

**PERFORMANCE OF OUTSOURCING REVENUE
COLLECTION IN LOCAL GOVERNMENT AUTHORITY:
A CASE OF MBARALI DISTRICT COUNCIL**

**By
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**A Dissertation Submitted in Partial Fulfilment of the Requirements for Award
of the Degree of Master of Science in Accounting and Finance (MSc A&F) of
Mzumbe University.**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled “*performance of outsourcing revenue collection in local government authority: a case of Mbarali District Council*” in partial fulfilment of the requirements for award of the degree of Master of Science in Accounting and finance of Mzumbe University.

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DECLARATION

I, Rajabu Mohamedi Ngallawa; 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.

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DEDICATION

This dissertation is dedicated to my wife SABRINA P. MATHIAS who pioneered my academic success.

ABBREVIATIONS

CBT	Cashew nut Boards of Tanzania
DED	District Executive Director
DPPSC	District Produce Purchase Supervision Committee
DTR	District Treasury
EA	Expenditure Accountant
FAA	Final Accounts Accountant
GDP	Gross Domestic Product
IMF	International Monetary Fund
LGAs	Local Government Authorities
LGRP	Local Government Reform Program
MDC	Mbarali District Council
MP	Members of Parliament
PMO-RALG	Prime Minister's Office Regional Administration and Local Government
PSI	Policy Support Instrument
PSRC	Poverty Reduction Support Credit
RA	Revenue Accountant
REPOA	Research on Poverty Alleviation
SPSS	Statistical Package for Social Science
TRA	Tanzania Revenue Authority
Tsh	Tanzanian Shillings
URT	United Republic of Tanzania
US	United States
VEO	Village Executive Officer
WEO	Ward Executive Officer
WRC	Ward Revenue Collector

ABSTRACT

In recent years many Government Authorities have reformed their tax collection systems in order to increase revenue and minimize the operating costs that was associated in revenue collection. Being the case, most of the Local Government Authorities have decided to outsource the revenue collection activities to other organisations. Outsourcing is the art of assigning certain functions of a company to another external company or agency in bid to enhance quality of services, minimize costs and bring flexibilities to the operations. Mbarali District Council is among those organisations which decided to outsource the revenue collection activities. The reason behind was the large amount which was spent in generating those revenues.

This study therefore aimed at determining the performance of outsourcing revenue collection in Local Government Authority taking Mbarali District Council as a case whereby specifically the study aimed at determining the determinant factors for outsourcing of revenue collections, assessing constraints experienced in the revenue collection practices and determining improvement measures for revenue collection through outsourcing. Design a research venture involved of data, organizing and analyzing data to achieve the research objectives and purpose whereby 80 respondents were involved in the study. Data were analysed using Statistical Package for Social Science (SPSS) and excel computer programmes and results were presented in tables, charts and histograms. According to the study findings, it was revealed that, the major factors for determining outsourcing to be the district ability to outsource considering the constraints to the outsourcing which include according to the findings; workload to the district activities. There was found also measure for the revenue collection through outsourcing to be in place. In that respect it was concluded that the district should strive on outsourcing in order to improve district development and that all constraints should be worked on with collaboration between the government and other stakeholders. Also the private collectors should abide to contract signed which includes submission of revenue on time, returning the used books on time and follow up the procedure during the process of collection.

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CHAPTER ONE

INTRODUCTION

1.1 Background information

According to Mugoya and Chikongoye (2011), outsourcing revenue collection by LGAs is not an alien phenomenon in Tanzania. Several LGAs have at times outsourced administration of certain revenue sources including property rate (flat), market fees, forestry levies, livestock auction and abattoir fees, bus stand fees and parking fees. The outsourcing has been to a range of agents including market associations, cooperatives and private firms especially those dealing with debt management. In assessing the success of outsourcing, it has been argued that although outsourcing does not offer a quick-fix in terms of increasing revenue and easing administration, in general, revenue from the outsourced sources did actually increase with significant improvement in predictability as well (REPOA, 2008).

According to URT (2009), until 2003 Tanzania followed a relatively permissive approach to local government taxation, meaning that local governments were given substantial latitude in coming up with their own local revenue structure. This open approach to local revenues was a major contributing factor to a highly fragmented local tax system. It was broadly felt that the fragmented local tax structure imposed an excessively high burden on local taxpayers (through high cumulative rates and high administrative costs) and caused an environment not conducive to economic growth. In addition to the collection and taxpayer compliance problems caused by the lack of a uniform local revenue system, the absence of a uniform local revenue system also has hindered the systematic collection of data on local government revenues.

After the country realized problems emanating from local revenue system, PMO-RALG sought to promote the voluntary “rationalization and harmonization” of local revenue systems, by encouraging local government authorities to broaden their tax bases and keep tax rates low. In this vain, PMO-RALG produced a set of Guidelines

for Rationalization and Harmonization of Local Government Sources of Revenue, Tanzania Mainland (2002), along with related training materials. In June 2003, the system of local taxation in Tanzania was significantly reformed by proclamation of the Minister of Finance during the Budget Speech.

The revenue collection in local government authorities in Tanzania is done through different sources depending on the location and the revenue sources available to such local authority, most of the revenue sources which have been outsourced in most of the local authorities including Mbarali District council as a case is Hotel levy, car parking fee, market dues, bus terminal fees, abattoir levy, produces fee and auction fee. Previously, most of this revenue was collected by the local authority employees including ward executive officers.

One major problem which was pointed out by difference researchers was inability of those government officials in collecting this revenue which led to not reaching to the budgeted amount every year. In most of the District councils there was a huge gap between the budget amount and the amount actual collected. Studies which was taken by different scholars has revealed that the under collection was due to poor administrative capacity to assess the revenue base, poor administrative capacity to enforce the fees and tax, corruption, embezzlement of revenues and external pressure on the local finance department to provide optimistic projections. (REPOA 2004), in this setting, fundamental issues to be addressed in the context of local government fiscal reforms are to redesign the current revenue collection structure and to strengthen financial management.

This being the case so many local authorities have embodied on revenue source outsource so as to see whatever these were some changes in collection or not. Mbarali District council has established the privatization process of revenue sources in the year 2005.

1.2 Statement of the problem

According to URT (2012), many Local Government Authorities (LGAs) in Tanzania have outsourced their revenue collection during recent years in order to improve collection activities of the Council. The reason behind this was to boost revenue collected and lower the council's administrative cost. However, this has not been the case. Instead, the amount of LGA's revenue has been decreasing in most council which also has experienced serious problems with revenue collection agents in complying with the terms of the signed contracts.

On the other hand, Khijjah, *et al.*, (2005) the trend in local government revenues reveals the down-ward trend in local revenues collections, revenues decline from over Tsh 57 billion in 2002 to slightly under Tsh 43 billion in the 2004/2005. It should be noted that on July 1, 2004 the local government budget cycle was synchronized with the central government budget cycle, prior to this date local government revenues were reported on the calendar year, from January to June 2004, from separate 6 months reporting period.

Table 1: Total own source collection for Mbarali during 2008/09-2011/2012

Source of revenue	2008/2009	2009/2010	2010/2011	2011/2012
Property tax	-	-	-	-
Produces tax	389,621,300/=	493,755,839/=	497,079,842/=	434,605,167/=
Service levy	628,299/=	601,167/=	8,577,600/=	6,717,041/=
Auction fees	101,326,450/=	69,171,500/=	86,516,500/=	90,086,000/=
Market fees	58,820,600/=	65,593,600/=	72,560,000/=	49,033,000/=
Slaughter fees	6,398,170/=	2,621,000/=	1,444,500/=	3,355,000/=
Other revenues	509,350/=	19,992,686/=	10,232,500/=	21,131,630/=
Total	557,304,169/=	651,735,792/=	676,410,942/=	604,927,838

Source: councils financial reports 2008-2012

A large annual fluctuation in the revenue generation of the council has been observed. The trends describing fluctuation in local government own revenue does not follow a lines path. However in contrast to other studies, which argue that there a general decline trend in the real value of local government own revenue. (Semboja and Therkilden 1991 and 1992) pointed out that, there was no general trend found. From a sample of about 50 councils the trend during the period of 1992-1995 was

decline for some councils while it was opposite in real term for others. This situation has been making the Local Authority to depend much on the central government grants so as to implement their development plans and objectives such as health care services, education services, road construction and maintenance and provision of water services. For this particular aspect, the researcher will assess the performance of revenue collection as a result of implementation of outsourcing policy.

1.3 Significance of the Study

Conducting such a study normally aims at solving a problem which persist to the society, organisation or any other system. The study aiming greatly in solving the problems about economically, administratively and social perspectives.

Several studies relating to revenue collection outsourcing of various activities in LGAs have been under taken by different researchers. But all in all some of the items which are raised to be the solution in one area does not solve the problem to other areas.

The study got both, empirical as well as managerial implication. On the side of empirical this study fills the knowledge gap concerning the existing performance of private revenue collectors in the District council. The findings contribute greatly to the body of knowledge as it used as a base for further studies as regard to this subject matter. On the other hand when considering about managerial side the findings will help the management to answer the question arising in local authorities on whether the outsourcing the revenue sources can solve the problem of revenue collection so as to allow the councils to meet their daily obligation as they fall due about economic, political, social and cultural issues. The finding of this study also assists the management and the council as the whole to identify the existing problems and provide some inputs to decision as well as policy makers.

1.4 Research Objectives

1.4.1 General Objective

The general objective of the study was to determine the performance of outsourcing revenue collection in Local Government Authority taking Mbarali District Council as a case study.

1.4.2 Specific Objectives

- (i) To determine the determinant factors for outsourcing of revenue collections
- (ii) To assess constraints experienced in the revenue collection practices
- (iii) To determine improvement measures for revenue collection through outsourcing.

1.4.3 Research Questions

Generally, the investigation and formulation of this study was guided by the following research questions:

- (i) What are the determinant factors for outsourcing of revenue collections?
- (ii) What are the constraints experienced in the revenue collection practices?
- (iii) What are the improvement measures taken for revenue collection through outsourcing?

1.5 Scope of the Study.

The study was conducted at Mbarali district council which is among the eight Districts in Mbeya Region. The study was also conducted to all revenue sources which had not been outsourced to the moment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter tries to explain the definition of the major terms used in the proposal. It will provide the insights of the local Government Authorities and the Local Government Authorities reforms, and the Legal framework of how they operate especially in regards to revenue collection and taxation and gives an analysis of experiences on private Management and outsourcing revenue collection in local Government Authorities.

2.2 Definition of Key Terms

2.2.1 Outsourcing

Outsourcing is the contracting out of a business process, which an organization may have previously performed internally or has a new need for, to an independent organization from which the process is purchased back as a service (Gail and Lockwood, 2011). Companies outsource to avoid certain types of costs. Among the reasons companies elect to outsource include avoidance of burdensome regulations, high taxes, high energy costs, and unreasonable costs that may be associated with defined benefits in labour union contracts and taxes for government mandated benefits. Perceived or actual gross margin in the short run incentivizes a company to outsource.

2.2.2 Revenue

In business, revenue or turnover is income that a company receives from its normal business activities, usually from the sale of goods and services to customers. In many countries, revenue is referred to as turnover. Some companies receive revenue from interest, royalties, or other fees (US, 2006). Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time.

2.2.3 Local Government Authority

The term local government or local authority refers to rural or urban political subdivision within a nation, which is constituted by law and has a substantial control over local affairs (URT, 2012a). Its functions depend very much on the way it interacts with the central government and regional administration. The term may thus be taken to mean levels of government that are subordinate to a central government in federal systems of government.

