LGA own source revenue in order to enhance LG autonomy and accountability and LGRP plan to undertake further analytical work in support of that.

2.3.4.2 LGAs' own source revenue collection trend against approved budgets

In the FY 2011/2012 financial year, 134 LGAs budgeted to collect revenue of Shs. 297,383,435,946 from their own sources. However, the actual collection was Shs. 236,716,345,736 indicating that, there was under collection of own source revenue of Shs. 60,667,090,210 equivalent to 20%. The analysis below shows the five years trend of approved budgets and actual collections for LGAs' own revenue sources (URT, 2013).

Table 2.3: Trend showing approved budget against actual collection

Financial Year	Approved Budget (Shs)	Actual revenue from LGAs own sources Collection (Shs)	Over/(Under) Collection (Shs)	%
2007/08	90,477,657,278	93,545,987,812	3,068,330,534	3.4%
2008/09	111,327,810,815	110,852,341,512	(475,469,303)	(0.4%)
2009/10	136,673,109,767	137,416,106,722	742,996,955	0.5%
2010/11	183,470,314,765	184,344,284,252	873,969,486	0.5%
2011/12	297,383,435,946	236,716,345,736	(60,667,090,210)	(20.4%)

Source: CAG report for FY 2011/2012

2.3.4.3 Under collection of revenue from property tax Shs.4,345,570,497

During the financial year 2011/12, a sample of 17 LGAs budgeted to collect Shs.11, 405,440,517 from property tax. However, Councils collected Shs. 7,059,870,020 reflecting under collections of Shs.4, 345,570,497 equivalent to 38% of the total budgeted amount (URT, 2013).

2.3.4.4 Under collection of revenue from produce cess Shs.1, 797,972,949

One major source of revenue for district councils is the produce cess which is charged to different crops available in their locality. This may include maize, cotton, coconut, palm oil etc. During the year under review, 77 LGAs budgeted to collect Shs.45, 312,189,317 from produce cess. However, to the year end the Councils had collected Shs.43, 222,428,289 reflecting under collections of Shs.1, 797,972,949 equivalent to 4% of the total budgeted amount (CAG report, 2013).

2.3.5 Challenges facing LGAs in revenue collection

There are several challenges LGAs are facing in revenue collection. Some of those challenges have been discussed in this part.

2.3.5.1 Outsourcing revenue collection

Local Authorities in Tanzania have been facing difficulties in effectively collecting different types of taxes on their own. This has led them to outsource the collection function to private companies and individuals. Since 2000, an increasing number of Local Authorities in Tanzania have adopted private tendering systems for the collection of different types of taxes (Fjeldstad et al., 2009).

The study concludes that outsourcing offers no 'quick-fix' neither to increasing local government revenues nor to reducing tax administrative problems (Fjeldstad et al. 2009) while collections have increased and become more predictable in some councils which have outsourced revenue collection, others have experienced substantial problems with corruption and exceptionally high profit margins for the private agent at the expense of accomplishing a reasonable return to the respective LGA (Fjeldstad et al., 2009).

However, when appropriately managed and monitored, outsourced revenue collection may establish a foundation for more effective and efficient LG revenue administration (URT 2013).

2.3.5.2 Dependent of revenue data from TRA and other bodies

In order to levy some charges or taxes, LGAs have to obtain some information with which they use as the taxing base. For example the Service Levy which is one of the major sources of Urban Local Authorities, it is charged as a 0.5% of turnover. The data of tax payers' turnover are obtained from TRA. LGAs do not have any contract that may necessitate the TRA to provide the correct actual Turnover to be used as a tax base by LGAs, Mzenzi (2012).

2.3.5.3 Poor revenue management skills

In LGAs, revenue collection and management is left to the council staff at Lower Local Government Levels (MEOs, VEOs and WEOs), these staff lack sufficient revenue

management skills that could assist them to properly supervise the implementation of development projects and at the same time ensuring that there are proper controls over the collection and use of public resources (URT 2011).

2.3.6 Factors hindering effective LGAs revenue collections

There are several hindering factors for LGAs not attaining their revenue collection goal as pointed out by different authors. Those factors are as discussed in this part.

2.3.6.1 Outdated LGAs legislation

Most by-laws that contain collection rates in LGAs are outdated. Following the Local Government Laws and Local Government Finance Act at the Council level, the new collection rates are required to be approved, at very least, by the Councilors. The general feeling is that, when it comes to the increase of the collections rates, the Councilors are usually sympathetic to their local communities. Combination of these issues had significantly reduced the Councils' revenues (URT 2013).

2.3.6.2 Poor management of collected revenue

Poor management of collected revenue is another factor which hinder effectiveness of LGAs revenue collection. In fact Fjeldstad et al (2006) suggested that most of the service provision problem is due to the few revenue collected.

2.3.6.3 Political interference

This generally takes place in the form of discretionary tax exemptions granted to business people who were willing to pay and/or had the 'right connections' (URT, 1996a, pp. 307–311). Sometimes the government through its ministries, agencies like SUMATRA and EWURA offers the conflicting acts or circulars that hinder the LGAs in collecting revenues using their by-laws.

2.3.6.4 Poor education to taxpayers

Awareness of the local tax payers is very low. Local tax payers lack sufficient knowledge on what type of products/businesses are subject to local taxes and the overall administration of the taxes concerned. In some cases, local tax payers are not aware about the payment procedures, timing for payment, and even the amount to be paid (Fjeldstad 2006). Related to this is the case where some tax payers do not precisely distinguish between the local taxes charged by the Councils and the national taxes imposed by the Tanzania Revenue Authority (TRA) (Mzenzi 2012).

2.3.6.5 Poor motivation to revenue collectors

Low wage level and lack of motivation to the revenue collectors employed by the council may lead to the revenue collectors to become corruptive or negligent in revenue collection, this problem if not taken care of it may leads to the Council to lose the expected revenue. (Fjeldstad et al 2003). Also Fjeldstad (2005) examines the experiences of the Uganda Revenue Authority (URA) in controlling fiscal corruption. The study of Fjeldstad (2005) explains that pay level of employees in URA is one of the several factors affecting the behavior of tax officers. This factor might also be true in LGAs in Tanzania.

Recent literature shows that in case of poor countries inducing more fiscal corruption may paradoxically lead to lower level of tax evasion and higher level of tax revenues. However, Fjeldstad and Bertil (2001) explain that this paradox does not justify policies to stimulate corruption. It analyzes that in the short run corruption may raise tax revenue but in the long run the opposite was the case. The impact of corruption and of tax evasion on tax revenue is not new in the field of public finance.

2.3.6.6 Inadequate knowledge of by-laws to revenue collector

Even in LGAs were there are reviewed by-laws, there is still a problem of the bylaw being well known to the revenue collectors which leads to misinterpretation and fear of

revenue collectors to apply them (Mzenzi 2012). As a result of failure to implement the by-law, the LGAs lose expected revenue. Mbilinyi (2013) revealed that on the quick survey noted that some tax collection agents and even some of the revenue authority staff are not aware of tax laws particularly on how withholding tax from professionals is supposed to be collected. In this quick survey we noted that even some TRA staff thought that this category of tax is not supposed to be collected by employers while others did.

2.3.6.7 Weak and unbinding contracts

For outsourcing of revenue collection to be effective to the councils, there should be binding contracts in place which will ensure the LGAs do obtain what was intended to be collected from the outsourced revenue source (Mzenzi2013). In the report by URT (2013) found three (3) Councils had allowed the revenue collection agents to collect revenues without having binding agreement or the agreements were made orally. As a result LGAs with no binding contracts may lose the expected revenue in case the collection agents default.

2.3.6.8 Absence of reliable Taxpayer's Data

Lack of identification systems is one of the factors behind the problem (Bird, 1991). Mbilinyi (2013) pointed out that Lack of proper information has also denied the government of Tanzania to raise substantial revenue from non-tax sources such as on properties taxes, user fees, and other non-tax sources whereas in the developed countries these has been contributing to more than 30% of the government revenue (Chipeta, 2002). For instance in FY 2012/13 the domestic tax revenue collection in Tanzania was projected to amount to 53% of total budget and non-tax revenues to contribute only around 0.7% of total government revenue while the deficit amounted around to 39% was financed by foreign and domestic loans and grants that contributed to around 40% of the total budget.

2.3.6.9 Limited own sources revenue base

The reforms of the local taxation systems which have been carried out had largely left the Tanzanian LGAs with limited sources of income which are inadequate to support the increasing demand of the public services. While it is essential to rationalize and harmonize local taxation systems, sufficient freedom should be left to the Councils to administer their own sources of income (Mzenzi, 2013).

Also the acts which govern the LGAs to impose tax and charges they still do not give the LGA to collect enough revenues. For instance, (Mzenzi,2013) revealed that taxes allowed by the Local Government Finances Act No. 9 of 1982 (as amended) to be charged by the Village Councils on sources of income derived within the Village boundaries range from TZS 10,000 to TZS 20,000 per annum! Similarly market stalls, fish auction fee, crop cess, auction mart fees, forestry produce cess, parking fees, and other local taxes remained very low (Mzenzi, 2013).

2.3.6.10 Negligence

Negligent in revenue collection by council's own revenue collecting staff and negligent revenue administrators if not taken care of may lead to the Council to lose the expected revenue, Baigana (2011).

2.3.6.11 Central Government's directives

As pointed out by Mzenzi (2013) in this study he revealed some of the Government directives are also responsible for the decline of the revenue raising ability of the Councils. This largely associated with the restrictions imposed by the Government on certain sources of revenue. For example, a decision to abolish the Development Levy and local business licenses and permits in 2003 had resulted into a major decline of the total local revenues.

