# CONTRIBUTION OF OWN SOURCES REVENUE COLLECTIONS TO IMPLEMENTATION OF DEVELOPMENT PROJECTS IN DAR ES SALAAM MUNICIPAL COUNCILS: 2003(i) – 2012(iv)

# CONTRIBUTION OF OWN SOURCES REVENUE COLLECTIONS TO IMPLEMENTATION OF DEVELOPMENT PROJECTS IN DAR ES SALAAM MUNICIPAL COUNCILS: 2003(i) – 2012(iv)

**By**

**Masore Mwerya Masogo**

A Dissertation submitted in Fulfillment of the Requirements for the Award of the Degree of Master of Science in Economics (PPM) of Mzumbe University.

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**CERTIFICATATION**

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled Contribution of own sources revenue collections to implementation of development projects in Dar es Salaam Municipal Councils in partial fulfillment of the requirements for the award of the degree of Master of Science in Economics (PPM) of Mzumbe University.

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Major Supervisor

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Internal Examiner

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## DECLARATION AND COPYRIGHT

I Masore Mwerya Masogo, declare that this thesis is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

Signature……

Date……

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## DEDICATION

I would like to dedicate this work to my late parents, Joseph Masogo Nyasebwa and Ester Nyafuru Yaya to what they do to make me a great man. My family, my wife Consolatha Ryoba Joseph and my daughter Ester Japhet Masogo for being patient in my absence and giving all the support throughout my study. Their support and encouragement helped me to make this work successiful.

**LIST OF ABBREVIATIONS**

| | | |
|---|---|---|
| ACF | - | Auto-correlation Function |
| ADF | - | Augmented Dickey-Fuller |
| CGC | - | Commonwealth Grants Commission |
| DANIDA | - | Danish International Development Agency |
| DRC | - | Democratic Republic of Congo |
| GDP | - | Gross Domestic Product |
| GIZ | - | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| LAAC | - | Local Authority Accounting Committee |
| LGA's | - | Local Government Authorities |
| MDG | - | Millennium Development Goals |
| MTEF | - | Medium term Planning and Expenditure framework |
| NCP | - | National Competition Policy |
| NEDA | - | National Economic and Development Authority |
| OECD | - | Organization for Economic Co-operation and Development |
| OLSE | - | Ordinary Least Squares Estimator |
| PPP | - | Public Private Partnership |
| SADC | - | Southern Africa Development Community |
| SEE | - | South Estern Europe |
| SPSS | - | Statistical Package for Social Sciences |
| SULGO | - | Support for Local Governance Processes |
| TRA | - | Tanzania Revenue Authority |
| UP | - | Union Parishad |
| URT | - | United Republic of Tanzania |
| USAID | - | United States Agency for International Development |
| VIF | - | Variance Inflation Factor |

**ABSTRACT**

This study was based on the contibution of ownsources revenue collection to the implementation of development projects in Dar es salaam Municipal Councils (Ilala, Temeke and Kinondoni). Councils revenue collection and expenditure time series secondary data from 2003 to 2012 collected quarterly were used, where by Ordinary Least square method was used to estimate the model. Overall results by using *F-test* shows *p(0.0000)* and it is statistically significant by 1%, this implies ownsources revenue collections have an impact on implementation of development projects in Dar es salaam municipal councils.

Despite of that significancy, still there was some variable which did not satisfy all conditions of significance. Variable like funds collected from sales of municipal properties did not show linear relationship to implementation of development projects, but all the remaining variables were statisticaly significant and linearly related to implementation of development projects in Dar es salaam municipal councils.

These result will help decision makers to make appropriate policies and decision on how to emphasize and concetrate more on ownsources revenue collection. This also will help many Local Government Authorities to identify more sources of income which can rise their revenue and set a clear demarcation of some amount of funds to be spent for implementation of development projects, rather than spent on everyday expences (Recurrent expenditures).

**Key words:** *Ownsources revenue collection, Development projects, Dar es salaam Municipal Councils.*

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# CHAPTER ONE

# BACKGROUND AND PROBLEM SETTING

## 1.1 Introduction

Improving social service delivery is one of the key role of Local Government Authorities (LGA)[1] in Tanzania. This can be achieved by implementing and supervising differrent development projects. In Local Government Authorities projects are implemented by using different sources of funds. Funds may be obtained from ownsource revenue collection of the Council, some may be obtained from Central Government while other funds are obtained from development partners (Painter, 2005)[2].

In Tanzanian perspective sources of revenue to LGA comes from own sources, Central Government Transfers and Loans from financial institutions (URT, 2007). Own-source revenues are those funds raised directly by LGA through city service levy, property taxes, lisences, fees, fines and other charges, sales of Council properties, Council dividends ( shares) to mention few. Funds from Central Government are not included. Paying taxes and other required bills capacitate local authorities to implement various development projects as well as providing necessary services to the community.

Apart from that mobilization of domestic resources are accelerated through improvement in tax administration, domestic savings and mobilization of community and private sector resources. In addition to seeking more foreign aid, local authorities pursue objectives of debt sustainability, a macroeconomic policy framework for low rates of inflation, stable exchange rate and a business –environment conducive to private sector development and foreign investments.

In order for local governments to take advantage of the paradigm shift to social service improvement and making domestic private investment to new source of long term finance for development projects, they will have to achieve a financial condition satisfactory to the

[1] LGA may be City Councils, Municipal Councils, Town Councils and District Council

[2]Local Resource Mobilization: This is the background paper submitted by David L. Painter for supporting Local Governance in Cairo, Egypt

potential providers of capital (Painter, 2005). Essentially, local governments will have to develop a history of generating an annual surplus of revenues over expenditures. This surplus is then available to cover payments to investors that provide new long term financing to the local government.

### 1.1.1 Project Implementation Processes and Benifits

In the process of implementing a development project, it start as elementary ideas then they are elaborated to become specific projects proposals into which resources can be invested. At the end usually there is no shortage of proposal for projects that have been identified, but there may be a shortage of projects prepared in sufficient details to permit funding implementation.

A properly planned development project addressing the real needs of target groups is necessarily based upon a correct and complete analysis of the existing situation. The existing situation should be interpreted according to the interests and activities of parties concerned. Often, the different parties involved have different visions on the same reality.

During the implementation of many projects, securing funds for implementing development projects is a very complicated process. Often, a project proponent is unable to provide investment capital for the project and external assistance is needed. Investment project proponents can choose from a wide range of financial products, including grants, loans, credit guarantees, equity finance, bonds and different schemes for involving private sector capital such as Public-Private Partnership .

In recognition of the need to improve the economic prospects of the productive sectors and social services, there is a further need to improve provision of physical infrastructure. Levels and quality of transport, communications and energy services are generally poor and thus constraining growth (URT, 2005). In addition, life is improved for people who are living in a clean protected environment, for example, free from air and water pollution or free from mosquito breeding sites. For services to be available

both to the users and providers it is critical that the local authority generates income through a development process that allows for broad-based growth.

## 1.2 Background Information

Own sources revenue collections of Local Government Authorities are set out in the Local Government Finances Act of 1982 and the Urban Authorities (Rating) Act of 1983. Funds collected from one LGA to another differ depending on the number of sources available. Sources like user charges and various forms of self-help activities contribute to the running and maintenance of public services such as primary schools and health facilities (Patrick Mugoya and Joseph Chikongoye, 2011)[3]. Other sources of funds contribute to improvement of quality of life and social well-being depend on the provision, affordability and access to quality food and services like education, information, health, water, HIV and AIDS treatment and prevention, and social protection programmes.

According to Foreign Finance department of SEE[4] 2005 report, development project proponents in SEE countries are primarily seeking financing for large-scale infrastructure through grant support, loans and credit guarantees. The preparation of project application for financing is a lengthy and costly process. It is very important to note that financial assistance can be obtained from foreign sources not only for capital investment but also for development projects preparation, such as technical assistance for feasibility studies. When a project proponent prepares the financial strategy for an environmental investment project, one important step is identification of all potential domestic and foreign finance sources.

Assurance of sources of fund takes a project to a very important step which is project implementation. Project implementation is a crucial part of the project cycle and, therefore requires equally rigorous analysis and planning in order to develop a realistic project management plan. A project cycle is a cycle which describes various phases and

[3] Revenue Potential Study for Masasi District Council; The study was commissioned by GIZ through its Support to Local Governance Processes (SULGO) Programme in 2011
[4] SEE - South Eastern Europe

their sequencing that a project must go through from beginning to end in order to realize its objective(s). Implementation is the stage at which the institutions are established and facilities constructed. It is a stage which involves the disbursement of the largest portion of the project fund.

### 1.3 Review of Concepts

A project is the investment of capital in a time-bound intervention to create productive assets (Cusworth e*t al,* 1993). Also project can be defined as a set of activities with a defined start point and a defined end state, which pursue a defined goal and uses a defined set of resources (Nigel *et al*, 2007). The PMBOK[5] has defined a project as " A temporary endeover undertaken to create a unique product, service or result (Project Management Institute, 2008, p, 442).

According to Fred (2010), projects have four features: A projects involve the investment of scarce resources for future benefit; A project can be planned, financed and implemented as a unit; A project has defined set of objectives and specific start and end; A project has geographical or organizational boundaries.

Development project is a specific activity or task settled upon to achieve the economic, political, and social goals of a development policy[6]. Such projects often include transportation, energy (especially hydro-electric), agricultural, and resettlement schemes. Other development Projects are development activities for historic properties (For example; buildings, monuments, structures, ships, railroad locomotives and rolling stock) including restoration, rehabilitation, preservation, reconstruction, and site-specific planning for these activities

There is always a clear distinction between bases of projects. These can be demand based projects, need based projects or resource based projects. **Demand based projects;** These projects take advantage of existing markets for products that the

[5]Project Management Body of Knowledge: Project Management Guide written by Project Management Institute Forth Edition 2008.
[6] A course or principle of action adopted or proposed by an organization or individual.

projects will produce for a ready market or projects will satisfy a particular demand of a particular community organization. **Need based projects;** These are projects that produce a community or services that is needed by a segment of the population or organization. **Resources based projects;** Such projects seek opportunities to utilize profitably some available resources (Namwata, 2007).

## 1.4 Statement of the Problem

Investment has been facing big challenges in many places in Tanzania, especially when sources of funds are not well stipulated. Investing in many projects do luck enough funds during the implementation, this is due to the fact that many projects do depend on external sources of funds in order to succeed. Collection of funds from own sources sometime does not succeed due to limited and insufficient resources to meet growing needs of the community. Despite the various legal provisions to enforce payment, collection rates appear to be quite low for example in Dar Es Salaam less than 30-50% is collected (R. Kelly and Z. Musunu, 2000). Also some residents evade taxes intentionally either by not paying or under estimating their incomes/Tax liabilities which leads to low collection of revenue as a result affects local contribution to projects. Consequently when community contributions fail, performance goes down in a form of uncompleted projects.

In order many projects to be completed in time, fiscal decentralization is needed such that project proponents shall have some ability to finance the project in large quantity of the project cost instead of depending on funds from Central Governments and External sources. Contemporary study shows that fiscal decentralization has induced fiscal responsibility and financial resource mobilization (Bird and Vaillancourt,2006). But the evaluation report of Organization for Economic Co-operation and Development (OECD, 2004) showed that the local government revenue sources as the share of total local government funding is declining in most of the developing countries. This has been the case even in Dar es salaam Municipal councils, though Municipal Councils have been strugling to finance their development projects through their revenue collections. With regard to all situations in many Local Government Authorities in Tanzania, this study is aiming at assessing the contribution of own source revenue

collection to the implementation of development projects in Dar es salaam Municipal Councils.

## 1.5 Objectives of the Study

### 1.5.1 Main Objective

The main objective of the study was to assess the contribution of ownsources revenue collection to implementation of development projects in Dar es Salaam Muncipal Councils.

**1.5.2 Specific Objectives:** Specifically, the study will seek to

1. Asses the ability of Municipal Councils in collecting their own source revenues
2. Assess Concils dependence on external sources of funds
3. Assess the financial capacity of the Municipal Council in implementing development projects by using own source revenues.

## 1.6 Significance of the Study

The study intended to examine and identify various sources of funds which contribute to the implementation of development projects in Dar es salaam Municipal Councils and hence to provide information/suggestions on how to insist and expand revenue collection from different own sources. Even though the study was for academic purposes and a partial fulfillment of the requirement for attaining a Master degree in Economics, decision makers can also use it whenever necessary.

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 Introduction

This chepter presents general overview of some previous related literature which have explained some concepts on project implementation in relation to sources of funds in Local Authorities. This involved different authors who contributed to implementation of development projects by depending mostly on their own sources of income.