Local authorities are autonomous and are therefore free to develop their own tax system. President Office, regional administration and local government guideline for rationalization and harmonization of local government sources of revenue (Tanzania mainland, 2002). The local Government Authorities (Urban/District) in Tanzania were re-established in 1984 from their performance in terms of revenue generation has been inadequate (Local Government Fiscal review December 2005 report). Other laws related to local authorities have been amended accordingly. Regional administration laws also affect the local authorities. Both districts and urban LGAS represent an attempt by the government to decentralize state power.

2.3 Theoretical Literature Review

2.3.1 Understanding the Local Government Authority

Local Government authority as found in Acts no 7 and 8 of 1982. “Local government authority means 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 higher level of government. Common names of local Government entities include state, province, region, department, district city, township, town Municipality.

For administrative purposes, Tanzania is divided into 26 regions, 21 on the mainland, 3 on Zanzibar, and 2 on Pemba. 99 districts have been created to further increase

local authorities. These districts are also now referred to as local Government authorities. Currently there are 114 councils operating in 99 districts, 22 are urban and 92 are rural. The 22 urban units are classified further as city (Dar es Salaam, Tanga, Mbeya, Arusha and Mwanza), Municipal (Dodoma, Iringa, Kilimanjaro, Morogoro, Shinyanga, Tabora) and town councils. In order to administer and to deliver the services to the citizen, the local Authority needs money. Financing is therefore a matter for serious concern in Local government authorities (LGAs) (Max, 1991). The LGAs need financial resource at their disposal to enable them to provide, operate and maintain the requisite human and material resources for that purpose. The various sources from which a local authority can raise money to finance its activities are spelt out in local authority Act 1982. These sources fall broadly into taxes, licences, fees and charges, rents, income from investment, Government grants and donation.

In most local authorities, the collections of revenue from own sources have been inadequate (URT, 2012a). Most of them have established low capacity of financing development activities through their revenue collection. In some Local Authorities certain sections have been either inadequately funded or totally neglected. Since some of the development projects are supposed to be funded by the councils' own funds, there is a minimum level of achievement to the intended beneficiaries. For instance, councils rural roads, dispensaries, schools building village office buildings are still in a very bad condition, school materials, desks, exercise books etc are inadequate. This normally seems to happen at village level. Thus has generated the poor performance of the councils particularly in the area of provision of social services and development authorities (Kinemo and Ngillangwa, 1999)

In order for the local government to perform their statutory obligations, the local government reform program (LGRP) introduced a way forward for the councils to private its functions the revenue collection process to private sector, so that they can perform on behalf of the councils.

2.3.2 Outsourcing Historical Perspective

The mainland Tanzania has a long history of functioning local government, starting with the Native Authorities Ordinance in 1929. There was a ten years break, as in 1972 the Local government was abolished and replaced with a direct central government rule. The reintroduction of the Local government occurred in the beginning of the 1980s (1982) when the rural councils and rural authorities were re-established. Local government elections took place in 1983 and the establishment of functioning councils in 1984. In 1993 the one party political system was abandoned and replaced with a multiparty system of government, the first multiparty election taking place in 1995. Following the Liberation of the political field, was a major public sector reform, which included a Local government reform programme (LGRP) covered four areas political decentralization, financial decentralization, Administrative decentralization and changed central Local relations, with the mainland government having over-riding powers within the framework of the constitution.

This process of Local government reform is still on going. It aims to promote democratic, accountable and autonomous Local Government authorities, with wide discretionary powers and strong financial base implemented by 2025. In the case of Zanzibar, the 1964 revolution not only abolished the monarchy but also did away with the separation of the legislature, the executive and the judiciary, fusing all their functions into a revolutionary council. Since the promulgation of Zanzibar's first post-revolution constitution in 1979, Zanzibar has, however, passed various pieces of legislation on Local Government. At the moment, Zanzibar is developing a programme for local government with the assistance of the United Nations.

2.3.3 Legal Basis of the Local Government Authorities

Local Government is a non – union matter. It is nonetheless enshrined in the union constitution as well as in the constitutions of the mainland and Zanzibar. In mainland Tanzania, the constitution of the United Republic 1977, articles 145 and 146 state that the National Assembly or the House of Representatives must provide for Local

government through Legislation. Article 146 provides that are of the objectives of the Local Government is to enhance the democratic process within its area of jurisdiction and to apply the democracy for facilitating the expeditions and faster development of the people.

In relation to the Local government in the mainland the main legislative texts are: the constitution of the United Republic of Tanzania 1977; Government (urban Authorities) Act, 1982; local government finance Act, 1082; Urban Authorities (Rating) Act, 1983; Regional Administration Act, 1997; Local Government Laws (Miscellaneous Amendments) Act, 1999; The Local Authorities provident Fund Act (Act No 6 of 2000); The Local Government Authorities (Decoration of Buildings) Act (Act No. 9 of 1968) and the Regions and Districts (establishment procedure) Act (Act No. 12 of 1994).

In Zanzibar, the relevant Part of the constitution 1984 is article 128. The main legislation regarding Local Government is: Zanzibar municipal council Act, 1995 and District and Town councils Act, 1995. The minister of the state in the president's office Regional Administration and Local Governments (PO-RALG) is responsible for the administration of this legislation.

2.3.4 Functions of Local Government

All Local Government Authorities are mandated to play three main functions as stipulated in Article 146 (2) (a)-(c) which include: maintenance of Law, order and good governance; promotion of economic and social welfare of the people in their jurisdiction; ensuring effective and equitable delivery of qualitative services to the people within their areas of jurisdiction. In addition to the basic function, all local government are charged with seven other functions and duties as follows: formulation, coordination and supervision of the implementation of all plans for economic, industrial and social development in their areas of jurisdiction; monitoring and controlling the performance of duties and functions of the council and its staff; ensuring the collection and proper utilization of the revenues of the council; making

by-Laws applicable throughout their areas of jurisdiction, and considering and improving by-Laws made by village councils within their areas of jurisdiction; ensuring, regulating and coordinating development plans, projects and programmes villages and township authorities within their areas of jurisdiction and regulating and monitoring the collection and utilization of revenue of village councils and township authorities. Subject to the Laws in force, doing all such acts and things as may be done by a people's government (Refer; party V of the Local Government (District) Authorities Act.

2.3.5 Types of Local Government in Tanzania

Local Government authorities are classified into two categories: (i) *Urban Authorities*: They are responsible for the administration and development of urban areas ranging from townships, manic parties and cities and (ii) *Rural Authorities*: They are commonly known as District councils.

2.3.6 Revenue Expenditure in Local Government Authorities

According to Local Government law Principal legislation (revised Edition 2000) with reference to Act no 9 of 1982, 18 of 1983, 4 & 17 of 1985, 10 of 1986, 4& 10 of 1987, 18 & 23 of 1991, 6 of 1992, 12 of 1999, the Local Government Authorities have been provided a source of revenue and the management of funds and resources. The Local Government Authorities have been given wide powers to raise revenue through various as laid down under sections 7 (1) (a)-1, (2), (3) and (4) these source comprise the following:

- (1) Power imposed on: all assets vested in the district council by virtue of section 5; all moneys derived from any trade, industry, works, services or undertaking on or owned by the district council; all moneys from rents collected for renting public houses or building owned by district council; all moneys derived from any rate imposed by the district council under this Act; all moneys derived from licenses, permits, dues, charges or fees specified by any by-law made by the district council; all moneys under the hotel levy Act, by the proprietor of guest houses

and collected within the boundaries of the district council; twenty percent of all the money collected by the central Government as land rent under the Land Act; moneys payable to the district council under the provisions of Government as land rent under the Land the Land Act and all moneys derived from fees for the forest produce and licenses accruing to the district council under section 10 of the forests Act.

- (2) Any other moneys lawfully derived by a district council from any other sources not expressly specified in subsection (1) shall be and from part of the revenue, funds and resources of the district council.
- (3) Subject to subsection (4) all revenue of a district council shall be paid into the general fund of the district council.
- (4) Any receipt derived from any trade, industry, works, services or other undertaking carried on or owned by a district council either in whole or in part may.

2.3.7 Abolished Revenue Sources in Local Authorities

The circular No 1 written by minister in President Office Regional Administration and Local Government dated 24 June 2003, mentioned various levies and taxed that required to be limited or abolished or adjusted. These include: price development levy; bicycles levy; annual levy and local herbal treatment permission on fees; the wax and honey levy and vegetables; the entertainment levy; guest house levy and adjustment of produces to the level of not exceeding 5% of its selling.

Moreover, the central government of Tanzania also gives grants for provision of: public health service, education service, construction, reconstruction maintenance of roads, sewerage and agricultural extension services; refunds of money spent on outbreak infections diseases; salaries for senior staffs of the council capital works are jointly funded by the central government and the council and compensation on element revenue sources. Also, according to section 35 (1) of the Local Government

(Finance) Act No. 9 of 1982, the incidental and necessary spending powers of Local Authorities are limited to spending for those purposes to which the council is established.

Equally, Local Authorities themselves may actively engage and take part in economic development by using their power and position to establish development projects, for the purpose of enhancing economic development of the people in their localities. Local Authorities are also obligated to spend a portion of the accrued revenue for financing development in their area of jurisdiction. However, the capacity to do so depends on how much the council collects. When the local depends much on central government transfer, it may find itself being more accountable to the central government rather than the local electorates. So local authorities should impose strict measures to maximize revenue generation in order to be financially strong.

2.3.8 The Concept of Outsourcing

According to Savas (1987) government activities can be privatized through three broad alternatives as follows:

(a) Delegation

The government delegates the private sector part or all of activity of the producing goods or services but retains the responsibility to oversee the results. This requires a confirming active role of the government, Savas adds that delegation is carried out through the following main modalities; contract, franchise (concessions) and lease, grant and voucher.

(i) Delegation by contracting: this involves contracting out an activity to the non-state sector over a specified period.

(ii) Delegation by franchise: this involves awarding a private organization an exclusive right to sell goods or services to the public over a specified period and area

in exchange for a fee. According to saves there are two categories of Franchise, these are: concession (suitable for public domains such as air or utilities); lease (Renting a government owned asset for use by the private sector) and delegation of grant. This involves providing subsidy to a private entity so that it can deliver a service to the public.

(b) Divestment (Divestiture)

This form of privatization involves transfer of ownership and control of state owned enterprise to the private sector through outright sale (by private placement, public sale, employee buyout, and to user or donation) . This is the narrow concept of privatization as championed by the protagonists of the privation movement including the international aid agencies. Displacement by withdraw-This may occur in two ways: the government withdraw deliberately from production by liquidation or shutting down and by inviting the private sector into an activity while shrinking its stake (joint venture) PSRC (1996). The researcher limit the use of privatization to mean delegation by two categories that means containing out an activity to the non-state sector over a specific period

2.3.9 Concept of Tax Management and its Principles

James and Nobes (1992) defined Tax as a compulsory levy made to public authorities for which nothing is received directly in return. Taxes are transfers of money to the public sector, but they exclude loan transactions and direct payment for publicly produced goods and services. According to the Local Government Fiscal Review Tanzania (2004), the Local Government authorities' collections is roughly about 5 percent of all public revenues and are responsible for 20 percent of public spending. Local government authorities play a major role in the provision of vital public services and assuring the quality of life for all Tanzania.

According to Local Authorities Financial Memorandum of (1997), the local authorities have a wide range of responsibilities of the provision of essential services and good government for the citizens for their localities. In order to carryout these

Sound financial management is crucial if local authorities are to convince the public that funds have been properly accounted for have been spent for the purpose for which they were intended, and have achieved maximum benefit possible. However the complains from the taxpayer on the spending of their funds are the normal talks, there might be poor collection to there is mismanagement of revenue collected.