2.3.6.12 Other hindering factors to LGAs revenue collections

LGAs are mostly assigned low-yielding taxes. It is the fact that the central government has reserved itself the most important and elastic tax bases in the economy, making it so harder for LGs to have any substantial revenue sources of their own, PO- RALG and MoF (2008).

Fragmentation causes horizontal inequality as the local government tax system has seen a proliferation of small taxes, which has led to significant horizontal inequalities between tax payers, PO- RALG and MoF (2008).

The benefit principle is misunderstood or missing as a conceptual foundation for local government revenues. The benefit principle of taxation (especially as applied to the local level in Tanzania) seems to be poorly understood by some stakeholders and missing as a foundation for the system of local government revenues P O- RALG and MoF (2008).

Effective Revenue Collection Strategies are lacking in Tanzania LGAs. Almost all Councils are not aggressive enough in collecting revenues due under their jurisdiction. On the other hand they are not soliciting other avenues of revenue collections which might boost their financial base and increase the Council's solvency, liquidity and level of independence (URT, 2013).

It has been observed that there is excessive focus on the redistributive impact of local government revenues (PO- RALG and MoF 2008).

Most taxes are currently assigned to the local level are hard to administer and hard to enforce. A sound revenue assignment (and well-designed local taxes) should take into account the relative ability of local governments administer local taxes. There is clearly a mismatch between the tax structure at the local level (many low yielding taxes which offer relatively limited tax handles) and the generally weak capacity of local tax administration (PO- RALG and MoF 2008).

Compliance costs for local government revenue are quite high, among others due to the fragmentation and lack of uniformity of the local tax system. Because the high compliance costs for local taxpayers have a potential negative impact on economic growth, the reduction of such compliance costs should weigh heavily in the design of future reforms (PO- RALG and MoF2008).

Local governments are assigned the least politically acceptable revenue sources (PO- RALG and MoF 2008).

Lastly, incentives for local revenue collections are impacted by cross-cutting problems with the system of local government finance, including a lack of trust by local residents, inadequate local financial management, the absence of a hard budget constraint, and the heavy burden of local administration (PO- RALG and MoF 2008).

2.4 Conceptual Framework model

In this part few selected hindering factors for effective revenue collections among the discussed are presented diagrammatically on figure 2.1 on how they affect revenue collections. The researcher selected these variables because they were either frequently pointed out by other authors or the researcher herself perceive them to be the major one.

2.4.1 Effects of independent variables to the dependent variable

The following brief explanations explain how all the independent variables affect the dependent variable.

Outdated LGAs legislation

The out dated revenue collection rates which are normally very low significantly reduced the Councils' collected revenues

Poor management of collected revenue

Poor management of collected revenue discourages tax payers from paying tax voluntarily. This leads to increased cost of revenue collection and low yield (under-collections)

Political interference

This takes place whereby political leaders discretionarily grant tax exemptions to business people who were willing to pay and/or had the 'right connections', these hinder the LGAs to collect enough revenues from their own sources.

Poor education to taxpayers

In many cases, local tax payers are not aware about the payment procedures, timing for payment, and even the amount to be paid. This results for them not to pay tax at all or to pay very late with penalty. These affect the amount to be collected by LGAs.

Poor motivation to revenue collectors

Low wage level and lack of motivation to the revenue collectors lead to the revenue collectors to become corruptive or negligent in revenue collection, this leads to the Council to lose the expected revenue.

Inadequate knowledge of by-laws to revenue collector

The LGAs' by-laws are not well known to the revenue collectors which lead either to misinterpretation and fear of revenue collectors to apply them. As a result of failure to implement the by-law, the LGAs lose expected revenue

Weak and unbinding contracts

Some LGAs allow the outsourced revenue collection agents to collect revenues without having binding agreement or technically loose agreements. As a result LGAs with no binding contracts lose the expected revenue in case the revenue collecting agents default.

Absence of reliable Taxpayer's data

Lack of proper information has also denied the LGAs to raise substantial revenue from tax sources such as on properties taxes, user fees, and other non-tax sources.

Limited own source revenue base

The reforms of the local taxation systems which have been carried out had largely left the Tanzanian LGAs with limited sources of income which do not yield enough revenue to LGAs.

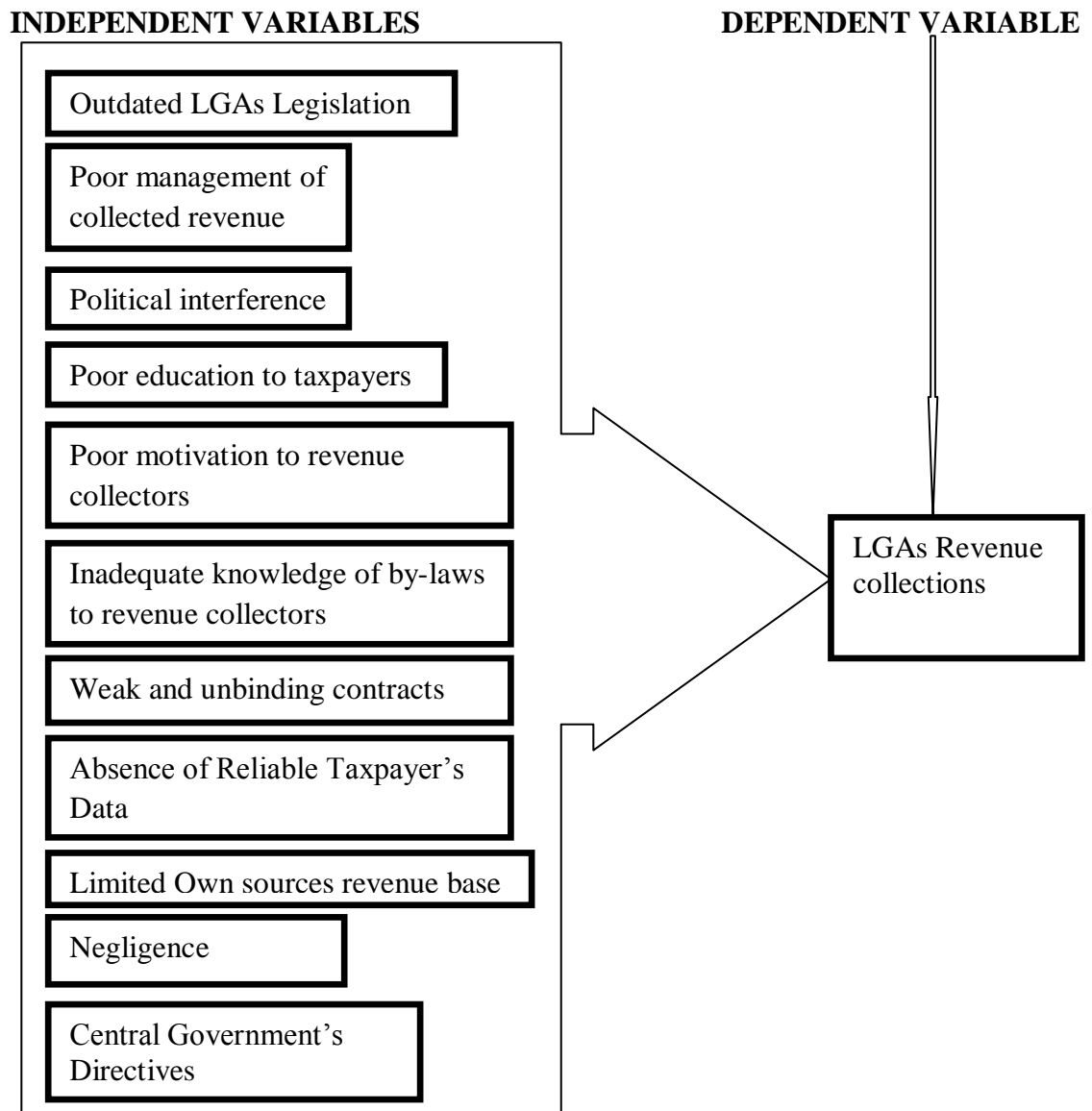
Negligence

Negligence of revenue collection by council's own revenue collecting staff and negligent revenue administrators leads the LGAs to lose their expected revenue collections

Central Government's directives

The Central Government's directives to LGAs on some of their revenue sources have been negatively affecting the LGAs' total collected revenue. For example, a decision to abolish the Development Levy and local business licenses and permits in 2003 had resulted into a major decline of the total local revenues.

Figure 2.1: Conceptual Framework



Source: Researcher, 2013

NOTE:

All the Independent Variables do affect the Dependent Variable Directly as explained earlier.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter identify and explain area where the study was conducted. It presents research design to be adopted. It also portrays the research methods, procedures and sampling techniques to be used for data collection. Data analysis, validity and reliability and limitation of the study are also discussed.

3.1 Area of the study

The study was conducted in Arusha City Council. Three levels of leaders which are elected leader in this case the Councilors, the employed technical people who are Heads of Departments and sections in the council.

Selection of the research area based on the fact that Arusha City's own sources of revenue is comprised of at least all types of sources of local government revenue, such as public packing fees, bus stands, refuse collection fee, property tax, service levy, market charge, billboards charges, liquor charges, hotel levy, house rent and so forth, thus it might be a good representation of other LGAs.

3.2 Research design

A research design is the framework or for a study that specifies how each activity should be conducted to accomplish the research objectives, which includes specifying the information required, designing the instruments, selecting the sample, collecting and analyzing the data (Robson, 2002).

The study adopted a case study research design. The study adopts this design as it focus to answer how effective the LGAs are collecting their revenue from their own sources.

This idea was outlined by Yin (2003) who said that a case study design should be considered when the focus of the study is to answer “how” questions. In addition only one LGA was taken into account of which suggests that the best research design to be a case study and more information.