## 2.2 Need for Own Revenue Collection

In principle, the most important benefit from own revenue collection is the increased efficiency (and consequent welfare gain) that comes from moving governance closer to the people (Wallace Oates, 1972). The concept that in a sound framework for local government finances "finance should follow function" provides a certain level a guidance regarding the extent to which local government development projects should be funded from local taxes or other local government revenue sources (as opposed to, for instance, funding from intergovernmental grants).[7] In particular raised concern is, that given the current assignment of expenditure responsibilities and revenue instruments, it would be inappropriate to require LGAs to fund the delivery of national priority programs and centrally mandated services (such as primary schooling or basic health care) from own source revenues.

Another cross-cutting concern identified in local government revenues is the high share of local government administration that is self-funded by LGAs, which greatly reduces the value-for-money received by local residents from their local tax payments. Instead, own source revenues should be used to the maximum extent possible for public services (and infrastructure) that are purely local in nature, in response to the needs and demands from the local community. LGAs needs to have more sources of revenue from

[7] Public revenues can be formally divided into tax revenues as well as non-tax revenues, which include user fees and other revenue sources. Unless specifically noted, we use the term "taxes" loosely to broadly cover both tax and non-tax revenue instruments

their ownsources to enable them to meet the cost of improvements of service delivery and implementation of development projects in their areas of jurisdiction (URT, 2007).

During the implementation of project, for projects which depend on funds from external sources can be defined and distinguished by two characteristics: identification of specific areas of intervention for donor involvement; and the targeted use of funds for specific activities for which objectives and the inputs required to achieve them have been defined (Foster and Leavy; 2001). Projects can provide technical assistance, training and commodities to solve a few key problems or deliver services, often in a limited geographic region. Results pursued are specific to the project and accountability is limited within the scope of the project, with little if any influence outside the project. The level of local ownership for projects may vary, but typically this form of aid delivery involves a high degree of donor control.

## 2.3 Theoretical Framework

In LGAs income accounting identity, saving refers to cash income saved and investment refers to expenditure on real capital goods (but could arguably include intangibles like human capital). The identity derives from the fact that any expenditure on investment must be financed by saving somewhere in the system, and any income saved must be invested somewhere in the system.

### 2.3.1 The equality of saving and investment is an equilibrium condition

To say that the equality of saving and investment is equilibrium condition implies more than that actual (planned and unplanned) savings equals actual (planned and unplanned) investment. It refers to a microeconomic equilibrium in the sense that interest rates have brought savings and investment into line so that desired savings equal desired investment. The equality between desired savings and investment is a property of the equilibrium in terms of the Keynesian multiplier model.

### 2.3.2 More investment requires more saving

More investment requires more saving, but for the case of many LGAs, saving comes from own sources collection. But in macro economics as pointed by Keynesian multiplier effect that the key to understanding this statement is to distinguish between the result of increased saving when the economy has returned to full employment, and the initial short run.

### 2.3.3 Keynesian Model

From the Keynesian model of Macroeconomics National income, when calculated, on the expenditure side, by letting Y stand for total spending, then,

Where, ; (or Investment); ; and . It is important to note that both government and private consumption and investment are included in .

An economy's total output at equilibrium is equal to its total spending, so can be used to stand for output as well. However, of all income, some is consumed and some is saved . In other words, while is part of the national income that is consumed, S is that part of national income that is not spent for consumption. So, and therefore – . Again, government consumption and saving is included in Then, because total spending equals total output and income, by substitution national income is equal to –

This can easily discover the essential constraints on capital formation by simple manipulation of this equation. This can be done by cancelling C on both sides of the equation – . Then move – to the right-hand side, reversing its sign. The result is – . If *M* exceeds , the country has a deficit in its balance on goods, services and income. It may finance the deficit by borrowing,

attracting investment, or receiving grants from abroad (surplus items). Essentially, – ; Where, is a capital import or inflows of capital (External sources of funds) from abroad. By putting together two last equations it gives the following equation . This equation states that, a country can increase its new capital formation (or investment) through its own savings and by inflows of capital from abroad.

A country's investment opportunities are determined by its potential for domestic saving plus any net capital inflows from abroad, . A country's net capital inflows have to equal , because the only way a country can import more than it exports is for it to obtain the financing from abroad. is thus equivalent to an inward movement of capital, which must have originated as the saving of foreigners. The domestic saving can be private and voluntary, which can then be loaned to businesses or the government by banks or other financial intermediaries, or government saving, when taxes exceed expenditures, so making funds available for investment.

The same model can be applied to LGAs, since the investiment on development projects depends mostly on saving through collecting taxes and some other funds from abroad.

## 2.4 Emperical Framework

In most developing Countries local government revenue sources as the share of total local government funding is declining. The reasons of such decline are: First, not proper addressing of legal, fiscal and institutional frameworks and the local government incentive system; Second, disincentives of central transfer system in improving revenue mobilization (DANIDA, 2000); Third, weak incentives to collect taxes (NEDA, 1999); Fourth, unfavorable local government tax assignments leading to unpopular tasks that are difficult to collect; Fifth, inefficiency in assessment, rating and weak enforcement in revenue collection and finally, tax evasion tendency of most of the wealthiest part of the population and lack of sanctions and oversight in tax administrations (USAID, 1998).

All these obstacles emphasize on fiscal decentralization and has turned to the question of how and what specific revenue sources might be most feasible. The feasibility of own revenue generation at the rural local government level depends on local fiscal efforts and fiscal and non-fiscal supports of the national government. According to Iben Nathan (in Blair, ed., 1989, pg.50), "local resources mobilization is the efforts of local administration to raise finances from a locality in order to fund activities within that area". The size and freedom of the local government are considered crucial aspects that determine the structures and generation of revenue and adequacy of local finance.

In theory, it is contended that a sizeable local government in terms of human settlements and productive land area have better prospects of more revenue generation (Hye, 1985; page180). But rural local government revenue generation in developing countries is always a great challenge and the mechanisms by which local financial resources can be mobilized have raised some pertinent issues, like revenue raising ability, effects on economic efficiency, equity implications and administrative feasibility (Bahl, 1984). A strong local government is indispensable for ensuring sustainable development, achieving the targets of poverty alleviation, attaining the targets of millennium development goals (MDG) by 2015, and developing democratic institutions. This cannot be succeeded if Local Authorities have no mandate to manage their own funds as some studies show.

It is contended that fiscal decentralization is the most critical part of decentralization which has raised challenges as an important theme of governance in developing countries (Crook and Manor, 1998; Devas, 1997; Fukasaku and deMello, 1999; Manor, 1998; Shah, 1998; World Bank, 1999). According to Mutahaba, 1989 page 69, Rondinelli, 1984, decentralization is defined as the "spatial relocation of decision making that is transfer of some responsibility or authority from higher to lower levels within the central government ministries or agencies.

### 2.4.1 Fiscal decentralisation

The transfer of taxing and spending powers to lower levels of government - has become an important subject of governance in many developing countries in recent years (Manor, 1999; World Bank, 1999; Shah, 1998; Crook and Manor). As an outcome of discontent with the performance of centralised systems, reformers have turned to decentralisation to split the hold of central government and induce broader participation in democratic governance (Olowu, 2000; Smoke, 1994; Wunsch and Olowu, 1990). Being closer to the people, it is claimed; local authorities can more easily identify people's needs, and thus supply the appropriate form and level of public services (Enemuo, 2000; Oates, 1972). It is argued that, individuals are likely to be willing to pay local taxes where the amounts they contribute can be related more directly to services received (Livingstone and Charlton, 1998; Westergaard and Alam, 1995).

As a result of fiscal decentralization and increased responsibilities of the local authorities, there is a growing trend in expectations from the local population, organizations and businesses for more effective and focused local service delivery. Local authorities are expected to improve standard of living and quality of life at the local level and provide favorable business environment that brings investments and increased employment.

Musgrave's (1959) has argued that own source collection through taxation does not only provide the means for government activity but also has an impact on the areas of government concern outlined above, "three-roles" classification of government activities can also be used to guide the assignment of revenue sources across different government levels. After all, different tax instruments have varying impacts as to the three functions of the public sector: macroeconomic stabilization, redistribution of income, and resource allocation.

In South Asian countries fiscal decentralization have been initiated but the existing pattern of rural local governments self financing is not impressive. Bangladesh is not an exception. Rural local governments in Bangladesh are devolved with some revenue

power and functions but practically they cannot exercise their mandated responsibilities due to shortages of funds and institutional capacities. Besides insufficient central allocation, institutional weaknesses are also continuing for the lack of effective mechanism to coordinate and integrate the role and functions of rural local governments' functionaries, sectoral agencies, NGOs, cooperatives as well as private sectors (Aminuzzaman, 2004; Haque, 2002). Understanding the realities, recent concentration of Bangladesh government on poverty reduction strategy has integrated local governments' role to instil rural development, combating rural poverty and attainment of Millennium Development Goals. In this respect, the relatively small scale Union Parishad (UP), the lowest tier rural local government, closest to the rural people, has offered realistic possibilities to play the vital role.

In order for local governments to manage the implementation of their own development projects they should exercise a degree of fiscal autonomy consistent with a fiscally decentralized government structure, local governments must control some own sources of revenue. In this regard, the key policy questions are: which taxes should local governments levy and how? This question is commonly referred to in the decentralization literature as the "revenue assignment question" (McLure, 2000).

The study[8] conducted in 2007-2008 in Union Parishad (UP) – Bangladesh shows that, the fiscal resources generated by UPs own-source revenues were almost entirely discretionary in nature – UPs can use their tax and other revenues to finance their projects. This provides UPs with the opportunity to fund many social services which are otherwise excluded by block grants (For example, additional part-time staff and maintenance costs).

### 2.4.2 Improvement of Local revenue

On local revenue mobilization, two studies were conducted for all rural local governments in Bangladesh. The first study was of Syracuse University (1984) suggested for redesign of the government revenue structure and to provide incentives in

[8] The study in Union Parishad (UP) commissioned by Local Governance Support Project –Learning and Innovation Component (LGSP-LIC)

mobilizing local resources (Schroder, 1984). The second study of Like Minded Group (1988) revealed that local resources is but a fraction of the potentials and no institutional framework exists for dealing with maximum revenue raising (Blair, 1989).

International experience shows that property tax in most of the countries are based on rental value based where as, in some cases, market value is considered and in some cases mixed method is still used (Nickson *et al*., 2008). In a study of Martinez-Vazquez and Rider (2008) also shows that out of 59 developing countries nine countries are not following any particular valuation method. About assessment policy, Hoffman and Gibson (2005) observed that tax rates set at the local level can increase local accountability which indeed leads to better local services.

### 2.4.3 Local Authority Income and Fiscal Capacity

Income is a more appropriate indicator of the fiscal capacity of a local government than the rateable value of land. This is recognised not only in the economics literature (Collins 1987 and Barro 2002), but also in other studies by the Commonwealth Grants Commission (CGC) (1991) and Morton Consulting Services (1996).

The concept of an *individual's* ability (capacity) to pay for public services has a long-established meaning in public sector economics literature. It is often used in analysing the distribution of the burden of taxes and charges levied to fund public services (Musgrave and Musgrave 1989).

The generally accepted view is that a comprehensive measure of the income of a person (or household or business) is the best indicator of their ability to pay taxes and charges. Those with higher incomes have a greater ability to pay than others. It is a natural extension of this concept to suggest that the aggregate income of a community is an indicator of that community's ability to pay for local government services. The higher the aggregate income of a community, the higher the ability to pay for local government services, and hence the higher the potential for its local government to raise revenue. It has become common for this indicator of a local government's potential to raise revenue

aggregate community income - to be referred to as its fiscal capacity. (Barro 2002; Bradbury and Ladd 1985; Musgrave and Musgrave 1989).