Mponguliana (2005), discusses that most taxation professional agree that some broad principle or criteria for evaluation tax system, basic law and regulation. On the other they hand they differ on the degree or weight of these criteria. This difference in most cases is on individual personal thinking and value judgment. The conventional principles of taxation are equity, simplicity, economic and certainty and convenience and neutrality. Feldstand and Samboja (1999) pointed out principles of taxation from various literatures.

Several general criteria which any local revenue scheme might be judged (Bird, 1992; Bahl et al, 1990; Grnewegn, 1990; and Davas, 1988) these are:

- (i) Mobilization resources; the main objectives of taxation is to raise enough resources to fund public expenditures. The adequacy of tax should be considered in relation to the function that is supposed to finance. Revenue adequacy depends on the levels of the rate and base. For instance, high rates will most likely produce excess burden through reactions in behaviour by taxpayers attempting to avoid or evade the tax.
- (ii) *Economic efficiency*; Taxation nearly always effects some economic choice. However, a tax should be designed in such a way to minimize (or avoid) distorting consumer and producer choices or discourage work or savings. To the extent that local taxes, licenses and charges alter choice that otherwise would have been made, they are economically inefficiency.

- (iii) *Equity*: Tax ought to be fair in its treatment of different individuals. First, it should be horizontally equitable implying that the burden of taxation should be similar between different groups with similar economic positions. Second, it should contribute more than those with fewer resources. Finally, it should be geographically equitable, in that there should be no substantial, arbitrary differences in tax burden between councils, unless these represent differences in services provision.
- (iv) *Certainty on behalf of taxpayers*: (Stiglitz, 1988), Tax should be designed in such a way that individuals can ascertain what they are paying. The political system can more accurately reflect the preferences of individuals (political responsibility).
- (v) *Suitability as a local government revenue source*: (Devas, 1988). Criterion requires that it should be clear to which local authority a tax payment should be made. The tax should not be easily avoided by moving the tax object from one council to another.

However for case of Local Authority, revenue collection benefit received criteria should also be used. That is the benefit that a taxpayer receives from the local government service rendered should be consumed, not on a quid pro quo basis. In other words the tax payers should benefit in proportion to the weight of tax paid. The concept of taxation and development within authorities Kinemo and Ngilangwa (1999), pointed out that, the main purpose for which local authorities come into existence is to provide quality services to the public in its localities particularly in the provision of public education, provision of hospitals, construction of sewerages, clean water, highway, and public transport services.

The provision for such services absorbs most of the money paid to Local Authorities from local taxes and government grants. They continuously argue that local authorities need to plan and control their expenditures, increase revenue collection and institute strict measures of maximum revenue realization. They pointed out that,

government tax policy and administration is crucial for local authority development with minimal political interference.

In the same manner, Spake (1994) argues that, Local Authorities are concerned with the prosperity of areas and other things involved in the development such as industry so as to create strong tax base.

2.3.10 Outsourcing Revenue Collection Performance Measurement

There are different performance measurements as explained by many theorists. However, in this study will adhere to performance of outsourcing revenue collection method developed by TRA whereby three types of performance measures are established which enables to assess the success or failure of the firm. The performance measures include key performance indicators, operational indicators and perception indicators.

- (a) Key Performance Indicators: measure nature and scope of operations, efficiency and effectiveness of the tax administration. These indicators provide an overall summary of the firm performance.
- (b) Operational Indicators; these have been outlined to measure achievement of each initiative. These will be monitored and will enable the firm and its stakeholders to assess the overall success or failures.
- (c) Perception Indicators; being part of the Tanzania public the Authority would like to know the perception by its stakeholders towards the tax administration to enable continuous improvements. In view of that, perception surveys are conducted to provide input to the perception indicators.

2.4 Empirical Literature Review

Although several research studies has been undertaken by different scholars and professionals in relation to the issue of revenue collection and effect privatizing revenue collection in Tanzania local authorities, although researcher found non among the studies which is directly include the impact of abolition of some of revenue sources as affected in 2003. The following are some brief review on the finding found in these studies. Local government reform team (1998), in their paper titled

policy paper on local government reforms, they said that, to make substantial increase in own revenues and to enhance tax payer's compliance, the revised legislation shall make provision for the following:

- (a) Increasing the cost effectiveness of council tax collection by reducing the number of minor local government taxes, which generally cost more to collect than they yield simplifying the local government tax structures the administration.
- (b) Introducing a less costly system of levying property tax in all urban councils.
- (c) Allowing user fees for all services that the government does not declare as free.
- (d) Removing ambiguities and overlaps between central government and local government.
- (e) Making the local government tax collection system more transparent
- (f) Securing a fair and equitable treatment of all tax payers.

Keenja (1998), emphasizes that, the collection of revenue from local government own source has been unsatisfactory. This is due to diverse reasons including: the political leadership has been very resistant in supporting direct taxation after these were abolish in 1969, as a result a number of contra ding statement have been made over the past year, which have tended to discourage the people from paying taxes. Also after years with no direct taxation people have been reluctant to pay their taxes. Other reasons include; the prevision of service and the implementation of development programmes has been less than satisfactory thus further discourage the people from paying taxes and in most cases the collection of local government revenues has been poor due to lack of institutional structures for that purpose. There has well been lack of purpose in performing that important task.

In most local government authorities, there have been cases of mismanagement of funds even thefts which have further discouraged the people from paying taxes. Furthermore, Keenja pointed out that Local Authorities' have been facing serious financial problems and the central government has not been able to meet its

obligation as laid down in local government (finance) act No 9 of 1982. In 1984/85 financial year, government grants were a small fraction of actual local government needs. The situation improved somewhat in 1985/86 and become more in 1986/87 financial year when estimates of grants to local government authorities were slashed to Tshs 1.0 billion at the eleventh hour. At the same time recognized finding levels from various services have not been adhered to in giving grants to local governments.

Khijjah and his team (2004) shows that, Local government authorities fund a relatively small (and decline) portion of local government expenditures from own source revenues, the collection of local revenues has been an area of some contention in the policy debate surrounding local government finances in Tanzania. Which it is widely agreed that the current system of local taxes and revenues is generally inefficient inequitable and poorly administered there is not a broad consensus on the step that need to be taken to achieve sound system of local taxes and non-tax revenues.

On one hand, the Ministry o finance ensures that, the efficiency and equity effects of local tax system has successfully promoted restrictions on the rate-setting discretion of local government authoritative over all local revenue sources. Abolishing certain local revenue source (including the development levy) altogether on the other hand LGAs see their already small revenue base shrinking even further and finds it increasingly difficult to collect own source revenues in order to deliver local service to their communities outside the centrally priority sectors. This seems to reduce local government autonomy, accountability and passes threat to the sustainability of local capital investments.

According to Nsemwa (1998) , Local government authority are duty bound to ensure that the rates they make or levy annually will be sufficient to meet part of expenditure which when added to other sources of their revenue such as grant and miscellanies receipts would make up their annual recurrent budget. He found out

that, produce cess receipts would make up their annual recurrent budget. He found out that, produce cess has suppressed development levy collection by an average of 71.4% over and above revenue collection per annum through development levy method.

Nsemwa (1998) further found out that many of the inefficiencies in collecting produce cess have been caused by the failure of District organ to perform their function effectively. So in order to eliminate these inefficiencies Nsemwa recommended the following to the District Produce Purchase Supervision Committee (DPPSC): the committee should not depend only on the reports submitted by buyers but rather they should make frequent visit to buying centres; the exemption of some of the buyers to purchase produce prior to advance payment of access should be avoided; in order to eradicate or reduce tax defaulting the communities should analyze each case so as to know buyers managed to defaults; and in order to maintain quality in terms of grades and packaging the committee should collaborate with nut boards of Tanzania (CBT).

Ngwillizi (2002/2003) argued that the president Office-Regional administration and local government in collaborating with treasury, is searching for the better ways of increasing revenue of the local authorities. Such ways include analyzing new and reliable sources. Further more said that, the year 2001 was not conducive for ambiguity resources. Furthermore he said that, the year 2001 was not conducive for council's revenue because most of the cash crops production was decreases due to the decrease of price in the market. He instated that all council should adhere the government order of removing all road blocks/barriers which concerning with crop transportation the only way is to introduce better revenue collection procedures instead.

Ndaba (1987), revealed that, financing local government in Tanzania at that moment faced a number of problems most of which are basically historical according to Ndaba revenue collection were hindered by:- The loss in experienced staff and the

temporary discontinuity of the local rates-collection in individual and their property. In order to improve revenue collection mechanism, to have close supervision to improve the recording of the business license owners and provision of reliable transport to inspectors.

Semboja and Therkilden (1992), in their study in Tanzania relieved that local authorities were not able to collection enough revenue to finance the operations and maintenance of basic services in their localities. Due to these problems additional funds to support the council were provided by central government. In their study pointed out four major causes of poor revenue collection in local authorities. These composed of the following: all the three main source (Development levy, produce cases and business licenses are based on a fixed rate per unit and are therefore likely to be inelastic; the administration of revenue collection has generally been exploited; certain potentially important new sources have not yet been exploited. Moreover there has not been above empirical and administration support from central government to tax a population accustomed to “free” public service since 1967.

As evidence from the above empirical review different researchers have analyzed various setbacks and solution concerning the revenue collection in local authorities. Impliedly they aimed at recommending on the cost ways of exploiting council’s revenue sources in order to improve the critical financial condition caused by lack of revenue. However, establishing a health financial situation of the council is not an easy job. It requires the council to be creative innovative and to practice the modern ways of exploiting revenue sources tern sufficient revenue. In turn several councils have tries to balance the public private sector relationship by privatizing some of their revenue sources and removing the ambiguity source such as development levy. Therefore this study attempts to assess the impact of revenue collection privatization and abolition of ambiguity source in the local authorities.

According to REPOA (2009) one major administrative problem today for many types of council is their inability to collect fully the revenues due to them. In most council

there are huge gaps between reported and projected revenues. Recent studies conclude that this is due to: poor administrative capacity to assess the revenue base; poor administrative capacity to enforce the taxes; explicit and intentional tax evasion and resistance from taxpayers; corruption, including embezzlement of revenues; external pressure on the local finance department to provide optimistic projections; and political pressure on the local tax administration to relax on revenue collection. In this setting, fundamental issues to be addressed in the context of local government fiscal reforms are to redesign the current revenue structure and to strengthen financial management.

According to URT (2010), measures are required to enhance taxpayers' compliance and to improve the accountability of tax collectors and councillors. However, in relation to the terms of local government taxation in Tanzania, this assumption appears to be valid. In contrast, this article concludes that revenue performance depends on the degree of coercion involved in tax enforcement. Reciprocity does not seem to be an inherent component of the state-society relationship in connection with local government taxation. Furthermore the study demonstrates that the involvement of donors through arrangements that supply development aid on the basis of matching funds from the local government, many induce increased, tax effort, but at the expense of accountability, responsibility and democratic development.

2.4.2 Implications for Policy

According to Ngowi (2011), one major administrative problem today in most council is their inability to collect fully the revenue due to them. In most council there are huge gaps between reported and projected revenues. This is due to: (1) poor administrative capacity to assess the revenue base; (2) poor administrative capacity to enforce the taxes; (3) explicit and intentional tax evasion and resistance from taxpayers; (4) corruption, including embezzlement of revenues; (5) external pressure on the local finance department to provide optimistic projections; and (6) political pressure on the local tax administration to go easy on revenue collection. In this setting, fundamental issues to be addressed in the context of local government fiscal

reforms are to redesign the current revenue structure and to strengthen financial management. Moreover, measures are required to enhance taxpayers' compliance and to improve the accountability of tax collectors and councillors. This cannot be achieved without substantial and consistent political support from the central government.