3.3 Population and sample

Population is the totality of all units of interest while sample means part of the population under discussion. Population of this study was all heads of departments in the Councilors and some Tax payers to the Authority. A sample size of 20 was determined. The sample size was purposively determined in response to time and fund constraints. Distribution of sample is presented in Table 3.1.

Table 3.1: Distribution of sample

SN	DESIGNATION	TOTAL POPULATION	NUMBER OF RESPONDENTS	PERCENTAGE (%)
1.	Finance committee	5	5	100
2.	Executive Director	1	1	100
3.	City engineer	1	1	100
4.	City Trade Office	2	1	50
5.	Internal Audit Office	3	1	33
6.	City Treasurer	1	1	100
7.	Accountants	8	3	50
8.	Planning Officers	6	2	33
9.	City legal officer	2	1	50
10.	PMU	3	1	33
11.	MEO	60	2	3
12.	WEO	19	3	16
	Total	111	20	18

3.4 Sampling techniques

Purposive Sampling Technique was used to get the sample units. Purposive sampling was applied to get council’s employees. By adopting this technique implies that actual selection of units is left to researcher’s discretion. This technique was used to select respondents considering their positions and capability of providing relevant information on desired aspects under the study.

3.5 Data collection procedures

For the purpose of the study, the researcher collected both primary and secondary data.

3.5.1 Primary data

Primary data are data collected specifically for the research project being undertaken (Mark et al., 2007). In this study primary data included data concerning: community's attitudes toward LGA's tax, outsourcing of revenue collection and the types of economic activities undertaken in the city in relation to the type of tax/charges imposed, where by interview and questionnaire methods was used to collect primary data.

Questionnaire

A questionnaire consisted of both closed and open ended questions was used to collect primary data from council employees. Questionnaire is preferred because much information was collected within short period of time as also cost was minimized. Other advantages of using this method are that, apart from minimizing bias, more information was collected as respondents are given freedom to give detailed answers or opinions through open-ended questions. Before actual data collection, questionnaires were pre-tested to 5 respondents to check validity and reliability of the questionnaire.

Interview

The researcher conducted a face to face interview guided by the interviewee guide to get primary data from the staff and other stakeholders. This method enabled the researcher to generate data related to individual experience and perceptions regarding the effectiveness of the LGA's revenue collections.

3.5.2 Secondary data

Documentary review

Secondary data refers to data used for a research project that were originally collected for some other purpose (Mark et al., 2007). In this regard, the relevant information from published and unpublished documents including; journals, re-ports, online materials and different papers concerning LGA's estimated and actual own source revenue collections was reviewed. In this study, secondary data included data concerning: sources of revenue to LGA, Estimated and actual collection to the given number of years and kind of economic activities undertaken in the said LGA.

3.6 Data Analysis

The term analysis refers to the computation of certain measures along with searching for patterns of relationship that exist among data-groups. Thus, "in the process of analysis, relationships or differences supporting or conflicting with original or new hypothesis should be subjected to statistical tests of significance to determine with what validity data can be said to indicate any conclusions" (Kothari, 2004).

After that, template for data entry was created using Statistical Package for Social Sciences (SPSS) version 16. The software was adopted because of its availability, flexibility and many options for data analysis. Thereafter data was entered. Data was cleaned by checking if data have been entered correctly, missing values, outliers and normality.

This study adopted both descriptive and inferential analysis. Descriptive analysis was performed in forms of cross tabulation, frequency tables, charts, measure of central tendency and dispersion in order to facilitate interpretation. These kinds of output are descriptive analysis because no any test of significance for testing hypotheses was performed. Inferential analysis performed by adopting test statistics.

3.7 Validity and Reliability

3.7.1 Validity

Validity is concerned with whether the findings are real about what they appear to be about (Saunders et al., 2007). This shows whether the means of measurements are accurate and whether they are actually measuring what they were intended to measure. In this study, the researcher will ensure that the items within the measure are adequately captured by the domain of the construct being studied, that is content validity and use reasonable judgment so as to ensure that the measure is indeed related to the construct being studied, that is face validity.

3.7.2 Reliability

Reliability is the extent to which data collection methods yield consistent results (Kothari, 2005). All data to be collected by the researcher through different techniques was cross-checked in order to ensure that the instruments used were able to measure what was expected to be measured, and obtained from the reliable sources.

CHAPTER FOUR

FINDINGS PRESENTATION AND ANALYSIS

4.0. Introduction

This chapter presents research findings and analysis. These findings were collected through questionnaires and interviews from ACC's employees who are working at the higher level of the council as well as those working at the LLG level (MEOs and WEOs) and from some councillors whom almost were members of Finance and Planning committee of the council, and were presented basing on the research questions and objectives. The overall objective of this study was on analysis of the factors obstructing Local Government Authorities from achieving estimated revenue collection goal. Specifically, the study involved the following objectives;

- i. To identify the economic activities undertaken in the LGA under study.
- ii. To evaluate the relationship between the identified economic activities and LGAs' major own revenue sources.
- iii. To evaluate LGAs' own source revenue collection methods
- iv. To evaluate the trend of LGAs' actual revenue collections in past four years.
- v. To point out the factors behind LGAs' failure to meet their estimates in actual revenue collections.

4.1 Respondents demographic characteristics

The first part of the questionnaire and interview schedule included the general questions providing the background information of the selected respondents. This information was helpful towards identifying their position in the council and the familiarity with the council and their contribution towards council success or failure in revenue collection. For this purpose, the two questions were asked. The first question intended on identifying the position of the respondent. The findings are summarized in the table 4.1.

Table 4. 1: Categories of respondents' position in the council

Position	Frequency	Percent
Executive director	1	5.0
Council engineer	1	5.0
Council treasurer	1	5.0
Council trader officer	1	5.0
WEO	1	5.0
Councilor	5	25.0
Expenditure accountant	1	5.0
Revenue accountant	2	10.0
Council legal officer	1	5.0
Council senior suppliers officer	1	5.0
MEO	2	10.0
Internal audit	1	5.0
Planning officers	2	10.0
Total	20	100.0

Source: Research findings 2013

The findings show that most of respondents were council employed staff that comprised 75% while the remaining 25% was comprised by council elected leaders (councilors).

The second question wanted to know the length of time selected respondents have been working with the council, the findings are displayed in Table 4.2;

Table 4. 2: How long have you been working with this council

	Frequency	Percent
Less than 1 year	2	10.0
1 - 3 years	7	35.0
3 -5 years	7	35.0
5 - 10 years	4	20.0
Total	20	100.0

Source: Research findings, 2013

From findings, only 10% of the respondents were working with the council for a period of less than a year, 35% worked with the council for 1 to 3 years. 35% of all respondents worked with the council for 3 to 5 years while the remaining 20% of respondents worked with the council for a period of 5 years and above.

4.2 The economic activities undertaken in the LGAs

The first objective of this study intended to identify the economic activities undertaken in the LGA under study.

The first question under this objective wanted to identify the Economic activities undertaken by the residents in the Arusha City; the findings are Table 4.3:-

Table 4. 3: Economic activities undertaken in ACC

S/N	Economic Activities category
1	Business activities:- <ul style="list-style-type: none">• large scale businesses• medium businesses and• petty
2.	Tourism activities:- <ul style="list-style-type: none">• tour guiding• tourism hotels and• tourisms transportation
3.	Agriculture:- <ul style="list-style-type: none">• Cash crop farming,• Food crops farming and• Zero grazing live stock keeping.
4.	Banking:- <ul style="list-style-type: none">• all commercial banks workings in Tanzania have their branches in Arusha city
5.	Mining <ul style="list-style-type: none">• building materials mining
6.	Transportation by air and road transportation <ul style="list-style-type: none">• transportation of passengers and• transportation goods
7.	Industries:- <ul style="list-style-type: none">• Manufacturing industries.• Processing industries.• Other small scale industries.

Source: obtained in the ACC profile

From the ACC economic profile, the economic activities undertaken are grouped into Business, Tourism, Agriculture, Banking, Mining, Transportation and Industries.

The second question was in the same direction, however wanted to identify whether levies, charges and other taxes imposed by the council related to the city economy. Findings are presented in Table 4.4.

Table 4.4: Do the levies, charges and other taxes imposed by the council relate to the council economy?

	Frequency	Percent
Yes	16	80.0
No	4	20.0
Not sure	0	0.0
Total	20	100.0

Source: Research findings, 2013

About 80% of all the respondents agreed that the levies, charges and other taxes imposed by the council related to the city economy while 20% of respondents said the levies, charges and other taxes imposed by the council did not related to the city economy neither of the respondents gave a Not sure response.

The reasons provided by the respondents on their answering on the question were as summarized in the table below:

Table 4. 5: Reasons for rates imposed

Reason	Frequency	Percent
charging rates relate to tax payers income	7	63.6
charging rates are outdate and new opportunities are not exploited	4	36.4
Total	11	100.0

Source: Research findings, 2013

Reasons for a ‘Yes’ response were that “the rates charged do relate to the tax payers income” equivalent to 36.4%. While reasons for a ‘No’ response were that “the charging rates are outdate and new opportunities are not exploited by the Council” equivalent to 63.6% of respondents.

4.3 LGAs’ major own revenue sources

The first objective of this study intended to evaluate the relationship between the identified economic activities and LGAs’ major own revenue sources.

The first question asked on this objective was to identify the council revenue sources from the given list. The responses were as shown in the table 4.6.