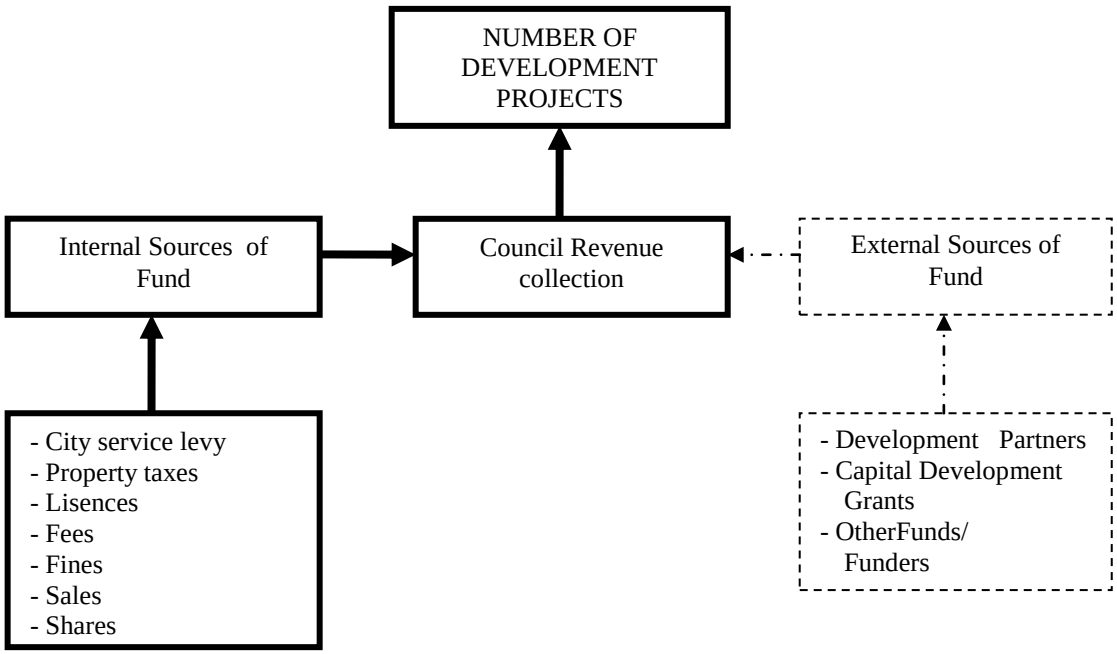
The fiscal capacities of local governments depend, to a large extent, on the underlying characteristics affecting the aggregate income of their local community. Some characteristics include population size and demographic attributes of the population, as well as their natural resource endowments and the nature and scale of their economic activity[9]. For example, a local government area with a higher proportion of its residents not in the labour force (such as those below and above working age, students and retirees) would have a lower aggregate community income compared with other council areas, all else being equal. Aggregate community incomes in some local government areas might be associated with the value of agricultural or mining output, or the concentration of business and industrial properties, within an area.

## 2.5 Conceptual Framework and Modelling

The conceptual framework which was used to decsribe the problem is described below, showing how different sources of revenue are contributing to the implementation of development projects in different Councils. From the conceptual framework, number of development projects in LGA are implemented by using collected revenue (funds from both internal sources as well as external sources). In our study we considered only seven sources of income which seems to contribute to Municipal Councils income. These internal sources of fund include City service levy, Property taxes, Lisences, Fees, Fines, Sales and Shares. With other sources of funds external sources of any LGA include Development Partners, Capital Development Grants (Central Government Transfers) and OtherFunds/Funders.

[9] Some of these characteristics might be partly dependent on the activities undertaken by local governments. Taxing and spending policies, for example, might influence the attractiveness of the area to individuals and businesses, at the margin.

**Figure1: Conceptual Framework of the study**




**Sources: Own sketch**

## 2.6 Hypotheses of the Study

The following hypotheses was tested so as to determine whether among those sources of revenue collection, there are sources which influence more the implementation of development projects in Dar es Salaam Municipal Councils. Tested hypotheses were as follows:-

(i) Funds from city service levy do not influence implementation of development projects.

(ii) Funds collected from provision of lisences do not contribute to implementation of development projects.

(iii) Funds from fees do not contribute to implementation of development projects?

(iv) Collections from property tax do not influence implementation of development project.

(v) Funds from fines and other charges do not contribute to implementation of development projects.

(vi) Funds collected from sales of Council properties do not contribute to implementation of development projects.

(vii) Funds collected from different Council dividends do not contribute to implementation of development projects.

# CHAPTER THREE
# STUDY AREA AND METHODOLOGY

## 3.1 Introduction

This chapter gives the whole picture of the study area and methodology used during the study. It is explaining well geographical location of the study area, its demographic and economical characteristics, study design, data collection method and mode of data analysis used in the study.

## 3.2 Geographical Location and Area

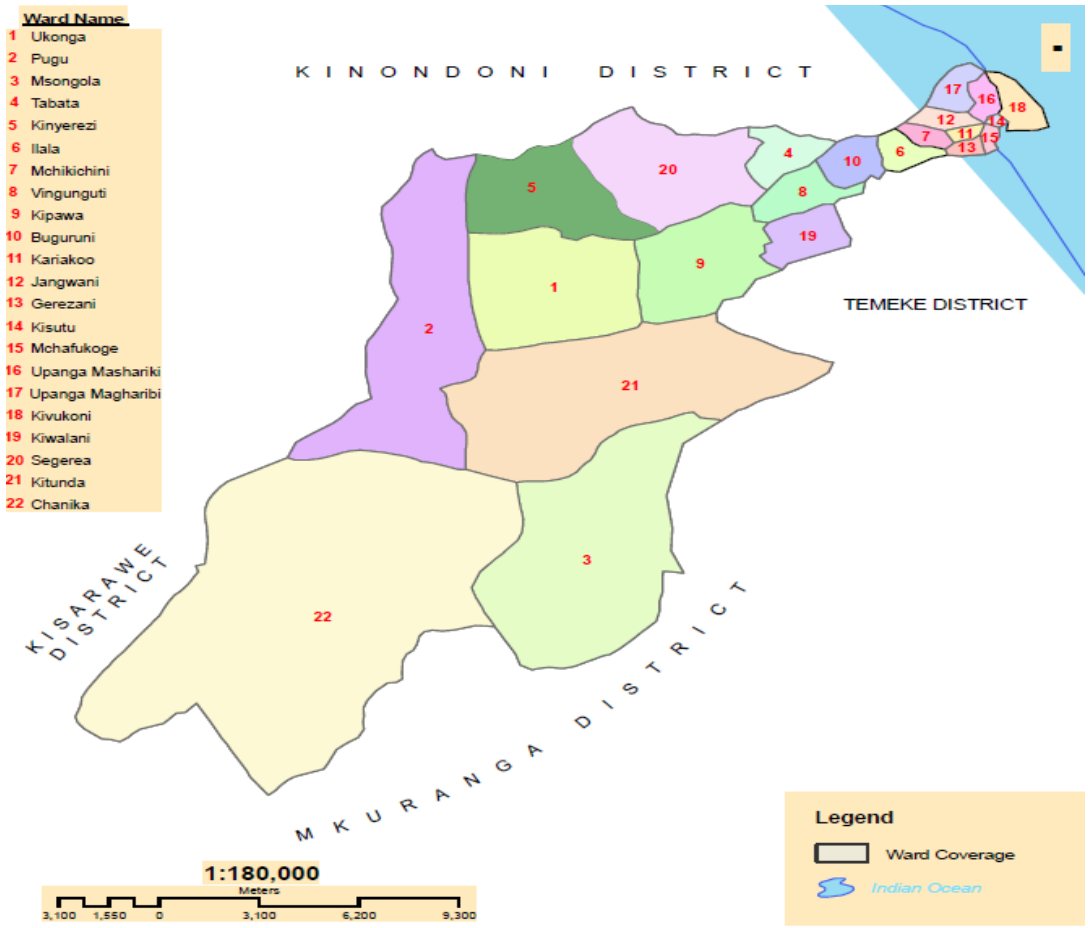
The conducted in three Municipal Councils of Dar es salaam Region; Temeke, Ilala and Kinondoni. Dar es Salaam Region is located between latitudes 6.36$^{o}$ and 7$^{o}$ to the south of Equator and longitudes 39$^{o}$ and 33.33$^{o}$ to the east of Greenwich. It is bounded by the Indian Ocean on the east and by the Coast Region on the other sides. The total surface area of Dar es Salaam Region is 1,800 square kilometers, comprising of 1,393 square kilometers of land mass with eight offshore islands, which is about 0.19% of the entire Tanzania Mainland's area. Dar es Salaam Region comprises three Municipal Councils namely; Temeke, Ilala and Kinondoni. Temeke Municipality has the largest land surface area followed by Kinondoni while Ilala has the smallest area as shown in Table 1.

**Table 1: Municipality Total Land Mass Area**

| **Municipality** | **Temeke** | **Kinondoni** | **Ilala** | **Total** |
|---|---|---|---|---|
| Area ($Km^2$) | 656 | 529 | 208 | 1,393 |

**Source**: Dar es Salaam Region Profile, 2012

**Figure 2: Ilala Municipal Council Map showing its Wards**




**Source:** Ilala Municipal Profile, 2012

## 3.3 Demographic Characteristics

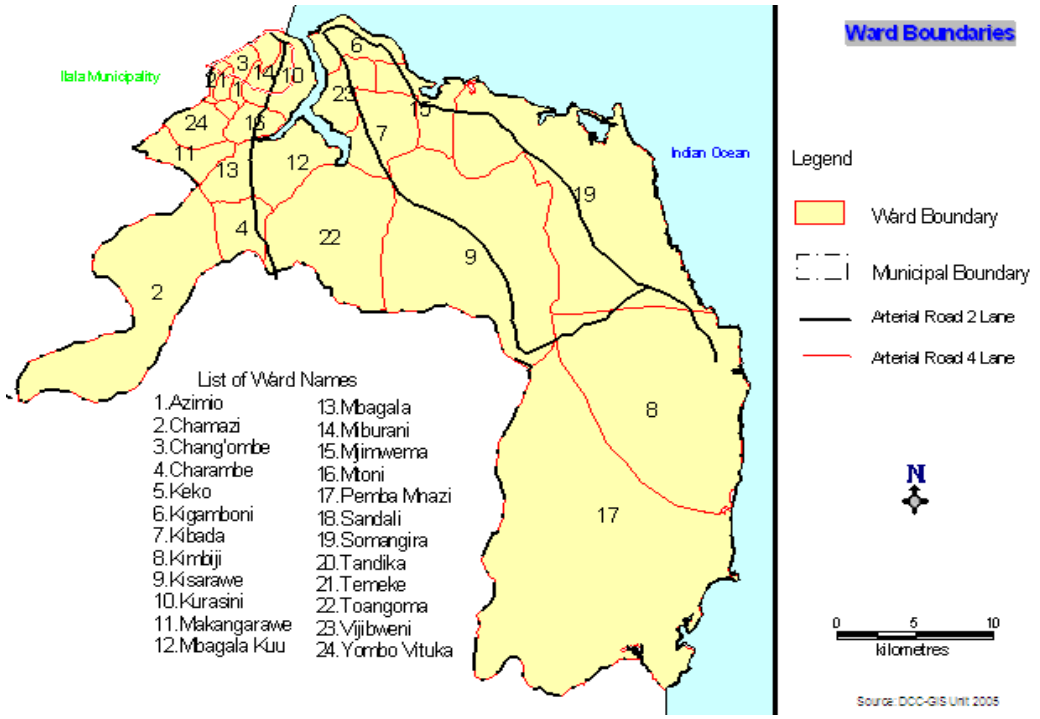
Based on the 2012 Population and Housing Census, Dar es Salaam has 4,364,541 inhabitants, of whom 2,125,786 are males and 2,238,755 are females. Of the three Municipalities, Kinondoni has the highest population with a total of 1,775,049 inhabitants, followed by Temeke with 1,368,881 and Ilala with 1,220,611 inhabitants. Other demographic characteristics are shown in Table 2.

**Table 2: Dar es salaam population by sex, average household size and sex ratio**

| Serial No. | District/Council | Population (Number) | | | Average Household Size | Sex Ratio |
|---|---|---|---|---|---|---|
| | | Total | Male | Female | | |
| | **Total** | **4,364,541** | **2,125,786** | **2,238,755** | **4.0** | **95** |
| 1 | Kinondoni Municipal Council | 1,775,049 | 860,802 | 914,247 | 4.0 | 94 |
| 2 | Ilala Municipal Council | 1,220,611 | 595,928 | 624,683 | 4.0 | 95 |
| 3 | Temeke Municipal Council | 1,368,881 | 669,056 | 699,825 | 3.9 | 96 |