A critical requirement when further redesigning the local tax system is greater emphasis on the cost- More realism is required when it comes to the implementation of a properly functioning property tax system. An important element of the fiscal decentralisation process has been to give municipalities the power to value, assess, bill, collect and enforce property taxes (McCluskey *et al*, 2003). Property tax has many attractions as a local revenue base since it is imposed on immobile assets and therefore is difficult to avoid - at least in principle. However, it has some obvious weaknesses which need to be taken into consideration before heavy reliance is placed on it. In particular, problems of valuation and tax enforcement often occur due to political interventions and administrative weaknesses.

The municipalities' capacity and capability to administer the property tax have in general proved to be inadequate. Hence, it has been difficult for many types of council to maintain the current property valuation registers, let alone to continue the property valuation exercises. There is therefore a need to reassess the basis of the property tax in urban councils and to implement a more simple and coherent approach to the valuation provision, which takes into consideration administrative capacity and capability constraints facing the councils. Moreover, the experience of urban councils implies a need for caution when extending property tax to district councils.

In matters related to revenue collection, the transparency in budgets and accounts is at the heart of local government accountability. Local authorities publish information on revenues collected and allocations of funds, as they are obliged to, according to the Local Authority Financial Memorandum of 1997. However, at present much of

this information does not reach or is not understood by the general public. Public notices gazetted in newspapers or posted on notice boards at council headquarters are often presented in a relatively complicated and technical way which is hard for ordinary citizens to understand. Many people do not take an interest in reading notices and newspapers. It should be added that the literacy level of many citizens is low. A main challenge is therefore to provide information on fiscal issues in ways which are understandable and which reach the general public.

The report by URT (2012b) asserts that, the budgets for 2009/10 and 2010/11 were expansionary with the actual deficit after grants at 7.1% and 6.6% of GDP respectively. The approved budget for 2011/12 has a higher planned deficit of 7.6%, revised downwards to 6.6% of GDP after external grants. The medium-term objective is to bring it down to 5.5% of GDP. The revenue-to-GDP ratio is projected at 18% of GDP in 2011/12. Planned external non-concessional borrowing is 3.2% of GDP. The government plans to fill part of the financing gap through non-concessional borrowing and the issuance of bonds amounting to approximately USD 800 million for investment in productive infrastructure that can support economic growth. The domestic market remains underdeveloped and net domestic borrowing is currently capped at 1% of GDP under the International Monetary Fund (IMF)'s Policy Support Instrument (PSI) programme.

On the other hand, government revenues have generally performed well over the past years, growing at an annual average of 22%. In fiscal year 2010/11, total government revenue collections were 93% of the target. Total government spending fell short of target by 10%, partly explained by mismatch between revenue projections and spending commitments in the budget. Nonetheless, if fully realised, the planned total domestic revenues in the 2011/12 budget would only be enough to finance about 83% of recurrent budget, signalling pressure on domestic borrowing and non-concessional financing to bridge the gap for recurrent spending. Nevertheless, significant progress has been made in government revenue collections during the first

quarter of 2011/12, with overall collection reaching 99.5% of the revenue target for the quarter.

2.4.3 Methods of Revenue Collection

The study by Fjeldstad, *et al.*, (2004) indicated that, the Local government tax collection is the responsibility of the council staff and is completely separated from the central government. In district councils it is organised around three levels, namely the council headquarters, the wards and the villages. At the council headquarters the responsibility for tax collection rests with the council treasury, headed by the Treasurer. At the ward levels, the responsibility rests with the office of the Ward Executive Officer (WEO). The WEO also handles developmental issues and law-and-order functions at that level. For this purpose the local militia is at their disposal.

In wards with greater revenue potential there will also be a ward revenue collector (WRC) to support the WEO. At the village level, the responsibility rests with the office of the village executive officer (VEO). The VEO is also responsible for supervising village developmental activities and for maintaining law and order. In addition, the VEOs often function as Village Council secretaries. In practice, the organisation of tax collection varies between councils. For instance, in some council the village level has been excluded from collection, and the task is taken over by the ward level. This is due to incentive problems connected with tax collection at the village level. Most case councils have introduced new methods to increase revenue from existing sources by outsourcing some of the revenue collection.

A theoretical frame work is a conceptual mode of how one theory or makes logical sense of the relationship among the several factors that have been indentified as important in the problem (Sekaran, 2003). Theoretical frame work of outsourcing reviews collection on the financial strengths of local Authorities.

Table 2: Theoretical framework

Input	Process	Output (increase revenue)	Outcome
<ul style="list-style-type: none">• Increasing responsibilities• Builds local capacity• Getting other actors/agents to carry out the actual delivery of goods and services• Improved services delivery• Deliration by contracting• Contracting out activities to cover specific activities• Proper, efficient and transparent tendering procedure	<ul style="list-style-type: none">• Estimation of revenue from own sources• Properly capacity building• Recruiting new employee from other sources• Prepare development strategies• Funds solicitation	<ul style="list-style-type: none">• An increase in revenue collection• Realized goods or services• Free of being blamed from keeping a large number of staff• Free to concern on matters of policy and regulation• Poverty alleviated	Improved services delivered to communities , quality delivering of services to population/p eople.

Source: Researcher's construct 2013

2.5 Challenges facing Mbarali District Revenue Collection System

For the better control of revenue collection, the Government of Tanzania initiated and has implemented a number of local government reforms. These reforms, to a great extent, aimed at increasing the resources available to local government authorities and improving the management of those resources. But of even greater significance is the need to improve on the collection of revenue from the existing sources of local government authorities. Relatively a bit of effort has been directed at imparting improved procedures for collection of revenue from councils' own sources to council's staff.

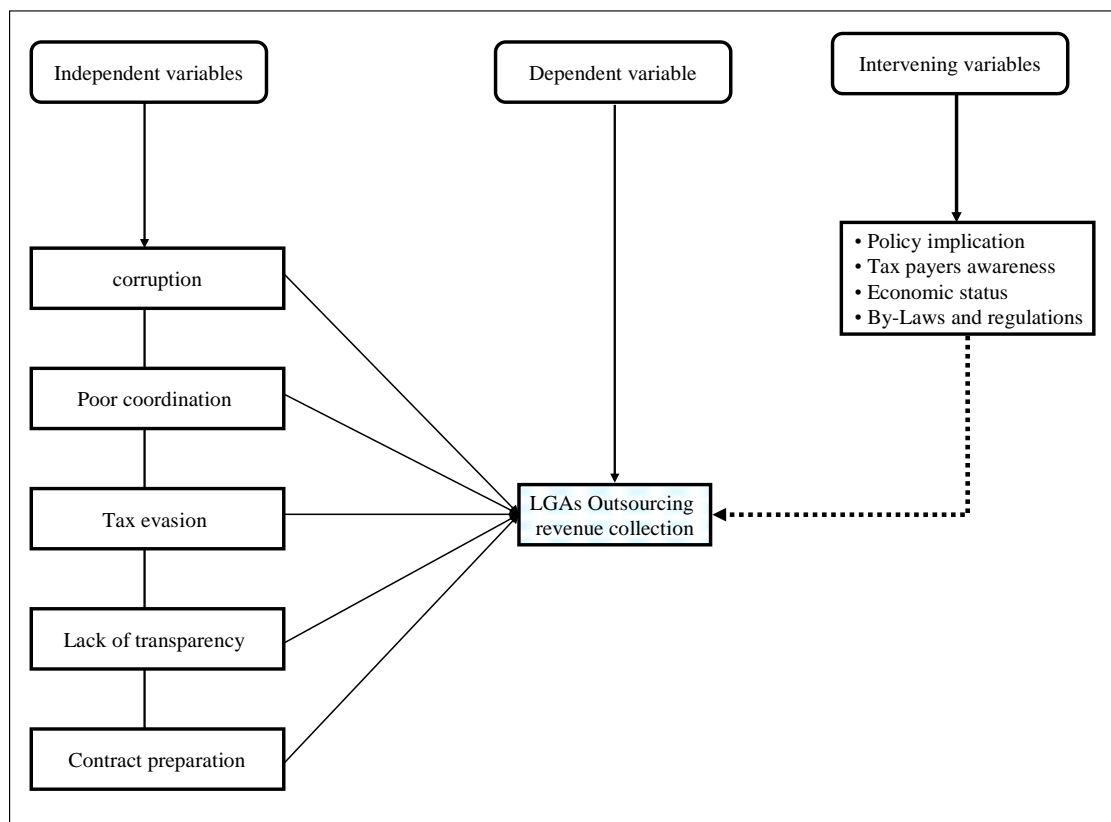
Despite certain positive developments on the part of the Central Government, LGAs in the country still face a number of setbacks. One such major administrative challenge is the inability to collect fully the revenue due to them. The huge gaps between reported and projected revenues in the Mbarali District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

Specifically revenue collection system in Mbarali is limited by the following factors: cashew nut fee is collected at a rate of 5 per cent of the indicative prices instead of the market price; some individuals avoid selling their cashew nut produce at the auction through the warehouse receipt system contrary to the requirements of the law; sometimes there are delays by financial institutions; lack of packaging materials; transport.

2.6 Conceptual Framework

Performance of outsourcing of revenue collection is affected direct and indirect by many factors as illustrated in Figure 1 below:

Figure 1: Conceptual Framework



Source: Researcher's construct 2013

Figure 1 above presents the conceptual model which shows the structure of variables relationship. The framework consists of independent variables (where the source of

problems starts),intervening variables on which when are not well understood to the people,the need for outsourcing should be there and the dependent variable which must occur when independent variables are not clear.The framework is focusing on determining the performance of outsourcing revenue collection in Local Government Authority a case of Mbarali District Council.The framework shows the relevance of outsourcing process in connection with variables.The table shows if the independent variable existed before outsourcing,The outsource was a must.Also if the intervening variables are not well understood to the society ,the awareness should be created in order to eliminate incoviniences.

CHAPTER THREE

METHODOLOGY

3.1 Overview

This chapter includes issues, such as research design, description on the study area, unit of inquiry, sampling techniques, data collection methods, data presentation methods and data analysis techniques

3.2 Study Area

Mbarali District Council is one of the eight councils in Mbeya region. It is located in South West of Tanzania, between approximately latitudes 8° 20' 44" S and Longitude: 34° 11' 38" East of Greenwich. It shares border with Iringa District in the North-East, Njombe district to the South East, Makete district, Mbeya district to the West, Chunya district to the North and to the North with Usangu Game Reserve to the South which is actually now included in Ruaha National Park. Also the district is within the eastern arm of the rift valley, marked by distinct escarpments in the South and East of the district and forms the upper catchments of the Great Ruaha River. Administratively, Mbarali District has two divisions (namely Ilongo and Rujewa), 20 wards, 99 registered villages, 11 Mitaa and 706 hamlets (sub-villages). Population by 2010 is estimated to stand at 291,931 people, out of whom 143,047 are males and 148,884 are females and 55,374 households.

The Mbarali District council like other councils is responsible for the provision and maintenance of standardized economic infrastructures and social in their areas as pointed out by Warioba (1999). It is therefore expected to be able to meet operational costs and the service to be provided are maintenance of roads in town, Garbage collection, Health service provision storm water drainage systems, rural markets, car parks, fire prevention and cemeteries, recreational faculties e.g. community centres, parks and social clubs. The potential working force in Mbarali District is 52 percent of the total population.

3.3 Research Design

According to Aaker et al (2002), research design gives a detailed blue print of scientific inquiry which designs a strategy for finding out the performance of outsourcing revenue collection in MDC. Design a research venture involved of data, organizing and analyzing data to achieve the research objectives and purpose. A case study design i.e. MDC, selected for this research proposal to avoid looking around to all other local authorities that have outsourced their revenue source like MMC, MBOZI, CHUNYA and many others.