Table 4.6: Revenue sources in the list

S/N	Revenue sources
1	Levies:- <ul style="list-style-type: none"> • Service levy • Market levy • Guest house levy • Commission for land fee agency • Hotel levy
2.	Charges:- <ul style="list-style-type: none"> • Produce cess • TLB • Public parking fees • Posters and billboards fee • Bus stands fees • Abattoir and slaughter fees • Meat inspection fee • Market dues • Solid waste collection fees • Forest harvesting • Medical examination • Public toilets fee • Building permits fee • Selling of tender documents • Road users fees • Land application fee • Sewerage emptying fee • Taxi charges • Meat carrying trucks fee • Temporary fencing fee • Public advertising fee • Live stocks product selling fee • Insurance agency commission • Fumigation
3.	Taxes:- <ul style="list-style-type: none"> • Property tax • Land rent • House rents for council's properties
4	Others (Fines and licenses):- <ul style="list-style-type: none"> • Wrong parking fine • TLB • Fines • Business licenses

Source: research findings, 2013

All twenty respondents who are 100% of the all respondents pointed Levies:- Charges: Taxes and Others (Fines and licenses) as categorized in the table above to be the sources of revenue at ACC

The second question for accomplishing this objective wanted to identify the major Revenue sources in the council in the sources of revenue list. The findings are summarized in the table 4.7.

Table 4. 7: Identified major Revenue sources in the council revenue list

S/N	Revenue sources
1	Levies:- <ul style="list-style-type: none"> • Service levy • Market levy • Guest house levy • Hotel levy
2.	Charges:- <ul style="list-style-type: none"> • Public parking fees • Posters and billboards fee
3.	Taxes:- <ul style="list-style-type: none"> • Property tax • House rents for council's properties
4	Others (Fines and licenses):- <ul style="list-style-type: none"> • Wrong parking fine • TLB • Fines • Business licenses

Source: research findings, 2013

All respondents who are 100% of the sampled respondents picked major taxes to be property tax and house rents for council's properties, major levies are service levy, Guest house levy, hotel levy and to market levy while the major charges are public packing fees and Posters and billboard to be the major revenue sources of the council.

The third question in this objective wanted to identify whether each source of revenue have its By-law that allow the Council to collect that kind of revenue from the said sources. The findings are summarized in the table 4.8.

Table 4. 8: Whether each source of revenue has its by-law that allows the council to collect revenue from the identified sources

	Frequency	Percent
Yes	17	85.0
No	3	15.0
Total	20	100.0

Source: research findings, 2013

From the findings 17 respondent who are 85% of all respondents said ‘Yes’ while 3 respondents who are equivalent to 15% said ‘No’ meaning that some of the revenue sources do not have the by-laws. No any respondent who gave the ‘Not sure’ response.

The fourth question in this objective wanted to identify when the by-laws last reviewed with the aim of knowing whether outdated by –laws is on of the reasons of the council not to meet its revenue collection objectives. The findings are summarized in the table 4.9.

Table 4. 9: Year by-laws last reviewed/amended

Year	Frequency	Percent
2001	5	29.4
2003	7	41.2
2004	3	17.6
Total	17	100.0

Source: research findings, 2013

About 17 respondents responded to this question where by 5 respondents who formed 29.4% of valid responses said the by-laws were last reviewed on 2001, 2 respondents who formed 11.8% of valid responses said the by-laws were last reviewed on 2002, 7 respondents who formed 41.2% of valid responses said the by-laws were last reviewed on 2003and 3 respondents who formed 17.6% of valid responses said the by-laws were last reviewed on 2004.

4.4 Evaluation LGAs' revenue collection methods

Under this objective, the researcher intended to evaluate the effectiveness of LGAs' revenue collection methods.

The first question in this objective wanted to identify the system the council is using in revenue collection, whether using the outsourcing system of revenue collection or using its own council staff for revenue collections. The answers are summarized in table 4:10

Table 4.10: Which system does your council currently using in revenue collection?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Both systems (own collectors and outsourcing)	20	100.0	100.0	100.0

Source: research findings, 2013

About 100% of respondents said that the council was using both systems of outsourcing some revenue sources to private revenue collectors and revenue from other sources are still being collected by the council own revenue collectors.

The second question in this objective wanted to point out what factors were being taken into consideration to obtain private revenue collecting agents. The findings to this question are summarized in the table 4.11.

Table 4. 11: Factors considered obtaining private revenue collecting agents

Factors considered to assign agents	Responses		Percent of Cases
	Number	Percent	
Adhering to Procurement regulations	15	75	78.9
PPRA tendering procedures	3	15	15.8
Bidding	2	10	10.5
Total	20	100	105.3

Source: research findings, 2013

Almost the answers looked the same in different language, 15 respondents who comprise 75% of all respondents said “adhering to the Procurement regulations”, 3 respondents who comprised 15% of all respondents said “PPRA tendering procedures” while 2 said they considered a fairly bidding procedures.

The third question in this objective asked whether there was any research undertaken on the benefits to be obtained on outsourcing revenue collection tasks. The findings to this question are summarized in the table 4.12.

Table 4. 12: Availability of research undertaken on the benefits to be obtained on outsourcing revenue collection tasks

	Frequency	Percent
Yes	19	95.0
Not sure	1	5.0
Total	20	100.0

Source: research findings, 2013

About 19 respondent who comprised 95% of all respondents said Yes there were some research undertaken before outsourcing the task while only 1 respondent who formed 5% of the total respondents said was not sure whether the research were undertaken before outsourcing revenue collection to obtain the value for money.

The fourth question in this objective asked who from the council was responsible in preparation of contracts, monitoring and follow up of revenue collecting. The findings to this question are summarized in the table 4.13.

Table 4.13: Who from council is responsible for preparation of contracts and follow up of agents' revenue collection

Responsible persons	Responses		Percent of Cases
	Number	Percent	
PMU and Legal officer contract preparation, follow up all council staff members	5	22.7	25
PMU and Legal officer contract preparation, follow-up Revenue Accountant	8	36.4	40
PMU, User department and Legal officer for contract preparation, follow-up MEO, WEO	4	18.2	20
PMU, User department and Legal officer, follow-up by all council staff	3	13.6	15
User department and Legal officer, follow-up by Treasurer office and planning office	2	9.1	10
Total	22	100.0	110

Source: research findings, 2013

From the findings, 5 respondents equivalent to 22.7% of all respondents said PMU and Legal officer prepare contract while follow up is done by all council staff. 8 respondents equivalent to 36.4% of all respondents said PMU and Legal officer prepare contract while follow up is done by Revenue Accountant. 4 respondents equivalent to 18.2% of all respondents said PMU, User department and Legal officer prepare contract while follow up is done by MEOs and WEOs. 3 respondents equivalent to 13.6% of all respondents said PMU, User department and Legal officer prepare contract while follow up is done by all council staff. Lastly, 2 respondents equivalent to 9.1% of all respondents said User department and Legal officer prepare contract while follow up is done by Treasurer Office and planning office.

The fifth question in this objective asked on which period basis the Remittance of the collected revenue by outsourced collecting agents were remitted to the council by collecting agents.

Table 4.14: Remittance of the collected revenue by outsourced agents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Monthly basis	20	100.0	100.0	100.0

Source: research findings, 2013

All respondents to this question equivalent to 100% said remittances were done on monthly basis.

The sixth question on this objective asked whether there were any frequent revenue collectors check up to identify any misconduct by collecting agents. The responses to this question are summarized in the table 4.15.

Table 4. 15: frequent revenue collectors check up to identify any misconduct

	Frequency	Percent
Yes	19	95.0
Not sure	1	5.0
Total	20	100.0

Source: research findings, 2013

In the findings 19 responses said ‘Yes’ which comprising 95% of all respondents while only 1 respondent who comprised 5% of all respondents was ‘Not sure’.

The last question on this objective asked which measures undertaken by the council to encourage their residents to pay tax voluntarily. The responses to this question are summarized in the table 4.16.

Table 4.16: Measures taken by the council to encourage residents to pay tax voluntarily

Measures to sensitize voluntary tax payers	Responses		Percent of Cases
	Number	Percent	
Sensitization through radio	20	29.9	100
Sensitization through television	1	1.5	5
Sensitization through newspapers	6	9.0	30
Sensitization through billboards and posters	20	29.9	100
Sensitization through meeting (eg. WDC)	20	29.9	100
Total	67	100.0	335

Source: research findings, 2013

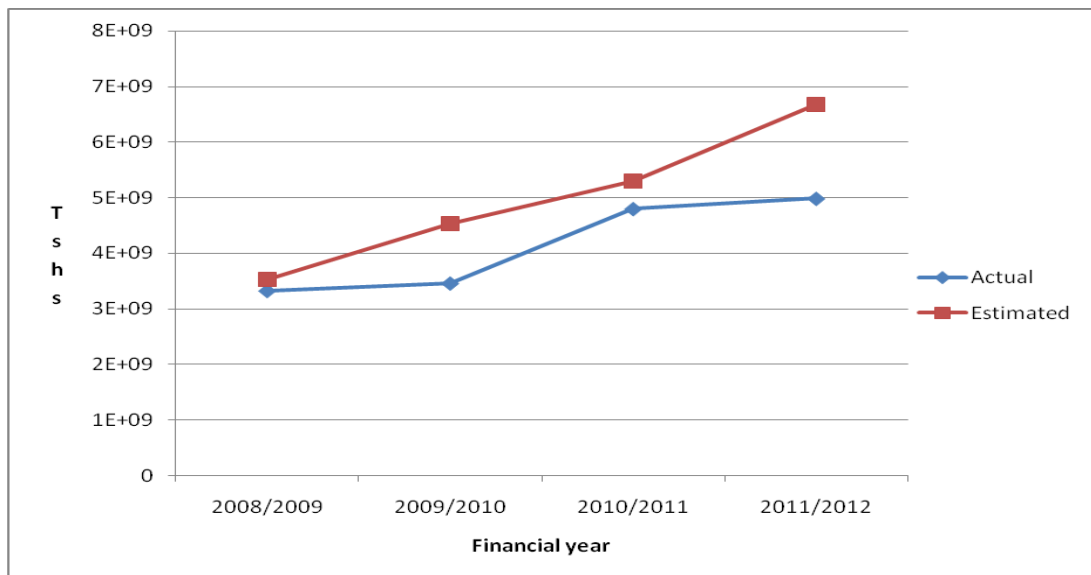
Sensitization through radio, billboards and posters and sensitization through meetings (like WDC) were picked by all 20 respondents who are equivalent to 100% of all respondents to be sensitization measures used by the council to encourage tax payers to pay tax voluntarily. Sensitization through radio was been pointed out by 1 respondent equivalent to 5% of all respondents. Sensitization through newspapers

was been pointed out by 6 respondents equivalent to 30% of all respondents to be sensitization measures used by the council to encourage tax payers to pay tax voluntarily.