**Source:** NBS, March 2013.

**Figure 3: Temeke Municipal Council Map showing its Wards**




**Source:** Temeke Municipal Profile, 2012

## 3.4 Region's Economy and Economic Situation of Citizens

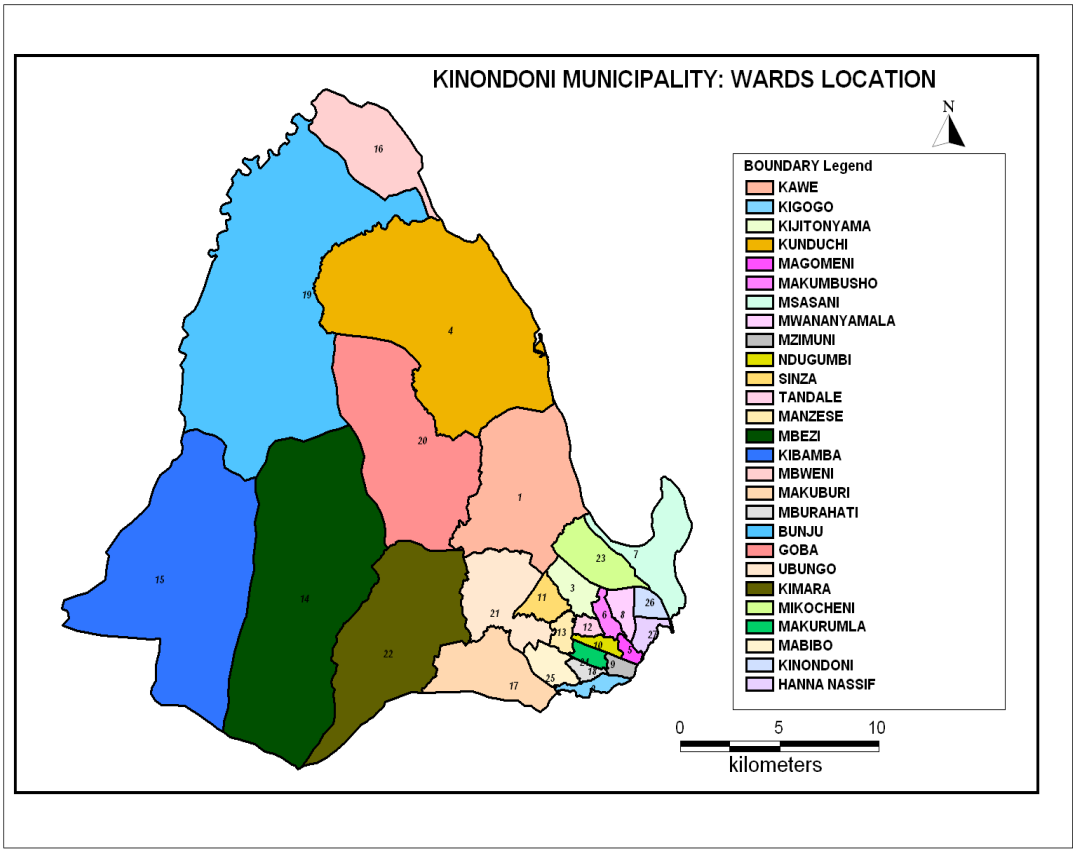
Dar es Salaam is the major commercial, administrative and industrial centre of Tanzania. The main aspects making Dar es Salaam an attractive investment destination includes: access to large regional market both East African Community (Kenya, Uganda and Tanzania) and SADC covering 14 countries of Southern Africa. Location advantages to all parts of the world offered by Dar es Salaam port and railway

connection providing transport access to neighboring countries including DRC Congo, Malawi, Zambia, Burundi, Rwanda and Uganda,

### 3.5 Region's Economic Growth

The GDP of Dar es Salaam has been increasing steadily from 1992 to 2002. Despite the slightly reduced growth between 2002 and 2003 reflecting the decline in Tanzania's GDP from 6.2% recorded in 2002 to 5.6% in 2003, the DGP was expected to continue growing along with the Country's GDP which recorded an increase from 5.6% in 2003 to 6% in 2004. From there the GDP continued to grow steadily up to more than 7.5% in 2011. The growth from 2003 to 2004 was influenced by positive growth in manufacturing sector from 8% in 2002 to 8.6% in 2003 and construction industry at 11% in 2003.

**Figure 4: Kinondoni Municipal Council Map showing its Wards**

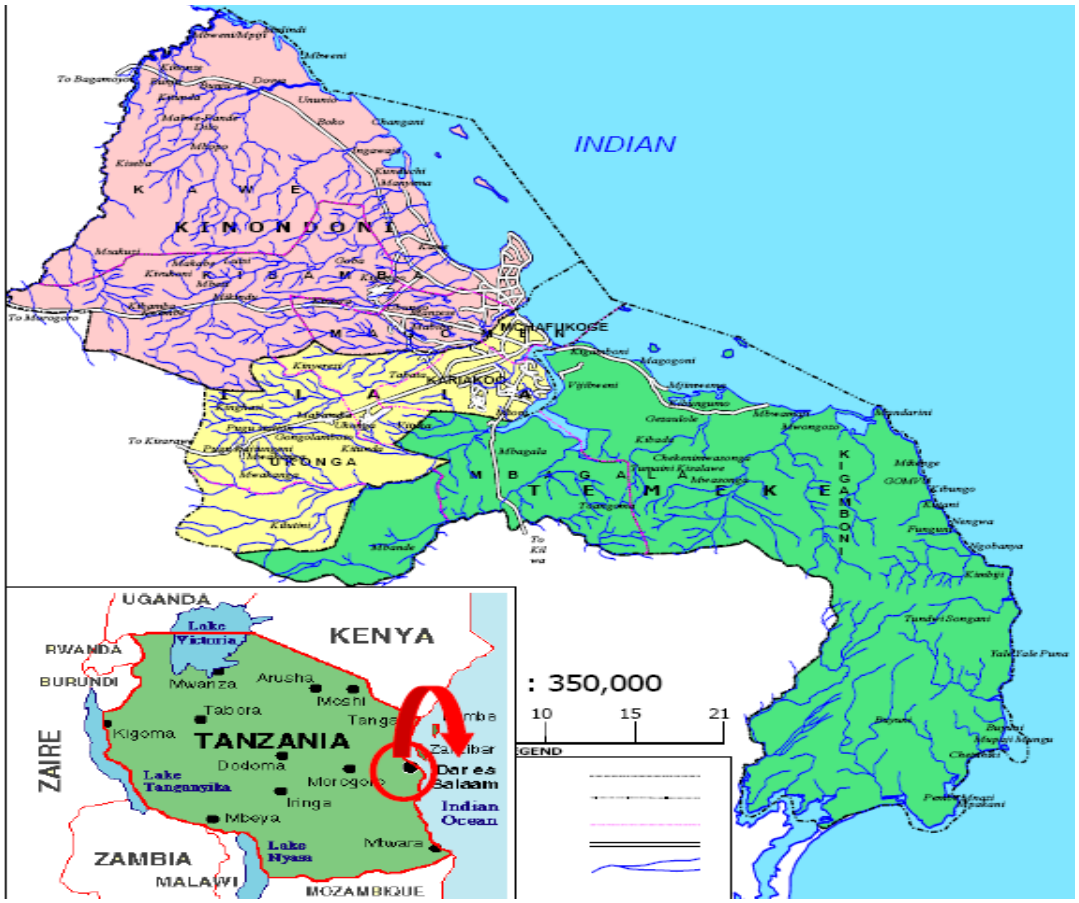



**Source:** Kinondoni Municipal Profile, 2012

### 3.6 Own Sources Revenue Collection System

The Tanzania Revenue Authority (TRA), an executive agency under the Ministry of Finance, collects the largest part of domestic revenue in Tanzania. The TRA is mandated to collect major taxes including Income Tax, Value Added Tax, and Import tax. Local Governments such as Municipal Councils also have the mandate to collect certain taxes, levies and fees. These include, property tax, license fees for transport in the City, parking fees and refuse collection charges. The revenue generated from these collections is used by the Local Government authorities themselves to supplement the subventions they receive from the Central Government, and are not part of Central Government Revenue. These collections are contributing a lot on the implementation of various development projects within the respective Municipal Councils.

**Figure 5: Map of Dar es Salaam City Council Showing its Municipalities**




**Source:** Dar es salaam City Profile, 2012

## 3.7 Study Design

The study was quantitative and non-experimental research which was entirely based on descriptive cross sectional study. Also the study based only in Dar es Salaam Municipal Councils.

### 3.7.1 Sampling Design

Non probability sampling (deliberate or purposive sampling) procedure was used in this study. This is due to the fact that the study based in three main areas; the Council Head quarters (Temeke, Ilala and Kinondoni).

### 3.7.2 Data collection methods

Quarterly time series data ranging from 2003 to 2012 was used for analysis**.** This was entirely based on quantitative approach taking secondary data from, revenue collection documents, Council socio economic profiles and Council Local Authority Accounting Committee report documents (LAAC).

### 3.7.3 Unit of analysis variable and their Measurements

The analysis of data used different Units of measurement such as numbers, ratios and percentages.

### 3.7.4 Data Description and Sources

To understand the contribution of own sources revenue collection on the implementation of development projects; amount of funds spent for projects implementation with their respective quartely income by source was used as a proxy for determining Councils performance as shown in Table 3 and Table 4.

**Table 3. Total ownsorces revenue collection by quarter from 2003 – 2012**

| YEAR | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| 2003 | 2,275,710,134 | 3,413,565,200 | 2,503,281,147 | 3,185,994,187 |
| 2004 | 2,815,550,959 | 4,223,326,439 | 3,097,106,055 | 3,941,771,343 |
| 2005 | 3,455,230,509 | 5,182,845,764 | 3,800,753,560 | 4,837,322,713 |
| 2006 | 4,591,556,739 | 6,887,335,108 | 5,050,712,413 | 6,428,179,435 |
| 2007 | 5,720,372,915 | 8,580,559,373 | 6,292,410,207 | 8,008,522,082 |
| 2008 | 6,430,059,168 | 9,645,088,753 | 7,073,065,085 | 9,002,082,836 |
| 2009 | 8,451,208,803 | 12,676,813,205 | 9,296,329,684 | 11,831,692,325 |
| 2010 | 11,710,772,869 | 17,566,159,304 | 12,881,850,156 | 16,395,082,017 |
| 2011 | 18,715,963,728 | 28,073,945,591 | 20,587,560,100 | 26,202,349,219 |
| 2012 | 22,407,312,000 | 33,610,968,000 | 24,648,043,200 | 31,370,236,800 |

**Source:** Combined data from Temeke, Ilala and Kinondoni LAAC documents, 2003-2012

**Table 4. Total expenditure on development projects by quarter from 2003 – 2012**

| YEAR | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| 2003 | 2,048,139,120 | 2,503,281,147 | 3,185,994,187 | 3,641,136,214 |
| 2004 | 2,533,995,863 | 3,097,106,055 | 3,941,771,343 | 4,504,881,535 |
| 2005 | 3,109,707,458 | 3,800,753,560 | 4,837,322,713 | 5,528,368,814 |
| 2006 | 4,132,401,065 | 5,050,712,413 | 6,428,179,435 | 7,346,490,782 |
| 2007 | 5,148,335,624 | 6,292,410,207 | 8,008,522,082 | 9,152,596,665 |
| 2008 | 5,787,053,252 | 7,073,065,085 | 9,002,082,836 | 10,288,094,669 |
| 2009 | 7,606,087,923 | 9,296,329,684 | 11,831,692,325 | 13,521,934,085 |
| 2010 | 10,539,695,583 | 12,881,850,156 | 16,395,082,017 | 18,737,236,591 |
| 2011 | 16,844,367,355 | 20,587,560,100 | 26,202,349,219 | 29,945,541,964 |
| 2012 | 20,166,580,800 | 24,648,043,200 | 31,370,236,800 | 35,851,699,200 |

**Source:** Combined data from Temeke, Ilala and Kinondoni LAAC documents, 2003-2012

## 3.8 Data Processing and Analysis

### 3.8.1 Introduction

The process of analyzing data was done by using computer programs such as Excel, Statistical Package for Social Sciences (SPSS) and STATA[10]. The process employed more descriptive statistic analysis which helped in calculating statistical simple indices such as mean, median, standard deviation and correlation coefficients.

### 3.8.2 General Econometric Model

By using the available data, the contribution of ownsource revenue collection was determined by using number of sources of funds and types of projects which have been implemented. Econometric model used is shown;

.....1

Where by;

= Number of projects implemented

= Projects implemented by ownsource funds

= Projects implemented by external source of funds

= Projects implemented by both ownsource and external sources of funds

= An error term

= A constant term

, , = Coefficients

### 3.8.3 Estimation Model

Different ownsources of revenue collection have been grouped into seven catogories for the simplification of the study. Estimated econometric model for those sources which are used for projects implementation can bee seen in the following estimation model.

.....2

Where by;

[10] STATA: Data Analysis and Statistical Software for Professionals. It is a general-purpose statistical software package created in 1985 by StataCorp. It is used by many businesses and academic institutions around the world.

= Total ownsource funds for implementing development projects

= Funds from city service levy

= Funds from Lisences

= Funds generated from fees

= Fund obtained from property tax

= Funds from fines and other charges

= Funds from sales of Council properties

= Funds obtained from dividend

= An error term

= Constant term

, , , = Coefficients

### 3.8.4 Estimation Technique

Ordinary Least Squares Estimator (OLSE) was applied in this study. The OLSE was used because the model used for computing under the study of the selected population was linear and is simple (i.e simple linear regression).

### 3.8.5 Limitation of the Study

This study was limited to Dar es salaam Muncipal Councils and all data were collected from Council Head Offices. Council official documents like MTEF, LAAC and PROFILE was the major sources of data and not otherwise.