3.4 Units of Inquiry

For intention of achieving the general objective of the study, MDC was the unit of analysis, from which the sample of respondents was selected. The selection of the following units of inquiry was subjective to their knowledge of council's revenue collection activities. The units of investigation consist of the following: District Executive Director (DED); Members of Parliament (MP's); District Treasury (DTR); Revenue Accountant (RA); Expenditure Accountant (EA); Final Accounts Accountant (FAA); Councillors; Agencies and Agencies Revenue Collectors.

The District Executive Director, Councillors Members of parliament, District Treasury, Revenue Accountant, Expenditure Accountant, Final Accountant and heads of department these are the participant who get involved much in planning, implementation, correcting and supervising how the daily activities are performed by having up to date council revenue sources.

3.5 Sampling Techniques

Nichols (1991) asserted that, once is an idea of the size of the sample to be afforded, also, there should be a think about the level of accuracy this sample gave if this is adequate for the purposes. For investigative on in-depth work, the aims is to get a 'feel for a problem'. The economic (1997) Asunder, et al., (2000) suggests a minimum of 80 respondents to be included in a sample when statistical analysis was adopted. Such small, information studies should included units from all sub groups

of interest in the target population. For the purpose of getting good information about this proposal, the researcher used a sample of 70 percent of all private collectors who were at Mbarali District Council.

3.5.1 Purposeful Sampling Methods

The researchers choose the methods to establish the sample to stand for council's official basing on the position, family and knowledge of the respondents. This is because, not every one of council's officials is vigorously concerned in all revenue collection exercises.

3.5.2 Simple Sampling Methods

Simple random method was engaged to establish the sample to stand for all members of the council's official and agencies, owing to the facts that, all the respondents had equal chance of being selected to provide the information regarding outsourcing of revenue collection in Mbarali District Council.

3.5.3 Systematic Sampling Methods

A systematic sampling method was involved to select the sample at regular intervals from the revenue collectors. The researcher interviewed every; first, middle and last revenue collectors who were at collection centres until the sample of 70 percent revenue collectors was completed.

3.6 Data Collection Methods

Data for the research was collected from primary data and secondary data.

3.6.1 Primary Data were Employed

For the reason of understanding the subject of the study, the researcher employed the method to gather information from the field for the purpose of answering a research question/issue and the following instrument was used to gather information.

3.6.2 Personal Interview

A personal interview a structure guide of questions a face to face contact between interviewer and interviewee were used to gather information from respondents. This method was engaged in order to investigate in depth information and allow flexibility in the study.

3.6.3 Questionnaire

Open ended questions were employed as a series of questions, in which each respondent provided a number of alternatives answer from which the respondents chooses.

3.6.4 Observation

In this method, the researcher participated in the field activities together with Agencies and revenue collectors in outsourced revenue sources such as market stall rent, market fees and to observe the whole process of examining the revenue collection and hear the tax payers' complaints and their observation.

3.6.5 Secondary Data

Secondary data was obtained from records and documentation of councils. Second data provided second hand information and included both raw data and published. The documents included council annual budget, reports, council research report, council abstracts of accounts and other relevant file which was presented such as income statements, and copies of letter and minutes of meeting.

3.7 Data processing and Analysis

3.7.1 Data Processing

Data and all the information that collected were organized in manageable and meaningful forms through data cleaning, simple editing, coding, checking and comparing the information to have the relevant information that were used to draw valid conclusions (Kothari, 2004).

Editing of data is a process of examining the collected raw data (especially in surveys) to detect errors and omissions and to correct these when possible. As a matter of fact, editing involves a careful scrutiny of the completed questionnaires and/or schedules. Editing is done to assure that the data are accurate, consistent with other facts gathered, uniformly entered, as completed as possible and have been well arranged to facilitate coding and tabulation.

Coding refers to the process of assigning numerals or other symbols to answers so that responses can be put into a limited number of categories or classes (or assigning a code, usually a number, to each possible response to each question. The code includes an indication of the column position (field) and data record it will occupy). Such classes should be appropriate to the research problem under consideration. They must also possess the characteristic of exhaustiveness (i.e., there must be a class for every data item) and also that of mutual exclusivity which means that a specific answer can be placed in one and only one cell in a given category set.

Classification is the reduction of data into homogeneous groups in order to get meaningful relationships. This fact necessitates classification of data which happens to be the process of arranging data in groups or classes on the basis of common characteristics. Data having a common characteristic are placed in one class and in this way the entire data get divided into a number of groups or classes.

3.7.2 Data Analysis

The data were processed and analyzed through quantitative method which involve the use of percentages and tabulation. Data analysis and interpretation enabled the researcher to address the research problem and eventually recommend possible policy implication in a conclusive manner. Percent of responses from different respondents were compared in tabular form using the formula below;

$$\text{Percentage of respondents} = \frac{\text{Actual specific response from particular group}}{\text{Total number of respondents}}$$

CHAPTER FOUR

RESULTS AND DISCUSSION

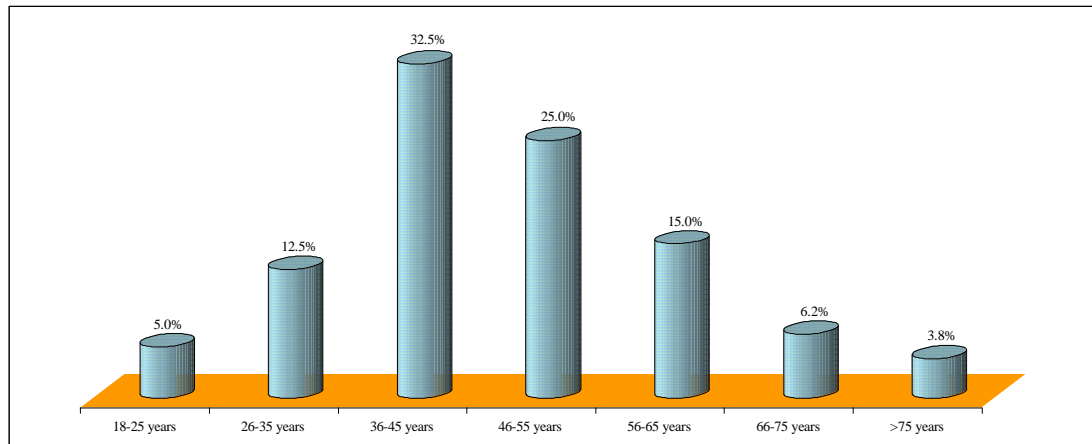
4.1 Respondents' Demographic Characteristics

4.1.1 Respondents' Distribution by Age

Investigation of respondents' age was among the paramount important aspect considering the fact that, it is only within an age limit one can explain clearly the implication of revenue collection through outsourcing. As with other business activities, revenue collection is an important activity in Local Governments particularly Mbarali district council. Age limit is required in determining employments and duration of stay in job which will eventually implicate ability to interplay revenue issues. For one to have idea and be ready to communicate to others on issues related to revenue collection depends on many factors whereby in this context age is prioritized; of course motivation is merely detected by health workers but it is one of the activities which need an individual to be active in terms of physical and mental.

Through this study, 32.5% of respondents were in the age of 36-45 years, while another group of respondents felled under 46-55 years constituted 25.0% of all respondents interviewed in this study as illustrated in Figure 2, followed by those aged 56-65 years who were 15.0% of total respondents, whilst respondents with age range from 26-35 were noted to be 12.5% of all respondents. Respondents who had lower ages which are 18-25 years category were 5.0%, while those with advanced ages which are more than 75 years were 3.8% of all respondents as shown in Figure 2. In that respect, the study encompassed a reasonable ages who could be mostly involved in identifying revenue collection as a problem in their locality.

Figure 2: Respondents' Distribution by Age



Source: Researcher's construct 2013

4.1.2 Respondents' Distribution by Sex

The importance of knowing sex category of the respondents was one of the important aspects in determining matters relating to health in the study area. According to the culture of respondents in the study area, the research prompted to investigate sex categories of respondents in order to know which sex category is mostly involved in revenue collection activities. The intention of the researcher was to ensure the research was gender sensitive for this case; however it was noted that males contributed 68.8% of respondents. On the other hand, females investigated in this study were 31.2% as illustrated in Table 3. Though the ratio of male-female was not symmetrically proportional, the researcher was satisfied with the involvement of women in the researcher; therefore the researcher can conclude that information obtained in this study was not gender biased. However, according to the respondents, it is essential to understand that while revenue collection affects both men and women as members of a household, it affects them in different ways, since their roles are substantially different, whereby women are mostly burdened. Any argument related to revenue collection and other related problems needs to take these differences into account. This is why sex categories were important in this study.

For any health development intervention activity, a number of gender issues need to be taken into board, because different gender relations exist in each cultural context.

Gender relations refer to a complex system of personal and social relations of domination and power through which women and men are socially created and maintained and through which they gain access to power and material resources or are allocated status within society. Gender is about roles played by men and women; it is not synonymous with men and women. Strengthening gender in development is a process. Sex, on the other hand, refers only to the biological and physiological differences between men and women. Men and women are not the same: they are not equal nor will they ever be, due to physical and biological conditions. Gender, however, does not refer to the biological differences but to the social and cultural structure that defines what it is to be a “man” and what it means to be a “woman” in a given society and cultural setting.

With regard to differences between men and women with respect to their problems; there is a needs to prioritize participation and access to productive resources and opportunities for development considering the fact that, gender analysis helps identify where and what kind of inequities may exist between men and women with regard to legal rights, opportunities for personal development, access to productive resources, political participation. Often, but not always, women are at a disadvantage, due to the fact that most societies are dominated by men and based upon a patriarchal structure. Because of these existing disadvantages, it is not sufficient to provide equal or the same access to services for men and women.

Table 3: Respondents’ distribution by sex

Responses	Frequency	Percent
Male	55	68.8
Female	25	31.2
Total	80	100.0

Source: Researcher’s construct 2013

4.1.3 Education Level of the Respondents

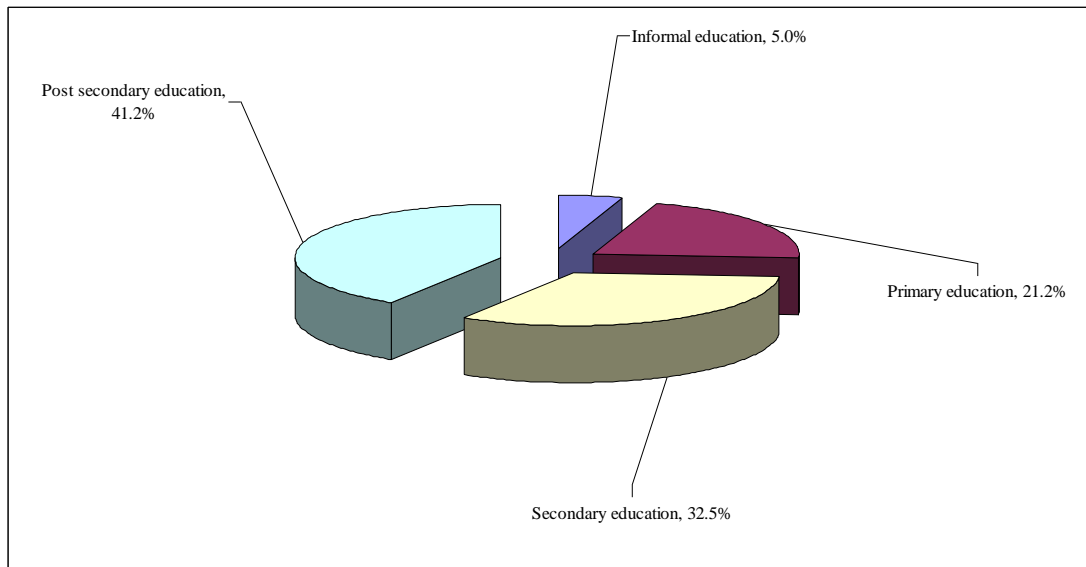
Education has been defined differently by different scholars. For this study education means learnt knowledge, skills, and attitudes. The most important definition however

is the one insisting education as a process of learning rather than attending classes. Learning means deciding about your own lifestyle. From research findings it was noted that, respondents with informal education were 5.0% of all respondents. Informal education in this context has been defined as any intentional and systematic educational enterprise usually outside of traditional schooling in which content is adapted to the unique needs of the students or unique situations in order to maximize learning and minimize other elements which often occupy formal school teachers that is taking roll, enforcing discipline, writing reports and supervising study hall. Informal education is more learners centered than most formal education. Learners can leave anytime they are not motivated.