4.5. Trend of actual own revenue collections in past four years

Under this objective, the researcher intended on identifying the trend of actual revenue in relation to the estimated collections in the past four years. Trend for the past three financial years is presented in Figure 4.1.

Figure 4. 1: showing the revenue collection trend for ACC for FY 2008/09 to FY 2011/12



Source: research findings, 2013

From the Figure 4.1 it can be shown that both actual and estimated revenue have been increasing from one year to another. Furthermore the figure suggests that there is small difference between actual revenue collected and estimated revenue in FYs 2008/2009 and 2009/2010. While for there is a bigger difference between actual revenue and estimated revenue in the FYs 2009/2010 and 2011/2012. To see whether those differences are significant, the test statistics was carried out and findings are reported in summery in table 4.17.

Using statistical tests as indicated in table 4.17, in the FY 2008/2009 it can be seen that with dif (34) =0.481, p (0.634) >0.05 the test statistics indicates that there is insignificance difference between actual revenue and estimated. For FY 2009/2010, it can be seen that with dif (31) = 2.337, p (0.026) < 0.05 the test statistics indicates that there is significance difference between actual revenue and estimated. For FY 2010/2011, with dif (32) = 0.473, p (0.640) > 0.05 the test statistics indicates that there is no significance difference between actual revenue and estimated. However for FY 2011/2012, with dif (31) = 3.251, p (0.003) < 0.05 (see Table 4.19) the test statistics indicates that there is significance difference between actual revenue and estimated revenue.

Table 4.17 Statistical measures for actual revenue collection for FYs 2008/2009 to 2011/2012

Years of collection	Paired Differences					t	Di f.	Sig. (2-tailed)
	Mean difference	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
2008/2009	5915571.40	72752625.92	12297438.27	-19075829.99	30906972.80	.481	34	.634
2009/2010	24359000.00	93100494.41	14035427.62	-3946137.40	52664137.40	2.337	31	.026
2010/2011	6168030.29	74982744.55	13052820.4	-20419694.83	32755755.40	.473	32	.640
2011/2012	52744812.53	91777806.86	16224177.4	19655384.57	85834240.49	3.251	31	.003

Source: research findings, 2013

4.6 Factors behind LGAs' failure to meet their estimates in actual collections

Under this objective, the researcher intended to evaluate the factors hindering the LGAs' in attaining revenue collection goals. The question asked about major hindering factors for the LGAs not to attain its revenue collections goal. The responses were as identified in the table 4.18.

Table 4. 18: Factors that hinder council to attain revenue collections

	Responses	
	Yes	No
Bad perception of citizens on local tax systems	18	2
Central government's directives	20	0
Poor education to taxpayers	11	9
Absence of Reliable Taxpayer's Data and Citizens' behavior of hating to pay tax	19	1
Limited number of qualified revenue collectors and Inadequate knowledge of by-laws	11	9
Forecasting problem	10	10
Weak and unbinding revenue collecting contracts to Revenue collecting agents	20	0
Political interference	16	4
Limited/weak own sources revenue	9	11
Absence or outdated by laws for council revenue sources	18	2
Poor motivation to revenue collector and negligence	20	0
Poor management of collected revenue	9	11

Source: research findings, 2013

According to the summarised findings on the factors hindering revenue collection in LGAs, the hindering factors pointed out by 100% of respondents are Central government's directives, Weak and unbinding contracts to Revenue collecting agents and Poor motivation to revenue collectors and negligence of council staff. 95% of respondents pointed out 'Absence of Reliable Taxpayer's Data and Citizens' behavior of hating to pay tax as a hindering factor. 90% of respondents pointed out 'Bad perception of citizens on local tax systems and Absence or outdated by laws' to be the revenue collection hindering factor'. 80% of respondents pointed out 'Poor education to taxpayers' to be the hindering factor while 55% of respondents picked up 'Limited number of qualified revenue collectors and inadequate knowledge of by-laws as revenue collection hindering factor. While, forecasting problem was pointed out as the hindering factor by only 50% of all respondents. Lastly 2 factors which are Limited/weak own revenue sources and Poor management of collected revenue were picked up by 45% of all respondents on those factors.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.0 Introduction

This chapter gives a thorough discussion of the findings relating them to the research questions and objectives in order to prove problem existence. The discussion will also be supported by relevant references from the literature.

5.1 The economic activities undertaken in LGAs and the LGAs revenue sources

This was the first objective of this study and its focus was on identifying the economic activities undertaken in the LGA under study and to evaluate the relationship between the identified economic activities and LGAs' major own revenue sources.

According to the findings, the economic activities undertaken in ACC are Business activities comprised of large scale businesses, medium businesses and petty businesses, Tourism activities were as tour guiding, tourism hotels and tourism transportation are undertaken, Agriculture in the form of Cash crop farming, Food crops farming and zero grazing live stock keeping. Banking business where by almost all commercial banks workings in Tanzania have their branches in Arusha city. Mining which mostly is composed of building materials mining, other economic activities are Transportation which transportation of both passengers and goods by air and road transportation, and lastly industries both manufacturing and processing as small scale industries. The economic activities undertaken in ACC are similar to those undertaken in other councils in Tanzania as it was revealed by Fjeldstad et al (2003). Also the findings of this study confer to the results of the study undertaken by Morgan(2009) in south Carolina local authorities' whose economic activities are grouped into major groups of manufacturing industries, tourism and hospitality, retail or service business, high tech industries, warehousing and distributions, residential houses, agricultural activities and retirement services.

About the rates of levies, charges and other taxes imposed by the council being related to the council economy, which means the income generated from the economic activities undertaken within the ACC.

The findings of this study about the rates of levies, charges and taxes imposed by ACC to relate to the taxpayers' economy confer to the study of URT (2010) which stated that most revenue sources are outdated as the by-laws of different councils. The by-laws were not being reviewed for quite a long time. Also the emerging new revenue opportunities like banking and mobile phone companies' service levy were not exploited by the council studied.

5.2. LGAs revenue sources

Discussing about the major sources of revenue from the sources of revenue list given to the respondents, the identified major sources of Revenue to ACC are Taxes such as property taxes and house rent for councils' properties while major revenue from levies come from Service levy, Market levy Guest house levy and Hotel levy. Charges include Public parking fees and Posters and billboards fee. Lastly, from other income category, the major sources of revenue to ACC are Wrong packing fines. These findings confer to the results of the studies undertaken by Kellam and Kehew (2004) in Rwanda local authorities whose major revenue sources are in two major categories; which are user charges and fees and sources related to local economic development. The study of Rueben and Shadunsky (2013) who concluded that the major Local Authorities own sources of revenue in USA come from local taxes, charges, and miscellaneous revenues and that of Kelly and Devas (1999) about the own sources of revenue for the Local Authorities in Kenya.

5.3 LGA revenue collection methods

Under this objective, the researcher intended to evaluate the methods applied by LGAs' in collecting revenue from its own sources.

Both the two methods which are own council revenue collectors and outsourcing have found to be used by the ACC. But they seem not to be more revenue yielding to the council since it was found by the researcher that ACC's actual revenue collections were still below the estimates. These findings confer to those of the study undertaken by Fjeldstad, et al (2009) in six local councils in Tanzania, in which neither of the revenue collected by the council employees nor those by the outsourced from those studied councils were reaching or exceeding the collection estimates.

Also when asked about factors considered in obtaining revenue collecting agents, almost the answers looked the same in different languages such as the council was following the Procurement laws and regulations issued by PPRA. These factors pointed out do confer with those of Fjeldstad, et al (2008) from the study conducted in seven councils in Tanzania pointed out that those LGAs were based on an open tender process, based on guidelines provided by the Local Government Reform Programme (June 2003) and the Public Procurement Act No.21 of 2004.

Even though 95% of the respondents agreed that there are some researches undertaken by the council to find whether value for money will be obtained by outsourcing revenue collection, still the research found that the council was still facing problems on the outsourced revenue collections. This was been revealed by some respondents who said that some revenue like market levy were being collected by the private companies who were failing to meet the council's estimates. These findings do not confer with those of Fjeldstad et al (2008) whose findings from the study undertaken from the seven councils in Tanzania pointed out that those LGAs were based on an open tender process, or on guidelines provided by the Local Government Reform Programme (June 2003) and the Public Procurement Act No.21 of 2004. Whereby before floating a tender the council often conducts an assessment to determine the revenue potential and the tender bids are expected to be within the council's revenue estimates. The applicant who want to be an agent for the council is

also required to show a bank guarantee or an asset as security, this measure aims to ensure that the council's revenue are no lost if the contractor defaults.