# CHAPTER FOUR

# PRESENTATION AND DISCUSSION OF FINDINGS: STATISTICAL TEST

## 4.1 Introduction

This chapter explains procedures which were followed in order to get all required results and shows major findings of the study. These findings are basically related to the main objective of the study which is contribution of ownsources revenue collection to implementation of development projects. In the study econometric techniques to test and estimate contribution of each major source of income in all Dar es salaam Municipal Councils was used. Tests which are shown in this chapter are Link-test for Model specification error, Multicollinearity, Heteroscedasticity and Stationarity of all involved variables.

## 4.2 Discriptive Statistics

Dar es salaam Municipal Councils have been funding their development projects by using different types of sources. Some have been contributing more while others do contribute less. Out of many sources which Municipal Councils use to get income, in this study only seven sources of income which seems to contribute more on Councils' income generetion were used. Councils' implementation reports show that for the past ten years from 2003 – 2012 Dar es salaam Municipal Councils have spent an average of 10,821,720,000.00 TZS quarterly in implementation of development projects, out of these funds the contribution of each source is shown in Table 5.

**Table 5: Mean estimation of sources of funds quarterly (2003–2012).**

| Sources of fund | Mean | | |
|---|---|---|---|
| City service levy | 7,638.25 | x | $10^6$ Provision of |
| lisences | 1,196.446 x | $10^6$ | |
| Fees | 26.55225 | x | $10^6$ |
| Property tax | 1,432.436 | x | $10^6$ |
| Fines and other charges | 590.5087 | x | $10^5$ |
| Sales of properties | 390.2865 | x | $10^6$ |
| Shares | 78.6975 | x | $10^6$ |

From normal calculation it shows that funds from City service levy have been contributing about 70.6% of all funds generated from own sources collection to implementation of development prejects. Other sources are shown in Table 6.

**Table 6: Ratios of sources of funds to development projects (2003 – 2012)**

| Sources of fund | Ratio by percentage (%) |
|---|---|
| City service levy | 70.6 |
| Provision of lisences | 11.1 |
| Fees | 0.2 |
| Property tax | 13.2 |
| Fines and other charges | 5.5 |
| Sales of properties | 3.6 |
| Shares | 0.7 |

## 4.3 Data Management

Data management were done by coding some variables and transforming some variables into natural logarithm. This is due to the fact that some variables were difficult to be tested unless otherwise they are transformed into different format. All codding and transforming were done by using statistical packages such as SPSS and STATA.

## 4.4 Model Specification

### 4.4.1 Link-test for Model Specification error

Gujarati D.N & Porter D.C (2009) made assumption[11] that the "Regression model used in the analysis is "correctly" specified, but if the model is not "correctly" specified, we encounter the problem of model specification error or model specification bias". In this study after conducting a linear regression model specification error was realized in the process of conducting link-test for model specification error. For that case all variables were multiplied by except one variable which is funds obtained from fines and other charges which were multiplied by . This is due to the fact that the first link-test for model specification error gave us the probability of _hatsq 0.308

[11] **Assumption 9**: The regression model is correctly specified. Alternatively, there is no specification bias or error in the model used in empirical analysis. Gujarati, Basic Econometric Fourth Edition page 506. Fifth Edition page 467.

equivalent to 30.8% which is not good for model specification error. After multiplying by those factors, all variables were converted into natural logarithm except funds from fees, sales and shares as shown in Equation 3.

……3

After doing those calculations in the model, then the link-test for model specification was done and found that the probability of _hatsq is 0.845 which is equivalent to 84.5%. This implies that the model was correctly specified. As per link test, the model is correctly specified if the probability of _hatsq is as large as possible.

**Table 7: Link-test for Model specification error**

| Source | SS | df | MS | Number of obs | = 40 |
|---|---|---|---|---|---|
| | | | | F( 2, 37) | = 156.80 |
| Model | $2.7194e^{+09}$ | 2 | $1.3597e^{+09}$ | Prob > F | = 0.0000 |
| Residual | 320842150 | 37 | 8671409.47 | R-squared | = 0.8945 |
| | | | | Adj R-squared | = 0.8888 |
| Total | $3.0402e^{+09}$ | 39 | 77954978.3 | Root MSE | = 2944.7 |

| projfund | Coef. | Std. Err. | t | P>\|t\| | [95% Conf. | Interval] |
|---|---|---|---|---|---|---|
| _hat | 1.248472 | 0.246904 | 5.06 | 0.000 | 0.7481965 | 1.748747 |
| _hatsq | $-7.92e^{-06}$ | $7.66e^{-06}$ | -1.03 | 0.308 | -0.0000234 | $7.60e^{-06}$ |
| _cons | -1225.271 | 1412.831 | -0.87 | 0.391 | -4087.938 | 1637.397 |

### 4.3.2 Test for Multicollinearity

Multicollinearity refers only to linear relationships among the dependent variables which do not rule out nonlinear relationships among them (Gujarati 2007). In this study after conducting link-test and the model being correctly specified, the second test was to test for multicollinearity. The result shows that; there is no perfect linear colleration between the variables; this is the indication of the presence of Multicollinearity problem in our data as shown in Table 7. This also has been explained by Gujarati (2004: 4th Edition) assumptions[12] that "There is no perfect multicollinearity"

[12] **Assumption 10**: There is no perfect multicollinearity. That is, there are no perfect linear relationships among the explanatory variables

That is, there are *no perfect linear relationships among the explanatory variables.* Blanchard (1967)[13] as quoted from Gujarat (2004) stated that Multicollinearity is God's will, not a problem with OLS or statistical technique in general. Also multicollinearity, especially in time series data, may be due to the reason that the regressors included in the model share a *common trend,* that is they all increase or decrease over time.

As suggested by Gujarati (2007), if there is multicollinearity among variables, some correlated variables have either to be dropped or combining cross sectional and time series data, or addition of new variables or transformation of variables or do nothing.

**Table 8: Correlations between funds for development projects and other variables**

| | Dev. projects | City service levy | Licenses | Fees | Property tax | Fines and charges | Sales | Shares |
|---|---|---|---|---|---|---|---|---|
| Dev. projects | 1 | 0.935** | 0.931** | 0.561** | 0.925** | 0.912** | 0.819** | 0.800** |
| City service levy | 0.935** | 1 | 0.977** | 0.621** | 0.972** | 0.947** | 0.833** | 0.859** |
| Licenses | 0.931** | 0.977** | 1 | 0.536** | 0.948** | 0.969** | 0.912** | 0.844** |
| Fees | 0.561** | 0.621** | 0.536** | 1 | 0.650** | 0.631** | 0.301 | 0.489** |
| Property tax | 0.925** | 0.972** | 0.948** | 0.650** | 1 | 0.935** | 0.793** | 0.761** |
| Fines and charges | 0.912** | 0.947** | 0.969** | 0.631** | 0.935** | 1 | 0.918** | 0.831** |
| Sales | 0.819** | 0.833** | 0.912** | 0.301 | 0.793** | 0.918** | 1 | 0.813** |
| Shares | 0.800** | 0.859** | 0.844** | 0.489** | 0.761** | 0.831** | 0.813** | 1 |

**. Correlation is significant at the 0.01 level (2-tailed)

As cited from Gujarati (2007) if multicollinearity problem is serious only two choices can be done: Follow some rules of thumb or do nothing. In this study do nothing was taken as an option because the variance inflation factor *(vif)* tests of variables gives mean *vif* 26.48 which exceeded the recommended mean as shown in Table 9. The recommended mean *vif* should not exceed 10, this happen always if $R^2$ exceeds 0.90, that variable is said be highly collinear.

**Table 9: Test for multicollinearity; *vif* test**

[13] Blanchard, O. J., Comment, *Journal of Business and Economic Statistics,* vol. 5, 1967, pp. 449–451. The quote is reproduced from Peter Kennedy, *A Guide to Econometrics,* 4th ed., MIT Press, Cambridge, Mass., 1998, p. 190.

| Variable | VIF | 1/VIF |
|---|---|---|
| Lncslevy | 72.13 | 0.013863 |
| Lnproptax | 42.83 | 0.023346 |
| Lnlisence | 34.74 | 0.028786 |
| Sales | 14.63 | 0.068370 |
| Shares | 8.66 | 0.115456 |
| Lnfines | 6.95 | 0.143794 |
| Fees | 5.40 | 0.185356 |
| Mean VIF | 26.48 | |

**Source:** Own estimation, 2013

### 4.3.3 Test for Heteroscedasticity

The important assumptions of the classical linear regression model is that the variance of each disturbance term $u_i$ , conditional on the chosen values of the explanatory variables, is some constant number equal to $\sigma^2$ (Gujarati, 2004). This is the assumption of **homoscedasticity,** or *equal* (homo) *spread* (scedasticity), that is, *equal variance*. Symbolically, , where $i = 1, 2, \ldots, n$

In this study testing for heteroscedasticity was done by using Breusch-Pagan / Cook-Weisberg test for heteroskedasticity, commanding "estat hettest" Bonferroni. The problem of heteroscedasticity was found in some varibles, but after transforming all variables to natural logarithms, all problems were managed correctly, this is due the fact that all *p-values* were above 10% and rejected the null hypothesis ($H_0$: ) which shows that there is constant variance as shown in Table 10.

**Table 10: Test for heteroscedasticity, "estat hettest"**

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity
$H_o$: Constant variance
Variables: fitted values of Lnprojfund
$chi^2(1)$ = 0.00
Prob > $chi^2$ = 0.9542

## 4.4 Test for Stationarity

According to Kothari (2007 & 2009), time series is a series of successive observations of a given phenomenon over period of time. Such series are the result of either secular trend or short time oscillation. For that case the assumption of constant mean and variance assumed by OLS does not hold here, because for stationary data the mean

value is time invariant. A test for stationarity (or non stationarity) is the unit root test. One simple test of stationarity is based on the so-called autocorrelation function (ACF). As elaborated in different literature that using non-stationary time series data could yield spurious results, also it was very important in this study to conduct test for stationarity.

As stated by Gujarati (2004, 2007, 2009), we first perform unit root tests on our variables before proceeding with estimation in order to avoid the spurious regression problem and to account for the appropriate result. In this study testing for stationarity of all variables was done by using the Augmented Dickey-Fuller (ADF) test. This particular test require a unit root test against a null Hypothesis that If the computed test statistic value is less than critical value terms then the null Hypothesis that is rejected , therefore the time series is stationary (Gujarati, 2007). But if the test statistic is greater than critical values then the null hypothesis $H_0$ is not rejected; that the series contains a unit root and hence it is not stationary. In this study these tests were done by considering existing options like supressing constant term in regression, including trend term in regression, including drift term in regression and lagged differences.

**Table 11: Test for stationarity of Lnprojfund with Trend; lags(1)**

| Augmented Dickey-Fuller test for unit root | | Number of obs = 38 | | |
|---|---|---|---|---|
| | | ---------- Interpolated Dickey-Fuller ------- | | |
| | Test Statistic | 1% Critical Value | 5% Critical Value | 10% Critical Value |
| Z(t) | -5.481 | -4.260 | -3.548 | -3.209 |
| MacKinnon approximate p-value for Z(t) = 0.0000 | | | | |

The result in Table 11 shows that the test statistic is less than the critical value at 1% (-4.260) significant levels, 5% (-3.548) significant level and at 10% (-3.209) significant level. This has been done by including trend term in regression and lagging ones. It concludes that the dependent variable *Lnprojfund* is stationary, it does not have a unit root. Hence we rejected the null hypothesis.

Table 12 it shows that the test statistic is less than the critical value at 1% (-4.251) significant levels, 5% (-3.544) significant level and at 10% (-3.206) significant level. This has been done by only including trend term in regression. It is concluded that the independent variable *Lncslevy* is stationary, it does not have a unit root. Hence the null hypothesis rejected.

**Table 12: Test for stationarity of Lncslevy with Trend; lags(0)**

| Augmented Dickey-Fuller test for unit root | | Number of obs = 39 | | |
|---|---|---|---|---|
| | | ---------- Interpolated Dickey-Fuller --------- | | |
| | Test Statistic | 1% Critical Value | 5% Critical Value | 10% Critical Value |
| Z(t) | -10.015 | -4.251 | -3.544 | -3.206 |
| MacKinnon approximate p-value for Z(t) = 0.0000 | | | | |

Table 13 shows that the test statistic is less than the critical value at 1% (-2.639) significance level at 5% (-1.950) significant level and at 10% (-1.605) significant level. This has been done by suppressing a constant term in regression and one lagged difference. It concludes that the independent variable $(Lnlisence)^{-2}$ is stationary at all levels of significance and it does not have a unit root. Hence the null hypothesis rejected.