Informal education tends to emphasize a cafeteria curriculum (options, choices) rather than the prescribed, sequential curriculum found in schools. The impact of education is well prominent in revenue collection applications where many techniques are used to revenue performances. Education with no doubt is indisputable qualifications for revenue collection through outsourcing though not necessarily to have direct impact on health caring. Post secondary education is the major level of education attained by majority of the respondents (41.2%) as shown in Figure 3.

Another group of respondents is the one constituted 32.5% of respondents which included those attained secondary education. Respondents with primary education level were 21.2%. This level of education is said to be the basic education in Tanzania. The indication from these findings is that, there is good distribution of education amongst respondents interviewed, and therefore the information given in this study are believed to come from respondents who were knowledgeable on revenue collection through outsourcing.

Figure 3: Education Level of the Respondents



Source: Researcher's construct 2013

4.1.4 Respondents' Marital Status

The term marriage is defined differently depending on the culture of a particular society. As with this study and as marriage qualities could be denoted from other societies to judge for the ability to engage in economic activities were studied in this research in order to come up with vivid evidence on the effect of marriages on striving for diseases in all levels. Though qualities like being married are additional, however, one may be judged according to marriage status, though this depends on the culture of particular community.

A person's marital status indicates whether the person is married. Questions about marital status appear on many polls and forms. The question has historically also appeared in job applications and other needs particularly in purposive communication and applications and similar contexts, though the practice is increasing regarded as anachronistic, as an answer would normally not be relevant to the consideration of the merits of an application and may in fact be considered unlawful discrimination in some countries.

The findings from this study noted that, 40.0% of respondents in this study were married as shown in Table 4, while single marital categories constituted 31.2% respondents. The study included respondents who were single parents, meaning they were not married but had a number of dependants including their own children whom they took care of. This group of respondents constituted 15.0% respondents.

With regard to this study, marriage is defined as the civil status of one man and one woman united in law for life, for the discharge to each other, and the community of the duties legally incumbent on those whose association is founded on the distinction of sex. It is also defined as a social agreement between two individuals that unites their lives legally, economically, and emotionally. Marriage is the social institution under which a man and a woman establish their decision to live as husband and wife by legal commitments and religious ceremonies. It is a legal contract between two people that enables them to reproduce. It is an institution in which interpersonal relationships, usually intimate and sexual are acknowledged by a variety of ways depending on the culture or demographics.

The relationship between marital status and this study is that, people marry for a variety of reasons, for example legal, social, emotional, economic, spiritual, religious or simply to extend their family and to have children. Marriage may be arranged to fulfil family obligations for legal establishment of a nuclear family unit, for legal protection of children or to be with one's loved one, which in turn assists one to engage and thoroughly implement a particular development project. However, marriage has many important functions in a society; it prevents people from going towards adultery, to have children, and to have an intimate partner for sharing and comfort.

Furthermore, the study interviewed widowed respondents who constituted 7.5% of all respondents, while 5.0% respondents were divorcees and the last marital category was those separated who was 1.2% as illustrated in Table 4. The implication from these findings is that the research is gender sensitive.

Table 4: Respondents' Marital Status

Responses	Frequency	Percent
Married	32	40.0
Single	25	31.2
Single parent	12	15.0
Widowed	6	7.5
Divorced	4	5.0
Separated	1	1.2
Total	80	100.0

Source: Researcher's construct 2013

4.2 Determinant Factors for Outsourcing of Revenue Collections

4.2.1 If Outsourcing is Importance to the Council

The importance of outsourcing was to be known first before the researcher goes on with investigations on the impacts of outsourcing in the district. The researcher conducted interview to the respondents whereby it was noted from 88.8% respondents that outsourcing was of paramount importance to them as the district could not handle all matters related to revenue collection. On the other hand, 11.2% respondents as illustrated in Table 5 said that, argued outsourcing to have not importance to their district as it is costly to engage on.

Outsourcing not only involves the transfer of work, but also the transfer of decision rights. By transferring decision rights, the organization is reducing its need to focus high levels of resources on the effort of decision making. The vendor takes on the responsibility for decision making and is held accountable for the decision outcomes about achieving project goals. Transferring decision rights and accountability allows the client to pay more attention to its core competencies. Without engaging in outsourcing, the organization will perhaps not focus on areas in which it should invest manager attention and efforts.

Table 5: If Outsourcing is Importance to the Council

Responses	Frequency	Percent
Yes	71	88.8
No	9	11.2
Total	80	100.0

Source: Researcher's construct 2013

4.2.2 Factors Considered for Outsourcing

Outsourcing in Mbarali district was not conducted for the sake of following procedures but there were some factors accelerated to be performed. According to 30.0% respondents as shown in Table 6 district ability to outsource personnel was the first this to be considered. The kind of ability explained mainly the ability to put in contract the person for the specified time making sure that all legal procedures are adhered to. On the other hand, 35.0% respondents were more specific that in order to engage in outsourcing the district should be in a better position financially in particular.

In any business association, money is of paramount importance so it is imperative that you have the money equation set right. The beauty of looking for outsourcing professionals can benefit from a very wide range of budgets. Since it is people who are going to bid on your projects, is better to select them according to what they can pay. It is better to initially set a ballpark figure of what can be paid and most people will bid within this range. Whatever the budget is set it will be able to find good professionals to work within that range. This is very crucial point to be observed because once the outsourcing contract is effected it is irreversible.

Volume of activities to be carried out should considered to avoid wastage of resources by outsourcing for few activities as supposed by 15.0% respondents as shown in Table 6. Another thing to put into consideration is to determine district production capabilities which enforce outsourcing as pointed out by 12.5% respondents. These factors were of great importance to be observed in order to meet the district indented target.

Table 6: Factors Considered for Outsourcing (n=80)

Responses	Percent
Financial position	35.0
Ability of outsourced personnel	37.5
Volume of activities	15.0
Production capabilities	12.5

Source: Researcher's construct 2013

4.2.3 Importance of Outsourcing

The importance of outsourcing was one of the important parameters in this study were the researcher posed some questions to investigate how respondents perceived it in Mbarali district. From the study findings it was noted from 35.0% respondents as shown in Figure 4 that it was important particularly in reducing labour costs. Another importance of outsourcing as was pointed out by 28.8% respondents was practical importance in achieving strategic goals set by the district. Outsourcing was said to important since all strategies imposed by the district could be met as it is one of its importance as noted by the respondents in this study.

From the study findings it was revealed from 16.2% respondents as illustrated in Figure 4 that, through outsourcing revenue collection increased as most areas could be reached. In collecting revenues, risks were encountered whereby through outsourcing it was easy to absorb them and make the district continue in normal performances.

Risk is the major drawback with Business Process Outsourcing. Outsourcing of an Information System, for example, can cause security risks both from a communication and from a privacy perspective. From a knowledge perspective, a changing attitude in employees, underestimation of running costs and the major risk of losing independence, outsourcing leads to a different relationship between an organization and its contractor. Risks and threats of outsourcing must therefore be managed, to achieve any benefits.

To enable sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourcing activities, all concerned departments who decide to outsource a financial activity / service shall follow the below mentioned principles applicable to arrangements entered into by the district with the service provider. A well defined structure of roles and responsibilities discussed hereinafter shall be in place to decide on the activities to be outsourced, selection of service provider, terms and conditions of outsourcing and monitoring mechanism etc. In order to manage outsourcing in a structured way, maximizing positive outcome, minimizing risks and avoiding any threats, a business continuity management (BCM) model should be set up which consists of a set of steps, to successfully identify, manage and control the business processes that are, or can be outsourced.

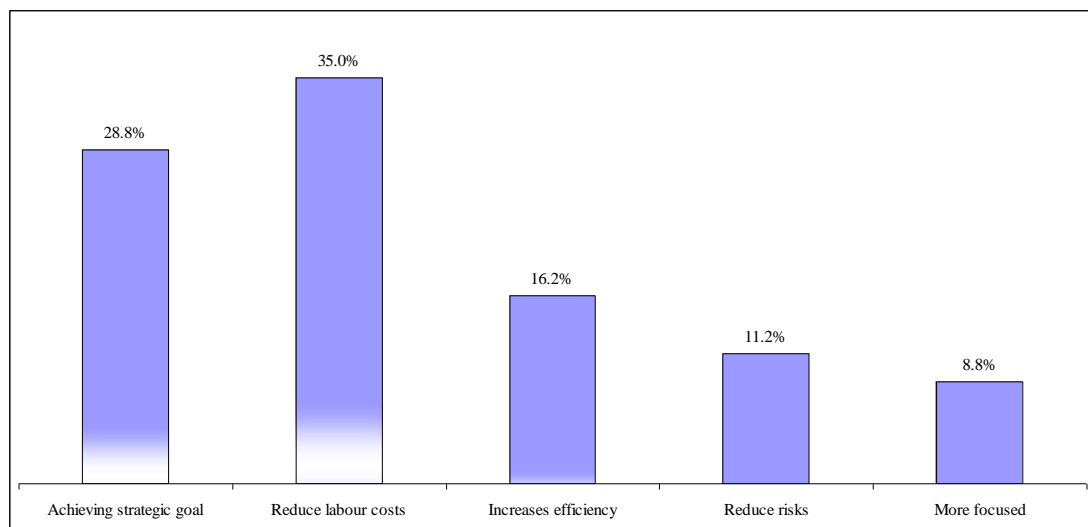
From this study it was noted that, through outsourcing the district was enhanced to be more focused in its development strategies as pointed out by 8.8% respondents (see Figure 4). Conclusively, it can be said that, outsourcing was among the important measures to be taken by the district as one of its development strategies. However, according to Garrad (2003) it was noted that, there should be criteria to select appropriate outsourcing vendor. The criteria that form the basis used by companies in selecting a particular outsourcing method are: (a) the strategic importance of the organization in question, (b) economic considerations, (c) project attributes, (d) vendor issues, and (e) industry or environment issues as further explained:

- *Strategic Importance:* This group of decision variables deals with the question of deciding the effect of the organization services on achieving the strategic goals of the firm.
- *Economic Considerations:* The major question that must be answered is which of the decisions is the most cost effective. Cost seems to be the main reason companies want to undertake outsourcing.
- *Project attributes:* Some projects are more amenable to outsourcing than others because of their unique attributes such as nature of tasks to be

performed, the structure well defined or not, size of the project, the time required completing the project and the importance of the quality of the project.

- *Vendor issues:* This group of decision variables deals with issues related to the type of vendor the firm should entrust its services. The vendor issues to be considered included competency, availability, dependability, cost efficiency, and an effective in-house expertise to enforce the outsourcing contracts.
- *Industry or environment issues:* Some of the variables in this group of criteria are the age of the company, trends in the industry, degree of competition, and responsiveness to change. If there is much competition in the industry, or if the industry is in its infancy/growth stage, outsourcing decisions should be made very cautiously and carefully.