Arusha City like other councils in Tanzania and some councils world wide is also facing problem with obtaining the so called value for money in outsourced revenue collection, according to the research findings this has been pointed out by some respondents that some revenue collecting do not remit the collected revenue in advance as it was agreed on the contract while others do not remit collected revenue at all to the council. This situation has led many types of council to file cases in the court against their agents. Also the cases proceedings takes a lot of time to be settled, where by this situation lead the councils to lose their expected revenue collections. These findings confer to those of the URT (2013) whereby his review of contracts management during the FY 2011/2012 revealed a number of inadequately documented contracts where, vital information or documents were not attached in the respective contract files including contract agreements, Bills of Quantities (BOQ), Engineers' estimates, interim certificates, site minutes, copy of Payment voucher(s), variations if any and procurement made outside the procurement plan and inadequate maintenance of contract register.

When asked about who was responsible for council's revenue collection outsourcing contracts preparations, most of the responses pointed out the Procurement officer with the council legal officer were collaborating in preparing the contracts. That formality observed to be okay, because those two officers are considered to have better knowledge of procurement laws and regulations than anyone else, but also their job descriptions stipulates the same. The only weakness that seemed to be of the long time was that, the contracts prepared by the council under the said staff were lacking some technicalities that gave the agents either to profit more than the council or not to fulfill their assigned responsibilities without the council taking any disciplinary measures against them for breach of those contracts. Also there are still weaknesses on the monitoring and evaluation of contracts given to the private revenue collecting agents, even if the respondents pointed out different staff that are

responsible for preparation of contracts and follow up of agents' revenue collection. Those weaknesses are revealed by respondents when they said there are a number of cases in the court between councils and revenue collecting agents. This study finding also confer to the findings of Fjeldstad et al(2008) who pointed out that several of the councils covered by his study experienced that some agents did not comply with their contracts, either by not submitting revenues collected to the council, or b submitting less money than stipulated in the contracts. They also revealed that in Kinondoni MC and Mwanza CC these problems were partly due to the agents' lack of experience reflected in over ambitious bids, and partly because the agents in some cases did not pay their own collectors properly, which reduced their incentives to collect. In some cases the council brought the agents to court, which was a costly and a time consuming exercise.

All respondents in pointed out that remittances of the collected revenue were being done on monthly basis, the requirement of that council is for the agents to remit the revenue collected in advance on monthly basis and the agent is required to deposit with the council, that bond the council is supposed to confiscate in case the agent defaults. This requirement is rarely met by all agents in ACC. This finding also confer to the study of Fjeldstad et al(2008), but in addition to that they also pointed out that, to further minimize the losses if the contractor defaults, some councils have instituted a system whereby the contractor has to submit revenues to the council in installments, most commonly on a weekly and sometimes daily basis.

In the study, the responses about frequent revenue collectors' check up to private tax collectors, 95% of them said there was a frequent follow-up. Even though that is the case, the revenues collected by LGAs are still not enough. This also is justified in the previous studies by (Mzenzi, 2012).

With regard to the measures undertaken by the council to encourage voluntary tax payments are Sensitization through radio, billboards and posters and sensitization through meetings (like WDC). Unlike the study undertaken by Khalfan (2010) who

pointed out more measure that to be taken out by the LGAs to meet voluntary tax and other charges voluntarily, which are councils to increase the number of seminars and workshops on tax issues, to issue more guide books written in *Kiswahili*, to enhance transparency on tax, charges, levies and other sources assessment, to balance education, assistance and enforcement role.

5.4: Trend of actual own revenue collections in past four years

Under this objective, the researcher intended on identifying the trend of actual revenue in relation to the estimated collections in the past four years

The trend of actual revenues collecting in the FYs studied, which is FYs 2008/2009, 2009/2010, 2010/2011 and 2011/12 were observed fluctuating at the increasing rate. In all the years studied, the actual revenue was observed to be below estimated revenue in all the four years.

In the FY 2008/2009 the test statistics results indicate that there is insignificance difference between actual revenue and estimated. For FY 2009/2010, the test statistics results indicate that there is significance difference between actual revenue and estimated. Also in FY 2010/2011, the test statistics results indicate that there is no significance difference between actual revenue and estimated. Lastly, in the FY 2011/2012, the test statistics results indicate that there is significance difference between actual revenue and estimated revenue.

These findings confer to the findings for the studies undertaken by Baccareza et al (2012) who noted that total local authorities own tax collections as well as sum of charges and fees, which includes street cleaning, road tolls, parks maintenance, public safety services and construction permits has been historically lower in Peru.

5.5 Factors behind LGAs' failure to meet their estimates in actual collections

Under this objective, the researcher intended to evaluate the factors hindering the LGAs' in attaining revenue collection goals.

Many factors were proved out to be the major hindering factors for LGAs not to attain revenue collections goals. Such factors pointed out were Central government's directives, Weak and unbinding revenue collecting contracts, Poor motivation to revenue collectors and negligence. Others factors were absence of reliable taxpayer's data and Bad perception of citizens on local tax systems, Absence or outdated by laws for council revenue sources, Poor education to taxpayers, Limited number of qualified revenue collectors and Inadequate knowledge of by-laws, Forecasting problem, Limited/weak own sources revenue and Poor management of collected revenue. These factors pointed out in the study findings do confer with those pointed out by Fjeldstad, et al (2008) that in Kinondoni MC and Mwanza CC these problems were partly due to the agents' lack of experience reflected in over ambitious bids, and partly because the agents in some cases did not pay their own collectors properly, which reduced their incentives to collect. In some cases the council brought the agents to court, which was a costly and a time consuming exercise: (Fjeldstad, et al 2012) who concluded that challenge facing privatised revenue collection in local government authorities is to assess the revenue potential for various tax bases but also due to lack of taxpayers data base, revenue assessment is conducted on an *ad hoc* basis, and often based on the previous year's reported collection. Mzenzi, (2012) who pointed out the major hindering factors for LGAs in Tanzania not to attain their revenue collections goal to be Local Tax Base, Low Awareness of Local Tax Payers, Revenue Outsourcing Challenges, Weaknesses in the Local Revenue Administration and the Central Government's Directives.

Mugoya and Chikongoye (2011) who found that, the major LGAs hindering factors for effective revenue collection are weak administrative capacity to assess taxes and levies and then to enforce revenue laws and by-laws; Taxpayer resistance and low tax morale on the part of the citizenry; Corruption, including embezzlement of revenues; External pressure on the local finance department to provide optimistic projections; and Political pressure on the revenue collectors to relax on revenue collection.

About councilors' capability to oversee the revenue sources in the council though many options were given to describe the councilors' ability to oversee the revenue sources, only three options were selected, which are very good, good and satisfactory. The responses given, most councilors themselves they just picked Very good to show their capability, but for other responses from other council staff said the councilors' ability to oversee the council revenue sourced they side it was good and satisfactory. The study of Mugoya and Chikongoye (2011) in Masasi DC pointed out that the councilors' interference in council financial matters had reduced the councilors' credibility to oversee the revenue sources of the council.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

This chapter gives summary, conclusion, recommendations to the policy makers, Local government Authorities and for further study and limitation of the study.

6.1 Summary of the Study

This study intended to identify the factors obstructing attainment of the revenue collection goal by the LGAs in Tanzania by taking Arusha City Council as a Case study. Specifically, the researcher aimed at identifying the economic activities undertaken in the LGA under study and to evaluate the relationship between the identified economic activities and LGAs' major own revenue sources, evaluating the effectiveness of LGAs' revenue collection methods, evaluating the trend of actual own revenue collections of the case council in past four years and pointing out the factors behind LGAs' failure to meet their estimates in actual revenue identify the economic activities undertaken in the LGA under study and to evaluate the relationship between the identified economic activities and LGAs' major own revenue sources.

The research design adopted in undertaking this study was a case study whereby Arusha City Council was been thoroughly studied on the research title. The sampling procedure applied was purposive sampling technique from which both primary and secondary data were obtained, though questionnaires and interview primary data and Documentary review for secondary data. While data analysis was undertaken using SPSS.

The findings of the study identified factors that lead to poor revenue collections in Arusha City Council. Some of the identified factors hindering revenue collections to LGAs are 'contradicting central government directives, absence of reliable taxpayers' data, limited number of qualified revenue collectors, poor motivation to

revenue collectors, absence or outdated by-laws, weak and unbinding revenue collecting contracts given to revenue collecting agents by the council and Political interference of elected leaders in the council.

6.2 Conclusion

The aim of this study was to identify the major economic activities undertaken in ACC. The major economic activities are business of all sizes; mining, tourism, agriculture and banking are undertaken.

The second aim was to identify the major sources of revenue to the council. The sources of revenue were found to be Levies such as market levy, hotel and services levy, charges such as packing fees, and taxes such as property tax and posters and billboards. In the third objective, both two methods which are outsourcing and own staff collection are adopted by the ACC in revenue collection.

In the fourth objective the Trend of ACC revenue collections were being fluctuating below the estimated revenues but at the increasing rate.

In accomplishing objective for a number of factors hindering revenue collections were revealed such as explained in the following paragraphs under this part.

- The study found some of the new revenue generating opportunities are not explored or taken into account to benefit the council and increase its own revenue generation.
- As well, the administration and monitoring of private revenue collectors was found to be not thorough undertaken by the council.
- Poor knowledge of by laws or low revenue administration and mobilization was found to be lacking in many council revenue collectors.
- The political leaders especially councilors and members of parliament were found to be complaint against of their interference in the council's financial matters especially at the Ward and Mtaa level.
- Another factor that was found to hinder revenue collections in ACC and other many types of council as well is Central government directives towards the

council. Those directives do negatively affect the already budgeted revenue in the council.

- It was also found that some of the contracts given by council to the revenue collecting agents are not binding and giving a chance for the agents to default.
- The study also found that the council own revenue collectors are not motivated enough to enable them to be committed in revenue collection task to yield enough revenue the LGAs.
- The LGAs by-laws which are the important tools for imposition and enforcement of revenue issues in the council are not reviewed on time while some of the revenue sources do not have by-laws.
- Lastly the study found that tax payers are not well sensitized or the sensitization methods are not those which are regarded as effective.