**Table 13: Test for stationary of $(Lnlisence)^{-2}$ by suppressing constant; lags(1)**

| Augmented Dickey-Fuller test for unit root | | Number of obs = 38 | | |
|---|---|---|---|---|
| | | ---------- Interpolated Dickey-Fuller --------- | | |
| | Test Statistic | 1% Critical Value | 5% Critical Value | 10% Critical Value |
| Z(t) | -3.476 | -2.639 | -1.950 | -1.605 |

The result in Table 14 shows that the test statistic is less than the critical value at 1% (-4.270) significance level at 5% (-3.552) significant level and at 10% (-3.211) significant level. This has been done by including trend term in regression and lagging twice. It concludes that the independent variable *Fees* is stationary, it does not have a unit root at all levels of significance. Hence the null hypothesis was rejected.

**Table 14: Test for stationality of Fees with trend: lags(2)**

| Augmented Dickey-Fuller test for unit root | | Number of obs = 37 | | |
|---|---|---|---|---|
| | | ---------- Interpolated Dickey-Fuller --------- | | |
| | Test Statistic | 1% Critical Value | 5% Critical Value | 10% Critical Value |
| Z(t) | -4.778 | -4.270 | -3.552 | -3.211 |
| MacKinnon approximate p-value for Z(t) = 0.0005 | | | | |

Table 15 shows that the test statistic is less than the critical value at 1% (-2.649) significance level at 5% (-1.950) significant level and at 10% (-1.603) significant level. This has been done by supressing a constant term in regressino and seven lagged difference. It concludes that the independent variable $(Lnproptax)^{-1/2}$ is stationary at all levels of significance and it does not have a unit root. Hence the null hypothesis was rejected.

**Table 15: Test for stationarty of $(Lnproptax)^{-1/2}$ with non constant lags(7)**

| Augmented Dickey-Fuller test for unit root | | Number of obs = 32 | | |
|---|---|---|---|---|
| | | ---------- Interpolated Dickey-Fuller --------- | | |
| | Test Statistic | 1% Critical Value | 5% Critical Value | 10% Critical Value |
| Z(t) | -2.768 | -2.649 | -1.950 | -1.603 |

Table 16 shows that the test statistic is less than the critical value at 1% (-2.462) significant level at 5% (-1.699) significant level and at 10% (-1.311) significant level. This has been done by including drift term in regression and lagging difference four times. It concludes that the independent variable $(SqrtLnfines)^{-2}$ is stationary at all levels of significance and it does not have a unit root. Hence the null hypothesis was rejected.

**Table 16: Test for stationarity of $(SqrtLnfines)^{-2}$ with Drift; lags(4)**

| Augmented Dickey-Fuller test for unit root | | Number of obs = 35 | | |
|---|---|---|---|---|
| | | ---------- Z(t) has t-distribution ---------- | | |
| | Test Statistic | 1% Critical Value | 5% Critical Value | 10% Critical Value |
| Z(t) | -2.591 | -2.462 | -1.699 | -1.311 |
| p-value for Z(t) = 0.0074 | | | | |

Table 17 shows that the test statistic is less than the critical value at 1% (-2.431) significant level at 5% (-1.687) significant level and at 10% (-1.305) significant level. This has been done by including drift term in regression only. It concludes that the independent variable $(Sales)^{-2}$ is stationary at all levels of significance and it does not have a unit root. Hence the null hypothesis was rejected.

**Table 17: Test for stationarity of $(Sales)^{-2}$ with Drift; lags(0)**

Dickey-Fuller test for unit root  Number of observations = 39

---------- Z(t) has t-distribution ----------

| | Test Statistic | 1% Critical Value | 5% Critical Value | 10% Critical Value |
|---|---|---|---|---|
| Z(t) | -3.523 | -2.431 | -1.687 | -1.305 |

p-value for Z(t) = 0.0006

Table 18 shows that the test statistic is less than the critical value at 1% (-4.251) significant level at 5% (-3.544) significant level and at 10% (-3.206) significant level. This has been done by including trend term in regression only. It concludes that the independent variable *Shares* is stationary at all levels of significance and it does not have a unit root. Hence we rejected the null hypothesi.

**Table 18: Test for stationarity of Shares with trend lags(0)**

Dickey-Fuller test for unit root  Number of observations = 39

---------- Interpolated Dickey-Fuller ---------

| | Test Statistic | 1% Critical Value | 5% Critical Value | 10% Critical Value |
|---|---|---|---|---|
| Z(t) | -4.313 | -4.251 | -3.544 | -3.206 |

MacKinnon approximate p-value for Z(t) = 0.0030

## 4.5 Transformation of variables

Variables were transformed in order to reduce the problem of multicollinearity. The dependent variable, funds for implementing projects and independent variables except fees and shares were transformed into different mathematical expression. Since our econometric model was getting too complicated to interprate as it is in model 3; we decided to proceed with our variable signs bearing in mind that all variables have been

multiplied by $10^{-6}$ except variable $T_5$ which is multipied by $10^{-5}$. For that case model 4 was used as an operational model.

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Transformed variable went further by trying to test stationarity of all variable as shown in model 5.

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The model was simplified further and became as follows;

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Transformation of variables changed the nature of the model, to collect that another link test was done after regressing the transformed model. This link test gave the probability of _hatsq 0.934 which is approaching to one and hence desirable. This means the model was well specified with the high probability as shown in Table 19.

**Table 19: Linktest for variable transformation**

| Source | SS | df | MS | Number of observation | = 40 |
|---|---|---|---|---|---|
| | | | | F( 2, 37) | = 225.86 |
| Model | 21.7796044 | 2 | 10.8898022 | Prob > F | = 0.0000 |
| Residual | 1.78392162 | 37 | 0.048214098 | R-squared | = 0.9243 |
| | | | | Adj R-squared | = 0.9202 |
| Total | 23.563526 | 39 | 0.604192974 | Root MSE | = 0.2196 |

| Lnprojfund | Coef. | Std. Err. | t | P>\|t\| | [95% Conf. Interval] | |
|---|---|---|---|---|---|---|
| _hat | 0.1016919 | 1.21544 | 0.08 | 0.464 | -2.361024 | 2.564408 |
| _hatsq | 0.0496271 | 0.0670967 | 0.74 | 0.934 | -.0863238 | 0.185578 |
| _cons | 4.03795 | 5.475881 | 0.74 | 0.466 | -7.057239 | 15.13314 |

# CHAPTER FIVE
# PRESENTATION AND DISCUSSION OF FINDINGS: REGRESSION RESULTS

## 5.1 Introduction

This chapter gives out results of time series regression, an estimation results, discussion of the study findings and gives all statistical interpretations of the study. What shown in this chapter are conclusive research model with all studied variables as well as tests of all hypothesis involved in the study. For those interpretation will make easier for the reader to understand what the study was intended to.

## 5.2 Results of Time Series Regression

A multivariate time series regression model as shown in model 6 was used to trace the contribution of own sources of revenue collection to the implementation of development projects in Dar es salaam Municipal Councils. A total of 40 observations from different sources of funds were collected from Council documents. The command of linear regression gave the estimation results as it can be seen in Table 19. An estimation results are substituted/fitted in the proposed model as follows.

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From the fitted estimation model standard errors and t-tessts are shown in Table 19 for convinience purposes. Also $R^2$, adjusted $R^2$ and probabillity of $F$ are shown in that Table 19. The results show that the $R^2$ value is 0.9232, this means that about 92.32 percent of the variation in implementation of development projects is explained by variables city service levy, lisences, fees, property tax, fines, sales and shares. Since computed value is 54.93 exceeds critical $F$ value from Table 19 at 1% level of significant which is , therefore the null hypothesis was rejected and do not

reject alternative hypothesis that the *F* value is statistically significant, which implies that the implementation of development projects in Dar es Salaam Municipal Councils depends on some funds collected from own sources like city service levy, lisences, fees, property tax, fines, sales and shares.

**Table 20: Time Series Regression for transformed variable: Variables tested**: *Lnprojfund, Lncslevy, inlnlisence, fees, inproptax, sqlnfines,( insale)$^2$ and shares.*

| Source | SS | df | MS | Number of observations | = 40 |
|---|---|---|---|---|---|
| | | | | F( 7, 32) | = 54.93 |
| Model | 21.7532278 | 7 | 3.10760397 | Prob > F | = 0.0000 |
| Residual | 1.81029818 | 32 | 0.056571818 | R-squared | = 0.9232 |
| | | | | Adj R-squared | = 0.9064 |
| Total | 23.563526 | 39 | 0.604192974 | Root MSE | = 0.2379 |

| Lnprojfund | Coef. | Std. Err. | t | P>\|t\| | [95% Conf. Interval] | |
|---|---|---|---|---|---|---|
| Lncslevy | 1.3766739 | 0.3845352 | 2.98 | 0.005*** | -0.4065987 | 1.159946 |
| inlnlisence | -36.06088 | -19.59485 | 3.04 | 0.008*** | -106.5283 | 34.40652 |
| fees | -0.0024897 | -0.0029968 | -2.83 | 0.012** | -0.008594 | 0.0036146 |
| inproptax | 12.09726 | 5.149312 | 2.69 | 0.001*** | -26.65993 | 2.465413 |
| sqlnfines | -0.0711196 | -0.5110935 | -2.14 | 0.090* | -1.112183 | 0.9699438 |
| insale$^2$ | 10.247872 | 6.29623 | 1.38 | 0.204 | -26.94646 | 39.4422 |
| shares | 0.0102722 | 0.0017303 | 2.16 | 0.176* | -0.0032524 | 0.0037968 |
| _cons | 11.28322 | 5.875738 | 1.92 | 0.064 | -0.6852622 | 23.25171 |

**** Significant at one percent*
***Significant at five percent*
**Significant at ten percent*

Some observations from Local Authority and Accounting Committee documents and financial reports in Dar es salaam Municipal Councils shows that most of projects have been implemented by more than 50% depending on their own sources of funds.

## 5.3 Estimation of Results

In this section results were estimated by substituting or fitting the output in the proposed model as follows. This come from table 20.

**Table 21: Results fitted in the model**

| Lnprojfund | Coef. | Std. Err. | t | P>\|t\| | [95% Conf. Interval] | |
|---|---|---|---|---|---|---|
| Lncslevy | 1.3766739 | 0.3845352 | 2.98 | 0.005*** | -0.4065987 | 1.159946 |
| inlnlisence | -36.06088 | -19.59485 | 3.04 | 0.008*** | -106.5283 | 34.40652 |
| fees | -0.0024897 | -0.0029968 | -2.83 | 0.012** | -0.008594 | 0.0036146 |
| inproptax | 12.09726 | 5.149312 | 2.69 | 0.001*** | -26.65993 | 2.465413 |
| sqlnfines | -0.0711196 | -0.5110935 | -2.14 | 0.090* | -1.112183 | 0.9699438 |
| $insale^2$ | 10.247872 | 6.29623 | 1.38 | 0.204 | -26.94646 | 39.4422 |
| shares | 0.0102722 | 0.0017303 | 2.16 | 0.176* | -0.0032524 | 0.0037968 |
| _cons | 11.28322 | 5.875738 | 1.92 | 0.064 | -0.6852622 | 23.25171 |
| Number of obs | | | | | | 40 |
| F( 7, 32) | | | | | | 54.93 |
| Prob > F | | | | | | 0.0000 |
| R-squared | | | | | | 0.9232 |
| Adj R-squared | | | | | | 0.9064 |
| Root MSE | | | | | | 0.23785 |

**** Significant at one percent*
***Significant at five percent*
**Significant at ten percent*

From the fitted estimation model all constant values are shown except standard errors and t-tessts. For all variables there is a difference in standard error and t-tests as follows; City service levy variable *(Lncslevy, $s_e$ = 0.3845352 and t-test = 2.98)*, Lisences (*inlnlisence, $s_e$ = -19.59485 and t-test = 3.04)*, Fees *(fees, $s_e$ = -0.0029968 and t-test = -2.83)*, Property tax *(inproptax, $s_e$ = 5.149312 and t-test = 2.69)*, Fines *(sqlnfines, $s_e$ =-0.5110935and t-test =- 2.14)*, Sales *(insale$^2$, $s_e$ = 6.29623 and t-test = 1.38)* and Shares *(shares, $s_e$ = 0.0017303 and t-test = 2.16)*.

In this estimation model it shows that both $R^2$ and adjusted $R^2$ are above 90% which shows that the variation in Dar es salaam Municipal Councils implementation of development projects is explained by most of fund collected from own revenue. This is due to the fact that the high value of $R^2$, the regression results are reasonable. The computed value of is 54.93 which exceeds critical *F* value from Table 20 above at 1% level of significant which is therefore, the null hypothesis was rejected and an alternative hypothesis was not reject that the *F* value is statistically significant, which implies that the implementation of development project in Dar es Salaam Municipal Councils do depend on some funds collected from own sources.