Figure 4: Importance of Outsourcing



Source: Researcher's construct 2013

4.2.4 Disadvantages of Outsourcing

Despite the fact that outsourcing is advantageous in any organization as elaborated in many literatures which include minimal use of resources, in this study it was noted to have some disadvantages as illustrated in Table 7, whereby from 18.8% respondents it was noted that, once happen misconduct through outsourcing it can not be reserved

and therefore can hamper the management operations. Once an activity is outsourced and internal know how gone, it can be very difficult to bring a process in-house again. This is particularly relevant when a contract comes up for renewal: the price increase might be higher than expected but it can be difficult to abandon the supplier.

Furthermore, from 15.0% respondents it was revealed that through outsourcing there are unexpected costs which are incurred and if not taken into account could affect district development. The disadvantages mentioned by respondents included loss of material as noted by 12.5% respondents that during outsourcing the two parties are always not equal in material possession and therefore the shifting of materials from one part to another many on the way get lost. Unexpected costs. Although many costs become more predictable, the supplier will be very careful to define exactly what these costs cover. There are likely to be substantial additional charges for anything extra. Additionally, remember that almost certainly the supplier knows that part of the business better than the outsourcer and will ensure that the contract is carefully and advantageously worded.

The performance of particular institute was said to be dependence as would keep on waiting for outsourcing agencies to work on them. Though there is always a dependency between buyers and sellers, outsourcing shifts more responsibility for success to other companies' performance. If an important outsource company goes bankrupt, there can be serious consequences. The supplier company makes money doing things efficiently. The buying company might make money by innovation. To some extent, despite the contract, there can therefore be a difference in the objectives and core values between the two parties. Outsourcing some processes can give the supplier information that could be valuable or sensitive. Keeping a process in-house should increase security.

This was according to 11.2% respondents who were interviewed in this study as illustrated in Table 7. Another disadvantage noted by 8.8% respondents during this study was that, through outsourcing there are diverse number of reputations

particularly in the host organization. If the outsource company does not perform properly for example, not manufacturing to the required quality standards and not supplying goods on time great damage can be done to the organisation's reputation. Contrary to responses from these respondents, a big number of respondents (33.8%) as shown in Table 7 gave their views that, outsourcing has nothing to do with disadvantages in the district; rather it is advantageous for the better performance of the district. This lead the researcher to draw to draw the conclusion that outsourcing is of great importance in Mbarali district.

Although in outsourcing labour and recruiting costs will be lower, there can be significant start-up costs to begin clinical trial operations in a district, such as investment in facilities and infrastructure that may be lacking. Other factors that could increase costs include possible shortages of trained investigators, a lack of sites with clinical trial experience, and higher transportation costs to these more distant areas for trial monitoring and drug supplies.

The outsourcing deal with a particular client exhibits a certain degree of importance to the vendor. The client portfolio of outsourcing provider ideally contains multiple firms, having different sizes, demands, and receiving different services and volumes. The simplest argument would be the larger the contract volume the more important is the client to the provider. There are multiple other aspects which form this concept of importance, and we therefore define it as the degree to which a client which is the District Council in this case has significance for a provider compared to the providers overall client portfolio. At one hand, it is important to deal with strategic outsourcing deals for a particular vendor in order to have relationship since the provider will draw special attention to this relationship.

Table 7: Disadvantages of Outsourcing

Responses	Frequency	Percent
Unexpected costs	12	15.0
Difficult to reverse	15	18.8
Damage to reputation	7	8.8
Loss of material control	10	12.5
Dependency performance	9	11.2
No disadvantage	27	33.8
Total	80	100.0

Source: Researcher's construct 2013

4.3 Constraints Experienced in the Revenue Collection Practices

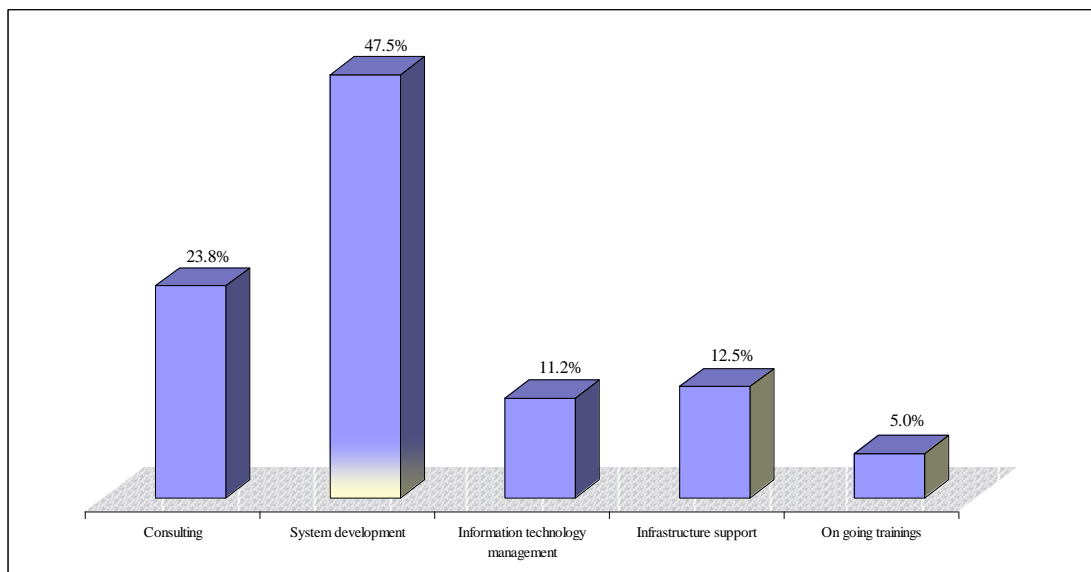
4.3.1 Normally Outsourced Items

In Mbarali district, outsourcing was not conducted randomly rather conducted specific to systems of development as illustrated in Figure 5, whereby 47.5% respondents said that outsourcing were conducted normally in development systems and other departments were left to carry out their duties as planned. Consulting was one of the areas where outsourcing was directed as pointed out by 23.8% respondents, while infrastructure support as was revealed from 12.5% respondents was among the areas outsourced.

The researcher continued to investigate areas for outsourcing in order to know the impacts of outsourcing in the district whereby it was noted from 11.2% respondents that information technology management was among the areas outsourced as shown in Figure 5. Another area outsourced was ongoing trainings as reported by 5.0% respondents. In general, many parts of the district development systems were outsourced which was said to have facilitated development of the district. However, according to REPOA (2008), any business whether it is a home business or a large corporate venture entails a lot of things. With a large business, it is quite easy to see that there is much involved, but even with home businesses there are various processes, such as planning, finding work, execution of various tasks, communication, payment handling and accounting and further investments.

When the organization is confronted with many activities, then the best idea is to outsource some of the execution aspect of business. For example, if a business is about handling content writing jobs, it could outsource the actual writing part. Nevertheless, the things that are integral for keeping business going such as planning, obtaining work, communicating with clients, payment handling should be outlined firstly.

Figure 5: Normally Outsourced Items



Source: Researcher's construct 2013

4.3.3 Difficulties Experience in Revenue Collection

One of the reasons for the district to outsource was the difficulties experienced in revenue collection in the district. It is through these difficulties it was noted outsourcing to be important in order to meet the district targets. Work overload to the departments pertaining to the revenues collection as were revealed by 37.5% respondents as illustrated in Table 8 that was among the difficulties experience in the district. Another reported difficult in revenue collection was low revenue collected from the district as noted from 36.2% respondents. This was the core response as it was the major concern in this study.

Although revenues were collected but was noted to have been collected ineffectively way as pointed out by 16.2% respondents as shown in Table 8, whereby responses from 10.0% respondents it was noted that collections of revenues were not meeting district strategic goals. Shortly, the district experienced a number of difficulties of which needed to be undertaken otherwise could jeopardize district activity performances.

Table 8: Difficulties Experience in Revenue Collection

Responses	Frequency	Percent
Low revenue collected	29	36.2
Work overload	30	37.5
Ineffective revenue collection	13	16.2
Failure to meet strategic goal	8	10.0
Total	80	100.0

Source: Researcher's construct 2013

4.3.2 If Experienced Constraints in Outsourcing in the Council

Before continuing with investigation on the implications emanating from outsourcing in the district the research found it sound to interrogate respondents to test the extent of the constraints persistence in the district. According to 62.5% respondents interviewed as illustrated in Table 9 it was revealed that there existed constraints in outsourcing in the council. However, from 37.5% respondents it was noted that there were not constraints in the district. The implication from these results was that, there were a diverse of constraint in the study area which forced the researcher to continue investigating on the types of constraints and their impacts to the collection of revenue and how the council strived to overcome the complications.

Table 9: If Experienced Constraints in Outsourcing in the Council

Responses	Frequency	Percent
Yes	50	62.5
No	30	37.5
Total	80	100.0

Source: Researcher's construct 2013

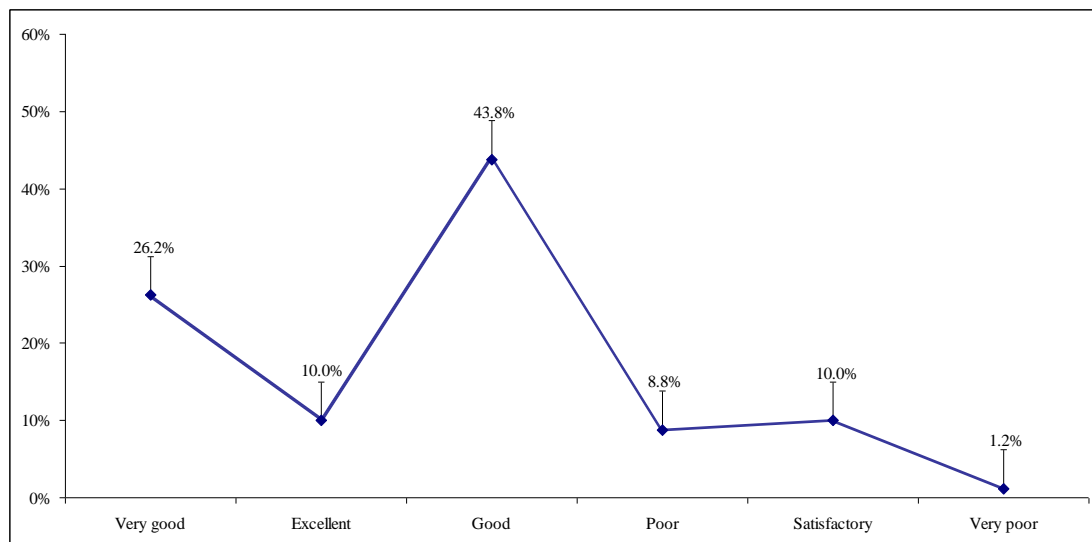
4.4 Improvement Measures for Revenue Collection Through Outsourcing

4.4.1 Performance of Outsourcing Revenue Collection to the Council

Improvement measures for revenue collection through outsourcing were measured through various ways including performance of outsourcing revenue collection to the district. To make easy assessment of the performance of outsourcing revenue collection to the council, the researcher used different measurement levels which assisted in ranging performance from higher to lower performance. From 43.8% respondents as shown in Figure 6 it was noted that, the outsourcing performance in Mbarali district was 'good'. Another group of 26.2% respondents pointed out that, outsourcing in the district was 'very good' while 10.0% respondents as shown in Figure 6 conveyed that outsourcing was 'excellent'.