6.3 Recommendations

Based on the research findings, the following recommendations are set forth to policy makers, the Government through PMO-RALG and to the LGAs.

6.3.1 To policy makers in Tanzania

All the policies made in relations to LGAs or the community at large, should seek the views of LGAs and or PMO-RALG so that, the LGAs are not negatively affected when it comes in the implementation of the policy.

6.3.2 To PMO- RALG

To enhance LGAs revenue collections, PMO-RALG is advised to take the following measures:-

- To assist LGAs' autonomy respected by all leaders in all government levels so that the central government directives and political interference problems into the councils' financial issues will be put to an end.
- PMO-RALG should quickly approve the by-laws submitted to seek approval by LGAs so that their up to date revenue and other plans are implemented.

- To strengthen the coordination and supervisory roles of the Regional Administrative Secretariats by ensuring that the Secretariats have the required capacity in terms of facilitating the promotion, development fostering and upholding of Local Governments and the realization of goals and targets of LGAs in relation to the national development goals.
- To assist the LGAs to recover their employing own staff duty which is currently under the Public Service Recruitment Secretariat that denies the councils to recruit the competent and retainable staff who are ready to work in those environments.
- The ministry should assist the LGAs to fire from work and take other disciplinary actions to all those council staff who are corrupt or misbehaving instead of transferring them to other councils.
- Should assist all the councils to have the Taxpayers data base so that they will monitor their revenue.

6.3.3 To Local Government Authorities

For effective revenue collections in ACC and all LGAs at large, the following measures are recommended to be undertaken against their revenue collection hindering factors.

- The sensitization of all levies, tax and charges payers and prospective payers is of much importance and urgent to be undertaken by all Local Authorities in Tanzania whose their reliable source of finances for their functions. The following are some of the sensitization means that may be effective if used by the LGAs: - Publications such as brochures bulletins etc. Training programmes for specified groups of taxpayers, Conferences and seminars, Use of "hot lines", Use of website, Assistance through visits by tax officers to taxpayers, Establishment of "call centres", Media announcements, Trade associations meetings and Meetings of cooperative societies.
- One of the important steps to be undertaken by the LGAs in solving their financial problems is to have their by-laws reviewed so they will be enforceable and that the taxpayers will be bound to pay tax voluntarily.

- To have all tax payers registry or database will be of great helpful to the council and the national at large, so that the revenue estimation during the budgeting process will not be of ad hoc.
- Using available resources to have reliable tax payers' database in place whereby well documented tax payers data source the LGAs will be able to know their tax payers and being accurate in revenue estimations and collections.
- To have all by-laws made or reviewed and submitted to the PMO-RALG for approval so that the collection of revenue from the existing revenue sources and new by laws will assist them to exploit every new revenue opportunity.
- Employing committed employees as some of employees are not committed to work, instead they are engaged in other business such as own private revenue collection agency behind their councils responsibilities.
- All contracts prepared by the councils should be binding to avoid losses where the contractors default.
- Councils should orient the agents before assigning them to the field to pursue their jobs.
- To improve relationship between council employees and political leaders

6.4 Limitation of the study

There are few limitations about this study amongst which was sample size. The respondents were only Council employees and some council's elected leaders in Arusha City Council, the researcher wanted to reach the LGA taxpayers but due to time constraint, they were not interviewed. The other limitation was the availability of the selected respondent in time during data collection; most of them were occupied with official duties while others were out of the station as well

6.5 Area for further study

Due to the time and resource constraints, the researcher was unable to use a bigger sample, perhaps often councils. Therefore, further study should consider the possibility of including tax payers in the council using the survey design. Also to consider studying how revenue obtained from revenue sources are being utilized by the LGAs and whether the taxpayers are satisfied with the services provided by their LGAs.

REFERENCES

- Bacarreza G.C, Vazquez, J. M and Sepulveda C. (February, 2012), Sub-national Revenue Mobilization in Peru, International Center for Public Policy, *Working Paper* 12-09, February 2012
- Bailey, S J. (1999), *Local Government Economics: Principles and Practice*, London
- Bartle J. R. (2003). "Trends in Local Government Taxation in the 21st Century." *Spectrum: Journal of State Government*, 76 (1): 26-29.
- Bird, R.M. (1991), *The Administrative Dimension of Tax Reforms: Reflections on Experience*, The Policy in Developing Countries Research Paper, World Bank Publication. Washington DC.
- Bird, R.M. (2010) 'Subnational Taxation in Developing Countries: A Review of the Literature.' Policy Research Working Paper 5450, Washington D.C.: World Bank.
- Chipeta, C. (2002), The Second Economy and Tax Yield in Malawi', AERC Research Paper'
- Credit Research Foundation, (1999), 'Principles and Methods of Collection'. Retrieve on 03 September, 2013 from World Wide Web: www.crfonline.org/orc/cro/cro-5.html
- Fjeldstad, O-H. (1996), "Tax evasion and corruption in local governments in Tanzania: Alternative economic approaches" Working paper.
- Fjeldstad, O-H. (2006), "To pay or not to pay?: Citizens' views on taxation by local authorities in Tanzania" Dar es Salaam, REPOA
- Fjeldstad, O-H. Katera, L.and Ngalewa. E. (2003), 'Local government finances and financial management in Tanzania: Baseline data from six councils, 2000-2003'

- Fjeldstad, O-H. Katera, L. and Ngalewa. E. (2009), “*Outsourcing revenue collection to private agents: Experiences from local authorities in Tanzania*” Dar es Salaam, REPOA.
- Fjeldstad, O-H. Katera, L. and Ngalewa. E. (2010), “*Local Government Financial Management in Tanzania: Empirical Evidence of Trends 2007 – 2007*”, Special paper 10/2, Dar es Salaam, REPOA
- Jaba S, UDSM (2010), “Local Government Authorities in Tanzania”.
- JICA (2008), “*Local Level Service Delivery, Decentralisation and Governance, A Comparative Study of Uganda, Kenya and Tanzania Education, Health and Agriculture Sectors: Tanzania Case Report*” Institute for International Cooperation.
- Keating M. (2011), *Local government budget trends*, Government Product News Jul. 14, 2011. Retrieve on 03 September, 2013 from World Wide Web:
<http://americancityandcounty.com/news/local-government-budget-trends>
- Kellam, H. H. and Kehew, R (2004), ‘*Alternative Sources of Revenues for Financial Sustainability: A Case of Local Governments in Rwanda*’, U.S. Agency for International Development, Rwanda Fiscal Decentralization Project.
- Kelly, R and Devas, N (1999), ‘*Regulation or Revenue?: Implementing Local Government Business License Reform in Kenya*’ HIID Development Discussion Paper no. 723
- Kothari, C.R. (2005), *Research Methodology*, 2nd edit, New Delhi: New Age International Publishers.
- Kumshe, M. G and Bukar K (2013), *Cash management, revenue sources and cost effective methods of revenue collection at local government level. International Journal of Basic and Applied Science*, Vol. 01, No. 04, April 2013, pp. 834-839

- Kuusi, V. (2009), “Tanzania Aspects of Local Self-Government”, The Associate of Finnish Local and Regional Authorities. Macmillan Press.
- Martinez-Vázquez, J. & Smoke, P. (2010a), ‘Introduction’ Chapter 1 (pp. 11-21) in *Local government finance: the challenges of the 21st century*, Second Global Report on Decentralization and Local Democracy’. (Barcelona: United Cities and Local Governments).
- Mbilinyi A. V.(2013), Clknet Policy Brief 5: *Curbing Tax Evasion By Professional Service Providers In Tanzania*
- Milasell, J. L. (1998). Tax Administration. *The link between Tax Law and Tax Collections*. In Fred Thompson and Mark T. Green, eds, *Handbook of Public Finance*. New York; Narcel Dekker.
- Ministry of Local Government and Provincial Councils (MLGPC) (2008), *Revenue Enhancement: Financial Management Training*, Retrieved on 31 August, 2013 from the World Wide Web:
<http://asiafoundation.org/resources/pdfs/02RevenueEnhancement.pdf>
- Mugoya, P and Chikongoye J. (2011), “Revenue Potential Study for Masasi District Council”, Final Report October 2011
- Musgrave, R. and Musgrave P. (2002), Government revenue, *Theory of Economics: Economics Theories and Concepts*: retrieve on 03 September, 2013 from World Wide Web:<http://theoryofeconomics.com/market-economy/government-revenue/>
- Mzenzi. S. I. (2012) “*Revenue Mobilization Issues in the Tanzanian LGAs*” Written in Policy Brief No: 7
- New York State Comptroller (2012), *Local Government and School Accountability: Cost-Saving Ideas: Reviewing Your Revenue Collection Process*.
<http://www.osc.state.ny.us/localgov/costsavings/revenuecollection.htm>

- Oates, W. E. (1998), 'Comments on "Fostering Fiscally Responsive and Accountable Governance: Lessons from Decentralisation" by Shah' (pp. 97–101), in R. Picciotto & E. Wiesner (eds) *Evaluation & Development. The Institutional Dimension* (New Brunswick/London: Transaction Publishers).
- Olowu, D & Wunsch, J. S. (2003) *Local Governance in Africa: The Challenges of Democratic Decentralisation* (Boulder: Lynne Rienner).
- Robson, C, (2002), Real World Research, 2nd edition, Blackwell Publishing
- Rueben, K and Shadunsky, Y (2013) "State and Local Governments Finances" U.S. Census Bureau, USA
- Saunders, M. Lewis, H. & Thornhill, A. (2007), '*Research Methods for Business students*', 4th edit, Pearson education Ltd, London
- Shah, A. (1998) 'Fostering Fiscally Responsive and Accountable Governance: Lessons from Decentralisation' (pp. 83–96), in R. Picciotto & E. Wiesner (eds) *Evaluation & Development. The Institutional Dimension* (New Brunswick/London: Transaction Publishers).
- Tahseen A. & Eatzaz A (2010), "*The Effect of Corruption and Governance on Tax Revenues*" *Published in Forum for Development Studies*, Vol. 27, No. 1 (2010), pp. 7-41.
- Tanzania (2006): "*Public Expenditure Review Annual Consultative Meeting; Local Government Fiduciary Assessment Joint Evaluation Report May 12-13, 2006*"
- Taylor, E.P. (2012), Sources of government revenue: An international perspective: retrieve on 03 September, 2013 from World Wide Web: <http://theoryofeconomics.com/market-economy/government-revenue/>

The Government of South Australia (1999), “Local Government Act (1999): Roles, functions and objectives of councils.