## 5.4 Hypothesis Testing

Hypothesis testing determines the validity of the assumption (techically described as null hypothesis) with a view to choose between two conflicting hypotheses about the value of populationa parameter. Kothari (2007), highlited that hypothesis testing helps to decide on the basis of a sample data, whether a hypothesis about a population is likely to be true or false. From that view, also during this study some hypotheses (assumptions) were taken which were used to justify whether collection of funds from ownsources revenue are statistically significant contributing to implementation of development projects in Dar es salaam Municipal councils or not statistically significant.

But, by considering the topic of multiple regressions as shown in this study it shows that the *F* test has several interesting applications that make it a very useful and powerful method of testing statistical hypotheses. In testing the individual significance of an observed partial regression coefficient, assumptions were taken implicitly that each test of significance was based on a different (i.e., independent) sample. Thus, in testing the significance of under the hypothesis that it was assumed that, the testing was based on a different sample from the one used in testing the significance of under the null hypothesis that and so on. But to test the joint hypothesis, if the same sample data has to be used then there shall be a violation of the assumption underlying the test procedure (i.e., In any given sample the may not be zero; that is, and may be correlated). For that case Gujarat (2009), made a decision rule that "If the computed *F* exceeds $F_{\alpha}(m, n- k)$, where $F_{\alpha}(m, n- k)$ is the critical *F* at the $\alpha$ level of significance, we reject the null hypothesis: otherwise we do not reject it"

In this study it was observed that the computed which exceeds the critical at 1% signifcance level, the null hypothesis that was rejected and an alternative hypothesis that was not rejected. This implies that every explanatory (regressor) variable in the model has an impact on the regressand. Further

more it is proved by considering overall results by using *F-test* which shows is statistically significant by 1% significant level. This implies that in Dar es salaam Municipal Councils implementation of development projects depend on ownsources revenue collection. Individual hypotheses tested and their economic interpretations are also shown in this chapter.

***Hypothesis 1: Funds from city service levy do not influence implementation of development projects.***

In this study the null hypothesis (funds from city service levy do not contribute to implementation of development projects) was tested against alternative hypothesis (funds from city service levy has an impact to implementation of development projects). The null hypothesis is the frame of reference used to eveluate a claim about a population while the alternative hypothesis specifies the situation if the null hypothesis is false (Nurosis, 2006). Also Koutsoyiannis ( 2007) highlited that, for *t-test* if the observed $t^* > t_{\alpha/2}$ with *(n-k)* degree of freedom**,** we reject null hypothesis and we do not reject alternative hypothesis, otherwise we do not reject the null hypothesis and reject alternative hypothesis.

For that case in this study the calculated *t** (2.98) was less than the interpolated *t* value from the *t* distribution table (2.0378) with 32 degree of freedom, therefore the null hypothesis , was rejected and an alternative , was not rejected; that is, the estimate value 0.3766739 was statistically significant. In our model the value 0.3766739 is the partial regression co – efficient of the variable City service levy *(Lncslevy),* and it shows that, when the influence of other variables are held constant, as city service levy increases by one unit on average, funds for implementating development projects will increase by 1.3766739 which is in Millions of Tanzanian shillings.

***Hypothesis 2: Funds collected from provision of lisences do not contribute to implementation of development projects.***

Expectation of the study was that funds collected from provision of lisences should have some contribution in implementation of development projectsin Dar es salaam Municipal Councils. For that case *t-test* was used in this study by considering that if the observed $t^* > t_{\alpha/2}$ with *(n-k)* degree of freedom**,** null hypothesis will be rejected and and do not rejecting an alternative hypothesis. In this case the study shows that the calculated *t** (3.04) is greater than the interpolated *t* value from the *t* distribution table (2.0378) with 32 degree of freedom, therefore the null hypothesis , (funds from provision of lisences do not contribute to implementation of development projects in Dar es salaam Municipal Councils) was rejected and the study do not reject an alternative , (Funds from provision of lisence has som contribution to implementation of development projects) that is; the estimate is statistically significant at 1% level of significance. The value is the partial regression co – efficient of the variable lisences, and it shows that, when the influence of other variables are held constant, as funds from provision of lisences increases by one unit on average the funds for implementation of development projects will decrease by which is in Millions of Tanzanian shillings.

***Hypothesis 3: Funds collected from fees are do no contribute to the implementation of development projects***

Funds collected from different fees also do not contribute to the implementation of development projects. In order to prove that *t-test* was used in this study by considering that if the observed $t^* > t_{\alpha/2}$ with *(n-k)* degree of freedom**,** the null hypothesis is rejected and an alternative hypothesis is not reject . In this case the study shows that the absolute value of calculated *t** (-2.83) is greater than the *t* value obtained after interpolation method from the *t* distribution table (2.0378) with 32 degree of freedom, therefore the null hypothesis that , (funds from fees do not contribute to implementation of deleopment projects) was rejected and an alternative hypothesis that , (collections from fees contribute to implementation of development

projects) was not rejected; that is the estimated value -0.0024897 is statistically significant at 5% level of significance. The estimated value -0.0024897 is the partial regression co – efficient of the variable fees, and it shows that, when the influence of other variables are held constant, as funds from fees decreases by one unit on average the funds for implementation of development projects will decrease by 0.0024897 which is in Millions of Tanzanian shillings.

***Hypothesis 4: Collection of funds from property tax do not influence implementation of development project.***

In this study it was expected to get linear relationship on funds collected from property tax to the implementation of the project. As usual the *t-test* employed by considering that if the observed $t^* > t_{\alpha/2}$ with *(n-k)* degree of freedom**,** the null hypothesis is rejected and do not reject alternative hypothesis. In this case the study shows that the calculated *t** (2.69) is greater than the *t* value from the *t* distribution table (2.0378) with 32 degree of freedom, therefore the null hypothesis that , (funds from property tax do not contribute to implementation of development projects) was rejected and an alternative ( collections from property tax contribute to implementation of development projects) was not rejected; that is the estimate 12.09726 is statistically significant at 1% significance level. The value 12.09726 is the partial regression co – efficient of the variable property tax, and it shows that, when the influence of other variables are held constant, as funds from property tax increases by one unit on average the funds for implementation of development projects will increase by 12.09726 which is in Millions of Tanzanian shillings.

***Hypothesis 5: Funds from fines and other charges do not contribute to implementation of development projects.***

Funds collected from different fines and other charges also have contribution to the implementation of development projects. In order to prove that, *t-test* was used in this study by considering that if the observed $t^* > t_{\alpha/2}$ with *(n-k)* degree of freedom**,** the null hypothesis is rejected and an alternative hypothesis is not rejected. In this case the study

shows that an absolute value of the calculated *t** (-2.14 ) is greater than the *t* value from the *t* distribution table (2.0378) with 32 degree of freedom, therefore the null hypothesis , (fines and other charges do not contribute much to implementation of projects) was rejected and an alternative hypothesis , (funds from fines and other charges has an influence on implementation of development projects) was not rejected. The value of partial regression coefficient estimate is statistically significant at almost 10% level of significance. The value is the partial regression co – efficient of the variable fines and other charges, and it shows that, when the influence of other variables are held constant, as funds from fines and other charges decreases by one unit on average the funds for implementation of development projects will decrease by which is in Millions of Tanzanian shillings.

***Hypothesis 6: Collection of funds from sales of properties do not contribute to implementation of development projects***

In this study there was some expectation to get linear relationship on funds collected from sales of Council properties to the implementation of development projects. Contrally, it has been one of variables which do not show vivid evidence. As usual the *t-test* employed by considering that if the observed $t^* > t_{\alpha/2}$ with *(n-k)* degree of freedom**,** the null hypothesis will be rejected and do not reject an alternative hypothesis. In this study it shows that the calculated *t** (1.38) was less than the interpolated *t* value from the *t* distribution table (2.0378) with 32 degree of freedom, therefore, the null hypothesis , (funds collected from sale do not contribute to implementation of projects) was not rejected instead an alternative hypothesis (it has some contribution) was rejected; that is the estimate 10.247872 was not statistically significant. As long as this variable violates assumption or theory in this study the co-efficient of that particular variable was considered equal to zero so that the study was concentrated on other variables.

***Hypothesis 7: Funds obtained from different Council shares do not contribute to implementation of development projects***

Funds collected from different Council shares also have contribution to the implementation of development projects. In order to prove that *t-test* employed in this study by considering that if the observed $t^* > t_{\alpha/2}$ with *(n-k)* degree of freedom**,** we reject null hypothesis and we do not reject alternative hypothesis. In this case the study shows that a calculated *t** (2.16 ) is greater than the *t* value from the *t* distribution table (2.0378) with 32 degree of freedom, therefore the null hypothesis , (Council shares do not contribute much to implementation of projects) was rejected and an alternative hypothesis , (funds from Council sares has an influence in implementation of development projects) was not rejected. The value of partial regression coefficient estimate 0.0102722 is statistically significant at 10% level of significance. The value 0.0102722 is the partial regression co – efficient of the variable Council shares and it shows that, when the influence of other variables are held constant, as funds from Council shares increases by one unit on average the funds for implementation of development projects will increase by 0.0102722 which is in Millions of Tanzanian shillings.

# CHAPTER SIX

# SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS

## 6.1 Summary of Study Findings

The study gave the regression results which show that, the overall contribution of own sources revenue collections has a great contribution on implementation of development projects in Dar es salaam Municipal Councils. This can be proved by looking at value of which is equal to 54.93 and the probability of F shows that which shows that the regression is significant at 1%. But different results came when testing statistical significance of the variables individually; out of selected seven variables six of them were statistically significant. The expectation was to get positive relationship between funds collected from sales of Council properties to contribution on the implementation of development projects in Dar es salaam Municipal Councils but the regression results gave different conclusion in this variable.

In time series regression there might be several reasons why this has happened, one is that; when dealing with secondary time series data enough number of observations are needed in order to get the most correct results. Secondly; sometimes time series secondary data are not accurate when they are collected from two different points, you may find that, the same data of the same year differ in two different sources this may mislead and give wrong results.

### 6.1.1 Funds from city service levy:

City service Levy is one of the sources of Local Government **Own Revenues**. LGAs tax collection is the responsibility of the councils and is completely separated from the central government. As per the Local Government Finances Act of 1982[14], the Service Levy should be a 'tax' payable by corporate entities to the local government authorities at a rate not exceeding 0.3 percent of the turnover net of the value added and the excise duty. The rates imposed in relation with the service levy shall be pay-able in lieu of the

[14] This edition of the Local Government Finances Act, 1982 incorporates all the amendments made to it since its enactments in 1982 up to 30th June, 2000 and is printed under the authority of section 18 of the Interpretation of Laws and General Clauses Act, 1972

industrial cess and the corporate entities paying service levy shall not be liable to pay the produce cess.

In Municipal councils revenue collection is organized around 3 levels; Council Head quarters, the wards and Mitaa levels. Many Councils in Tanzania experience shows that some companies do not pay this type of tax because LGAs who are required to enforce payments of the same are sometimes silent[15], that is, they do not act on those who do not pay the levy. For the case of Dar es salaam Municipal Councils analysis of data shows that funds collected from city service levy is positively related to the implementation of development projects. This is proved by referring to the value of *t*(2.98)*, it means that funds collected from city service lev is statistically significant and this can be shown further in the revenue collection data, city service levy contribute more in Municipal councils revenue collection.

### 6.1.2 Funds collected from provision of Licenses

To register a business firm or a company in the United Republic of Tanzania is a right of those who wish to associate and form themselves into a firm or company pursuant to the existing company laws. Companies Act, 2002, identified four main types of companies; Private companies, non-private companies (Public), Foreign companies (companies incorporated out of Tanzania) and Parastatal or state owned companies. This has been done starting from Local level to National level. Through registration the business own have to pay some charges in order to be licensed. In LGAs the accumulation of these funds from provision of licenses are included in local government revenues which is spent according to needs and requirement of Councils.

In Dar es salaam Municipal Councils funds collected from provision of different license in is negatively related to the implementation of development projects by showing *t*(3.04)* and its partial regression coefficient of -36.06088. This shows that funds from provision of different license are statistically significant at 1% significance level. This

[15] http://monfinance.com/2012/06/20/tanzania-lgas-revenues-city-service-levy/

implies that the increase in collection of funds from licenses will stimulate the implementation of development projects in Dar es salaam Municipal Councils.

### 6.1.3 Funds obtained from payment of Fees

According to Wikipedia[16] a fee is the price one pays as remuneration for services. Fees usually allow for overhead, wages, costs, and markup. In Tanzanian context local revenues collected from "Fees and Charges" are grouped into three categories: Market fees and charges, Sanitation fees and charges, and service fees. A service fee, service charge, or surcharge is a fee added to a customer's bill. The purpose of a service charge often depends on the nature of the product and corresponding service provided. In many council parking fees and central bus stand fees are the largest revenue items in the category specific service fees. For that case in Tanzania most of LGA's funds collected from different fees are contributing much to the implementation of development projects, like wise Dar es salaam Municipal Councils. For the case of this study, funds collected from fees is negatively related to the implementation of development projects by showing t* (-2.83) and is  is statistically significant at 5% level of significance.