Results from this study showed from 10.0% respondents that, outsourcing in the study area to be satisfactory. However, results from 8.8% respondents showed that performance of outsourcing in Mbarali district to be poor, while 1.2% respondents proposed performance to be very poor as illustrated in Figure 6. The indication from these results is that, outsourcing in Mbarali district impressed good.

Figure 6: Performance of Outsourcing Revenue Collection to the Council



Source: Researcher's construct 2013

4.4.2 Effectiveness of Outsourcing in Revenue Collection

Respondents were interviewed on the effectiveness of outsourcing in revenue collection at their organization as one of the research requirements. The researcher used six measurement levels which were ‘excellent, very good, good, satisfactory, poor and very poor’ which measured the quality of the performance. From the study findings it was noted from 41.2% respondents as illustrated in Table 10 that it was ‘good. Respondents who pointed out that outsourcing in revenue collection were 33.8% respondents, while those said it is satisfactory were 8.8%.

Outsourcing of local tax administration processes is an attractive option when private firms are more efficient at performing certain local revenue administration functions. Local governments could rely to varying degrees on outsourcing of local revenue administration processes considering the fact that, it is to outsource the valuation of taxable properties to private sector firms. If the enforcement of local revenue collection is outsourced to a private firm beyond the control of the local council, this may reduce the political interference with local revenue collections.

The implications from these results is that, together with the fact that there existed a number of problems pertaining to the outsourcing, the district according to the analytical responses from respondents tried its best to ensure effective outsourcing. On the other hand, the study revealed from 7.5% respondents that outsourcing was excellent. However, 6.2% respondents as illustrated in Table 10 indicated that the outsourcing to be poor followed with those said that the outsourcing was very poor. These results however could not refute the truth that outsourcing performance in Mbarali district was good.

Table 10: Effectiveness of Outsourcing in Revenue Collection

Responses	Frequency	Percent
Excellent	6	7.5
Very good	27	33.8
Good	33	41.2
Satisfactory	7	8.8
Poor	5	6.2
Very poor	2	2.5
Total	80	100.0

Source: Researcher's construct 2013

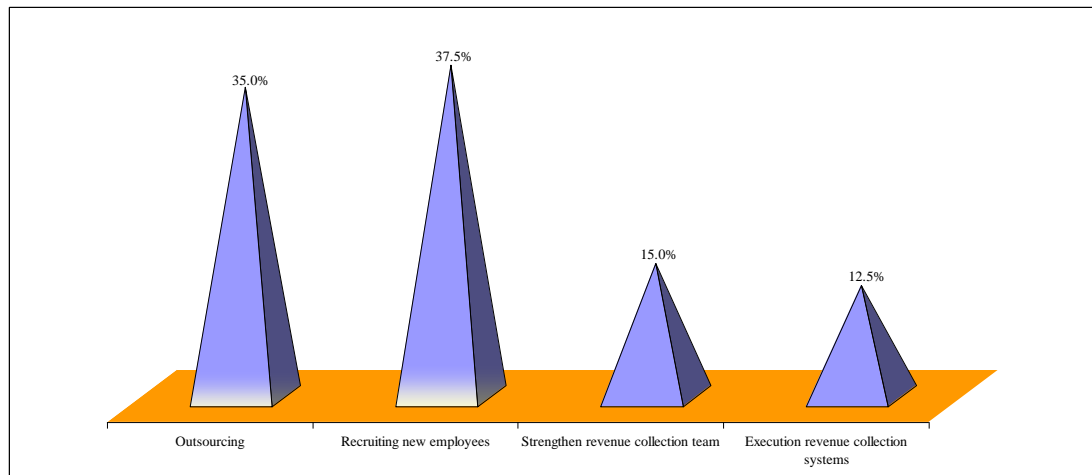
4.4.3 Council's Strategies to Improve Revenue Collection Through Outsourcing

Through outsourcing, the Council was noted to have a number of strategies which all aimed at improving revenue collection through outsourcing as illustrated in Figure 7. One of the major council strategies in improving revenue collection through outsourcing was recruiting new employees as pointed out by 37.5% respondents as shown in Figure 7. Another important strategic measure taken to ensure effective revenue collection through outsourcing was implementing outsourcing itself as suggested by 35.0% respondents. Through these findings it is obvious that the legitimacy and success of the local revenue system will depend to a large extent on the confidence that local taxpayers have in the fact that their local revenues will be put to good use. This will require local governments' active involvement in pursuing greater transparency in the local revenue administration process.

Strengthening revenue collection team was one of the Mbarali district strategies as pointed out by 15.0% respondents as illustrated in Figure 7, while execution of the revenue collection systems was among the Council strategies to improve revenue collection through outsourcing as asserted by 12.5% respondents. In general the Council had a number of strategies which if well executed could bring it into a good development position relative to the current situation. When a process is going to be outsourced it is important that both parties know what is expected otherwise there will probably be misunderstanding and trouble. However, often there is no clear mechanism for comparing the capabilities and services provided by third party

organisations and those that are provided in house. If processes are not standardised, then it will be difficult for companies to decide whether outsourcing will provide value for money and to compare different potential suppliers.

Figure 7: Strategies to Improve Revenue Collection Through Outsourcing



Source: Researcher's construct 2013

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Conclusions in this study are made according to the research findings, whereby in determining factors for outsourcing of revenue collection the conclusion is made that, there were strong factors which included considerations on ability of outsourcing a required personnel, putting into consideration the financial position of the district, checking volume of the activity and finally issues of production capability were taken into considerations. Furthermore, the conclusion is made that there was a significant importance in outsourcing in Mbarali district. However, some disadvantages in outsourcing were revealed which included; difficulties to reverse, unexpected costs, loss of material control, dependency performance , damage to reputation, revue books are no returned back timely, some of agents delay to submit revenues. On the other hand pertaining to disadvantages it was noted from 33.8% respondents that outsourcing had no negative effects to the district development.

The conclusion made on the constraints experienced in the revenue collection practices is that; the district was aware of the importance of outsourcing in revenue collection and that, if not implements then the intention of outsourcing which is to ease works which bring about poor performances like accumulation of works, low amount of revenue collected, ineffective revenue collection and failure to meet strategic goal of the district could not be met. Conclusively, it was revealed that there were some difficulties in revenue collection without outsourcing.

In response to improvement measures for revenue collection through outsourcing, the conclusion drawn was that there were strategies to averse the situation. However, the performance was good but the efforts were underway to improve more revenue collection. According to 41.2% respondents interviewed said that revenue collections were effectively conducted in the district.

5.2 Recommendations

The recommendation made concerning factors for outsourcing of revenue collections is that the district should strive on the assessment of the importance of outsourcing a vendor and how much efforts required and be converted into outcomes expected. This will assist the district to improve revenue collection as outsourcing would have been done strategically. However, sorting out which items to be outsourced is important as not all materials should be outsourced. In order to mitigate the risk of unexpected outsourcing agreement or liquidation of the service provider, the district shall retain an appropriate level of control over its outsourcing and the right to intervene with appropriate measures to continue its business operations in such cases without incurring prohibitive expenses and without any break in the operations of the district and its services to the customers.

The terms and conditions governing the contract between the district and the service provider shall be carefully defined in written agreements and vetted by district's legal counsel on their legal effect and enforceability. Every such agreement shall address the risks and risk mitigation strategies. The agreement should be sufficiently flexible to allow the district to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement should also bring out the nature of legal relationship between the parties, that is whether agent, principal or otherwise. Some of the key provisions of the contract would be:

- The contract should clearly define the activities that are being outsourced, including appropriate service and performance standards
- The district must ensure that it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider
- The contract should provide for continuous monitoring and assessment of the service provider by the district, so that any necessary corrective measures are taken immediately

- A termination clause and minimum periods to execute a termination provision, if deemed necessary, should be included
- Controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information
- Contingency plans to ensure business continuity.

With respect to constraints experienced in the revenue collection practices, it is recommended that, the strategies on outsource be continues, while putting into consideration on the improvement measures for revenue collection through outsourcing as outlined by the respondents. In this regard, Central Government commitment to support LGAs in enhancing own-source revenues is highly welcome. Mbarali district council should review the existing legal framework for revenue collection with a view of making it more effective and capable of enforcement. Furthermore, property rates should be introduced to comprehensively system of fees and charges which should be introduced by re-enacting the district by-laws.

5.3 Areas for Further Studies

The scope of this study was so limited to the extent that it could not exhaustively investigate all issues pertaining to revenue collection through outsourcing. In this respect, other area as shown below could be further researched.

- The performance of district Audit Office in Revenue Collection supervision
- Impacts of outsourcing on employment to the district

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APPENDICES

Appendix 1: Research Questionnaire

A: Introduction

Dear Sir/Madam

I would like to introduce myself to you and the purpose for this study. I am a student from Mzumbe University pursuing Masters of Science in accounting and finance. Currently I am doing research as part of fulfilment of my Masters studies. My research topic is '*performance of outsourcing revenue collection in local government authority: a case of Mbarali district council*'. The purpose of this questionnaire is to help researcher to gather information. Kindly respond to the questions as accurately as possible. The information you give will strictly be treated confidentially. The researcher will not disclose the identity of the respondent under any circumstances.

Thanks in advance

Rajabu, M. Ngallawa

.....
Date

B: Demographic information of the respondents

1. Age

- (a) 18-25 years
- (b) 26-35 years
- (c) 36-45 years
- (d) 46-55 years []
- (e) 56-65 years
- (f) 66-75 years
- (g) > 75 years

2. Sex category

- (a) Male
- (b) Female []

3. Education level

- (a) Informal education
- (b) Primary education

- (c) Secondary education []
- (d) Post secondary education
- (e) Others (specify).....

4. Marital status

- (a) Married
- (b) Single
- (c) Single parent []
- (d) Widowed
- (e) Divorced

C: Factors for the outsourcing of revenue collections

5. Is outsourcing a case in your Council?

6. (a) Yes

7. (b) No []

8. Why do you think outsourcing is important?

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.....

9. What are the disadvantages of outsourcing?

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10. What are the cost implications from outsourcing?

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11. What are the items normally outsourced?

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D: Constraints experienced in the revenue collection practices

12. What are the difficulties your organization experience in revenue collection?

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13. Have you ever experienced constraints in outsourcing in your Council?

.....

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14. What are the major constraints have you experienced pertaining to outsourcing?

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.....
15. What do you think are the favourable conditions for outsourcing constraints?
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.....
.....

E: Improvement measures for revenue collection through outsourcing

16. What is the performance of outsourcing revenue collection in your council?
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17. How effective is outsourcing in revenue collection?
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.....
.....

18. What are the Council's strategies to improve revenue collection through outsourcing?
.....
.....
.....

19. What are the government strategies to improve revenue collection through outsourcing?
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.....
.....

Appendix 2: Schedule of Activities

S/N	Activity	2012								2013								
		M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
1	Research concept note	■	■															
2	Literatures review		■	■	■													
3	Proposal write up				■	■	■											
4	Proposal submission							■	■									
5	Data collection rehearsal									■	■							
6	Data collection										■	■	■					
7	Data analysis												■	■				
8	Report Writing													■	■	■		
9	Study report submit															■	■	
10	Defending dissertation																	■

Appendix 3: Tentative Budget for the Research Study and source of fund

a) Budget descriptions

S/N	Activity	Cost description	Amount (Tsh)
	Field survey	Travelling	800,000/=
		Accommodation: 50days x 30,000/=	1,500,000/=
		Meal: 50 days x 2 x 5,000/=	500,000/=
2	Stationary	Typing	300,000/=
		Printing	300,000/=
		Binding	500,000/=
		Software (SPSS)	500,000/=
3	Communication	Telephone	200,000/=
		Internet	100,000/=
		Fax	100,000/=
	Total		4,500,000/=

b) Source of finance: Private