The United Republic Of Tanzania (2012), “*Annual General Report of the Controller and Auditor General (CAG) on the Financial Statements of Local Government Authorities for the Financial Year Ended 30th June, 2012*”, National Audit Office

The United Republic Of Tanzania (2013), “*Annual General Report of the Controller and Auditor General (CAG) on the Financial Statements of Local Government Authorities for the Financial Year Ended 30th June, 2011*”, National Audit Office

United cities and Local Governments (2008), *Local Government Inputs for the High Level Event on the Millennium Development Goals*, New York, September 2008

United Republic of Tanzania (2009), “Guidelines for the Preparation of Medium Term Plan and Budget Framework for 2009/10 –2011/12”.

United Republic of Tanzania (URT), (1996a) Report on the Commission on Corruption (The Warioba Report). Dar es Salaam.

United Republic of Tanzania (URT), (1996a) Report on the Commission on Corruption (The Warioba Report). Dar es Salaam.

United Republic of Tanzania, Ministry of Finance and economic Affairs – MoF (2011), “The economic survey 2011” also produced by President office , Planning Commission, Dar es Salaam.

United Republic of Tanzania, (1977), Constitution of the United Republic of Tanzania, Government printers, Dar es Salaam

United Republic of Tanzania, Ministry of Finance and economic Affairs – MoF (2004),
Revenue & Taxation Policy: Ministry of Finance and economic Affairs:
Retrieved August 31, 2013, from the World Wide Web:
http://www.mof.go.tz/index.php?option=com_content&view=article&id=37&Itemid=52

United Republic of Tanzania, PO- RALG and MoF (2005), *Policy Paper on Local Government Finance: The framework for the financing of Local Government Authorities in Tanzania*

United Republic of Tanzania, President Office Regional Administration and Local Government (2000), *the history of Local Government in Tanzania*

APPENDICES
QUESTIONNAIRES

Dear respondent, thank you for allocating your precious time to answer this questionnaire. The objective is to make analysis of the **factors obstructing local government authorities from attaining estimated revenue collection goal**. The information provided will be used solely for academic purpose and treated under high confidentiality (*Do not write your name on the questionnaire*)

Research undertaken

By
Magdalena Z. Katunzi

Msc. Accounting and Finance of Mzumbe University

To be filled in by employees of the Council and Councillors

PART I: GENERAL BACKGROUND INFORMATION (100)

Instructions: Please put a check mark (√) in the box corresponding to correct answer or circling the correct answer against each question according to your opinion, or fill in the blanks.

101) Which of the following categories best describes position you have in the LGA?

Designation	Tick (√) box	Designation	Tick (√) box
Executive Director		Revenue accountant	
Council engineer		Council Economist	
Council Treasurer		Council legal officer	
Council Trader officer		Council senior supplies officer	
WEO		MEO	
Councilor		Internal Audit	
Expenditure accountant		Planning Officers	

102) How long have you been working with this council?

- 1) Less than 1
- 2) 1-3 years
- 3) 3-5 years
- 4) 5-10 years
- 5) More than 10 years

PART II: THE ECONOMIC ACTIVITIES UNDERTAKEN IN THE LGA AND THE REVENUE SOURCES (200)

(201) What are the major economic activities undertaken by people in your Council?

Type of economic activity	Tick (✓) box	Type of economic activity	Tick (✓) box
1. Large scale Business		8. Saw mills	
2. Medium business		9. Manufacturing industries	
3. Petty business		10. Processing industries	
4. Tourism		11. Mining	
5. Cash crop farming		12. Banking	
6. Food crops farming		13. Fishing	
7. Transportation		14. Bee keeping	
15. Other (Specify)			
.....			
.....			
.....			

(202) Do the levies, charges and other taxes imposed by the council relate to the council economy?

- 1) Yes,
- 2) No
- 3) Not sure

Please give reason for your above

answer.....

(203) What revenues sources among these does your council have in its list?

Own revenue Source	Write Yes /No	Own revenue Source	Write Yes /No
1. Property tax		2. Produce cess	
3. Service levy		4. Hunting Licenses	
5. Market levy		6. Liquor /Grocery fee	
7. Public Parking Fees		8. Land rent	
9. Posters and billboards fee		10. Guest house Levy	
11. Bus stands fees		12. Abattoir and slaughter fees	
13. House rents for council's properties		14. Meat inspection fee	
15. Commission for land fee agency		16. Fishing licenses	
17. Hotel Levy		18. Market Dues	
19. Solid waste collection fees		20. Forest harvesting	
21. Medical Examination		22. Public Toilets fee	
23. Building permits fee		24. Selling of Tender documents	
25. Road users fees		26. Land application fee	
27. Wrong parking fine		28. 2.5%of financial services	
29. Sewerage emptying fee		30. Selling of grocery	
31. Taxi charges		32. Meat carrying trucks fee	
33. Fines		34. Temporary fencing fee	
35. Public Advertising fee		36. Live stocks product selling fee	
37. Insurance agency commission		38. Fumigation	
39. Business licenses		40. Others (specify)	

(204) Among the identified revenue sources in your LGA list which are the major sources? (Please mention)

.....

.....

.....

.....

(205) (a) Does each source of revenue have its By-law that allow the Council to collect that kind of revenue from the said sources?

- 1) Yes,
- 2) No
- 3) Not sure

(b) If the answer in 206 above is yes, when was the by-laws last reviewed/amended?

.....
.....
.....

PART III: EVALUATING THE EFFECTIVENESS OF LGAS' REVENUE COLLECTION METHODS (300)

(301) Which system does your council currently using in revenue collection?

- 1) Using outsourced revenue
- 2) Council's own staff/ revenue collectors
- 3) Both systems (own collectors and outsourcing)

(302) If the revenue collection task has been assigned to agents (outsourced), what factors taken into consideration to obtain those revenue collecting agents?

.....
.....
.....

(303) is there any research undertaken about benefits of outsourcing those revenue sources to private agents with the intention of obtaining value for money in those tenders before outsourcing decision is reached?

- 1) Yes,
- 2) No
- 3) Not sure

(304) Who from your council is responsible for Agents revenue collection contracts preparation, monitoring and follow up as well as agents' revenue collection tend?

.....
.....
.....

(305) Remittance of the collected revenue by outsourced to the council is done on.....

- 1) Daily basis,
- 2) Monthly basis
- 3) Annually
- 4) Other

specify.....

.....
.....
.....

(306) Is there any frequent revenue collectors check up to identify any misconduct /shortcomings among revenue collectors (especially collecting agents

- 1) Yes,
- 2) No
- 3) Not sure

(307) what are the measures undertaken by the council to encourage their residents to pay tax voluntarily?

- 1) Sensitization through radio
- 2) Sensitization through television
- 3) Sensitization through newspapers
- 4) Sensitization through billboards and posters
- 5) Sensitization through meeting.(eg.WDC)
- 6) Other

(specify).....

.....
.....

PART IV: THE TREND OF ACTUAL OWN REVENUE COLLECTIONS IN RELATION TO ESTIMATED IN PAST FOUR YEARS (400)

(401) Indicate the estimated and actual revenue collections from Councils own revenue sources within four years (with effect from FY 2008/2009 - 2011/2012) and the percentage of actual collection. (Please attach the copy of the report with this questionnaire).

(Format of the attached report)

	2008/2009			2009/2010			2010/2011		
	ESTIMATES	ACTUAL	%	ESTIMATES	ACTUAL	%	ESTIMATES	ACTUAL	%

PART V: FACTORS BEHIND LGAs’ FAILURE TO MEET THEIR REVENUE ESTIMATES IN ACTUAL COLLECTIONS (500)

(501) What are the major hindering factors to your council attaining revenue collection goal?

S/N	Hindering Factors	Check (√) appropriately	S/N	Hindering Factors	Check (√) appropriately
1	Bad perception of citizens on the local tax systems		7	Weak and unbinding revenue collecting contracts to Revenue collecting agents	
2	Central Government’s Directives		8	Political interference	
3	Poor education to taxpayers		9	Limited /weak own sources revenue	
4	Absence of Reliable Taxpayer’s Data and Citizens’ behavior of hating to pay tax		10	Absence or Outdated By-laws for Council Revenue Sources	
5	Limited number of qualified revenue collectors and Inadequate knowledge of by-laws		11	Poor motivation to revenue collector and Negligence	
6	Forecasting Problem		12	Poor management of collected revenue	
13	<i>Other (specify)</i>				
				
				

(502) In your opinion what is the councillors' capability to oversee the revenue sources in your council?

- 1) Excellent
- 2) Very good
- 3) Good
- 4) Satisfactory
- 5) Average
- 6) Below average

(503) In your opinion what are the measures once taken may improve LGAs' revenue collection in Tanzania?

.....
.....
.....
.....

Thank you very much for your Corporation