### 6.1.4 Funds collected from Property Tax

Given the role of property taxes as revenue generators in the developing world, the fact that the property tax is not an own-revenue source in many countries raises concerns about sustainable revenue flows, sub national autonomy, and thus the promised benefits of decentralization. In the 1990s, property taxes accounted for 40 percent of all sub national taxes in developing countries, but only 12 percent in transition countries (Bird and Slack 2002).

In Tanzania the modern application of property tax began in 1946 with the enactment of the Municipalities Ordinance (Cap 105) that authorized municipalities to levy a ten percent tax on the capital value of all buildings. Then in 1952, the Local Government (Rating) Ordinance (Cap 317) was passed which expanded the property tax base to

[16]The free encyclopedia: *http://en.wikipedia.org/wiki/Fee*

include the unimproved site value for all properties held under long-term leases. Thus, properties under long-term leases were subject to a tax on land and buildings while properties under short-term lease and customary laws were subject to only a tax on buildings.

Bird and Slack report, for example, that the effective rate of property tax in the United States ranges from 0.4 percent to 2.9 percent for residential property and 0.7 percent to 6.0 percent for commercial property (Bird and Slack 2002). Property tax reform can offer a source of revenue, perhaps modest in transition countries, and a source of autonomy and accountability across the region.

From those ideas it seems that revenues collected from property tax has a great role in contributing to different activities conducted by Local Authorities. This study is a good evidence which shows that funds collected from property tax is positively related to the implementation of development projects in Dar es salaam Municipal Councils by showing *t*(2.69),* and is  is statistically significant at1% level of significance. Therefore it is very vital for collection of funds which some of them are spent in implementation of development projects.

### 6.1.5 Collection of funds from fines and other charges

Public services in the most Local Authorities are built upon a long tradition of public-private partnership. Today, rising costs are rapidly exceeding local tax revenues. To keep pace with escalating costs and reduce the level of essential tax appropriations needed to maintain acceptable levels of service. Local Authorities now are required to raise an increasingly larger portion of its annual operating budget each year. This has necessitated that Local Authorities establish new fund rising strategies, revenue streams, and job functions to raise the funds needed to maintain services to the community, collections, and facilities.

The powers of local authority to impose fines and charges are defined in the principal legislation (Local Government Acts), Regulations and other Acts such as environment and planning legislation. The requirements of National

Competition Policy (NCP) might also affect the powers of local authorities in determining the level of fines and charges for local authority services in situations where NCP principles require fines and charges to be set at full cost recovery or where prices are subject to monitoring

Overdue fines and charges are well established in public services operations. This is because, in addition to providing income, they serve as an incentive for individual to comply with by- laws established by Local Authorities. For so doing it has become one of the most important sources of income and contributes much on funds spent to the implementation of development projects. This has been proved by using results obtained from this study. Though funds collected from fines and other charges are releted negatively to funds spent in implementation of development projects, but still it is significant at 10% level by showing that as collections from fines and other charges decreases, funds spent on implementation of development will also decrease and hence, to some extent implementation of development projects in Dar es salaam Municipal Councils depends on funds collected from fines and other charges.

### 6.1.6 Funds from Sales of Council Properties

Sales of Council properties is one of sources of income as some expectations to get linear relationship on funds collected from sales of council properties to funds for implementation of development projects. But the study shows that funds collected from sales of Council properties is not significant to implementation of deveoplemnt projects. As long as this variable violates assumption or theory in this study the co-efficient of that particular variable was considered equal to zero so that the study was concentrated on other variables.

### 6.1.7 Funds collected from Council dividends (shares)

Dividends are payments made by a corporation to its shareholder members. A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders or it can be a portion of corporate profits paid out to stockholders. Divided is quoted in terms of a percent of the current market price,

referred to as dividend yield. When a corporation earns a profit or surplus, that money can be put to two uses: it can either be re-invested in the business (called retained earnings), or it can be distributed to shareholders. There are two ways to distribute cash to shareholders: share repurchases or dividends. Many corporations retain a portion of their earnings and pay the remainder as a dividend.

Dividends have been very important in implementation of development projects; this is due to the fact that dividends have been contributing to Dar es salaam municipal Councils revenue. By using this study as evidence it shows that funds obtained from dividends are positively related to funds spent to implementation of development projects. The study shows that funds collected from dividends are statistically significant to funds spent to implementation of development projects at 10% level of significance.

## 6.2 Conclusion

Analysis of this study shows that in most cases own sources revenue collection has an influence on funds used in implementation of development projects. Though sometimes it can be little amount, but the reality remains that you cannot depend on external sources for 100% in implementing development projects. Most guidelines of planning processes in Local Authorities emphasize that at least 40% to 50% of the planned budget should be spent in implementing developmet projects. But all these can not be achieved if there are no enough initiatives in collecting those own revenue through legal procedures.

In this study only seven sources of fund were used, but there are still existence of untapped revenue that can be exploited with extended efforts and incentive mechanism. There should be greater efforts both from central and local government in prioritizing internal resource mobilization by identifying local potential sources, motivating local people and creating a stake of local ownership on development projects including administrative and regulatory supports. Central and local government, is therefore, need to formulate policy and strategies based on the realities and consequences likely to be occurred in the devolution system. Local Government Authorities should set some

mechanisms which ensure the proper revenue collection which in turn can save for the community and provide public goods.

A survey by (Hesket, 2001) reveals that uneven tax administration is a major contribution to revenue shortfalls that augment inflationary pressure while depriving governments' resources with which to provide public goods. Uneven tax administration also stimulates resort to more easily collected taxes on foreign trade with associated efficiency losses (Hesket, 2001) noted that theoretical and empirical research on why persons subject to tax comply or fail to comply with their legal liabilities has been pursued by social scientists from various disciplines. The direct benefit of successful tax evasion is obvious, it is the value of the payments evaded, comprising their resources thereby saved. Drowning from reference group theory (Vehorn, C, Ahamed, E, 1997) attribute tax evasion to a norm neutralization process that is tax evaders justifying their cheating by the belief that everyone else does the same thing and or the benefit they receive from government fall below their share of the tax burden.

Study also revealed that grants in various forms have shown positive relationship with the implementation of development projects in Dar es salaam municipal councils. The result of this study can be used by decision makers on redistributing the income according the existing needs including development projects.

### 6.3 Policy Implications

Traditional thinking has been changed with the realization that national development is also a local responsibility and for overall progression, genuine partnership is essential between central and local government. Therefore, to serve both national and local interest, rural local government financing need to examine with own local taxation or raising other forms of local revenue, grant from central government, local borrowings or assistance from foreign sources. Recent trend shows that policy makers and donors are emphasizing on rural local governments fiscal capacity from local economic and rural development front to integrate development programmes through citizen participation, incorporate gender issue and disadvantaged groups in policy decisions, aid in poverty reduction, environmental initiatives at the local level, encourage local governments

autonomy and innovation in addressing local needs. Fiscal capacity of rural local governments is related to fiscal decentralization that commands a prudent mechanism in mobilizing local financial resources.

### 6.3.1 Local Tax collection and Enforcements

There are four critical ratios that affect revenue collection which in turn affect availability of funds for development project implementation through property tax performance, these are; the coverage, valuation, the tax rate and collection (R. Kelly and Z. Musunu, 2000). Although the tax policy concerning tax base definitions, exemptions, valuation standards, and collection/enforcement provisions are important for revenue collection in local government, the efficiency of the property tax administration is of equal or perhaps more importance. That is, the government must ensure that all buildings are on the tax rolls (i.e., improve the coverage ratio), that these buildings are valued close to market value (i.e., improve the valuation ratio), that the tax is assessed correctly (improve the tax ratio), and that the revenue is collected (i.e., improve the collection ratio).

This relationship can best be illustrated through the following property tax revenue model (Kelly, 1999a, 1999b)[17]

Definitions used in this tax revenue model are as follows:

Tax Base is defined according to the government policy in terms of what is and what is not taxed and typically is the value of that base under an ad valorem tax system[18].

Tax Rate is defined as the "rate struck" for the taxing jurisdiction. This measures the tax amount per value of the property that is to be paid as tax. The tax ratio (or tax rate) is normally determined through the annual budget process.

[17] See Kelly (1999a, 1999b) for further discussion of this analytical model and its application to the property taxation in Sub-Saharan Africa.

[18] The property tax base under an ad valorem system is the total value of the properties that are defined as liable for taxation. The property tax base for an area-based tax would be the total area of property that is defined as being taxable.

Collection Ratio is defined as the tax revenue collected over the total tax liability which has been billed for that year. This measures the collection efficiency. The collection ratio is affected by the collection of both current liability and tax.

Coverage Ratio is defined as the amount of taxable property captured in the fiscal cadastre, divided by the total taxable property in a jurisdiction. This measures the accuracy and completeness of the property information in the valuation roll.

Valuation Ratio is defined as the value on the valuation rolls divided by the real market value of properties on the valuation roll. This measures the accuracy of the property valuation level.

As this formula indicates, potential tax revenue is a function of the accuracy and level of the coverage ratio, the valuation ratio, the tax ratio and the collection ratio. In fact, these four ratios ultimately determine the effective tax rate and tax burden for each property, thus affecting the revenue yield if not well treated, economic efficiency, investment on development projects and overall equity of the property tax system. Unlike the tax rate which is politically determined once during the annual budget process, the coverage ratio, valuation ratio and collection ratios are affected by the level of administrative capacity and political will continuously throughout the year.

Using this model and the estimated ratios identified, it is possible to roughly estimate the potential improvement in revenue yield in local government. Holding the tax base and tax rate constant, for example, it would be possible to double the tax yield through introducing administrative improvements to expand the coverage ratio, improve the valuation ratio, and increase the collection ratio. This may lead to raise local government income in such away that the authority will be in the position to implement different projects and other recurrent expences.

### 6.3.2 Local Revenue system

The design of a local revenue system includes three central dimensions: the assignment of revenue sources among types of government, the degree of autonomy with which

local governments authorities can exercise their assigned authority, and the efficiency of the revenue administration system. For a decentralized system to meet expectations, policymakers must ensure coordination between these dimensions.

### 6.3.3 Autonomy and Policy

The decentralization literature can be surprisingly unclear about the fundamental question of what constitutes a local authority tax. However, if terminology is not clear as to what constitutes local authority own-source revenue, policymakers will not have the conceptual tools needed to design fiscal systems and appreciate their consequences. Such a situation will also obfuscate debate over the policy changes needed to allow a jurisdiction to realize the efficiency benefits promised by decentralization.

Local authority revenues may be divided into categories of decreasing local autonomy. If local government authorities have total or significant control over a tax, fee, or charge, as shown by control over the tax rate (that is, if it is necessary and sufficient), it is a local authority tax. If, in contrast, local government authorities have no control over the base and rate of a tax, as, for example, when the central government determines how to split revenues ("tax sharing"), it is not a local authority source of own-revenue.

This taxonomy of taxation serves the very useful purpose of setting out the basic definition of what is and is not a source of own-revenue. Thus, for example, the taxonomy makes clear that although a shared tax adds to local authority budget receipts, such revenue is not "own" taxation. Tax sharing occurs when the base and rate of a tax are centrally set and then some percent is returned, typically on a derivation basis, to the "originating locality." To be an own-tax or revenue source, the local authority unit must, at the very least, legislate the rate. More nuanced is the practice whereby a central government restricts the rate of an own-revenue source (such as the rate ceiling). This clearly limits local authority autonomy, and some would argue that once the cap is reached it fully eliminates local autonomy, as the local government authority loses its ability to raise taxes at the margin. Such rate regulation is particularly common in developing countries.

A typical argument for rate ceilings is that they prevent local governments from doing egregiously inappropriate things (though ceilings may simply be a nontransparent mechanism for central control). The practice, however, counters the accountability and efficiency arguments for decentralization. One might make a case for centrally imposed rate ceilings during the transitional period from centralization to decentralization, as they might allow local governments to develop policy and administrative capacity, but such limitations should be short-lived. Local government authorities build capacity by using their assigned powers.

### 6.3.4 Autonomy and Administration

The third dimension of revenue policy—that local governments authority must have some control over revenue administration—matters for two reasons. First, control over some aspects of revenue administration is instrumental for controlling revenues at the margin, as this allows for changes in the effective tax rate (a ratio of actual tax collected compared with the size of the legal tax base). Local governments can change the effective tax rate by boosting compliance through audits and enforcement, or by lowering compliance costs for taxpayers through better services (such as more user-friendly tax forms and payment processing, and access to information).

Some studies shows that this dimension is relevant in all cases, especially in China and Vietnam, where local government authorities collect taxes whose rates and bases are determined centrally. Second, and conversely, this consideration suggests that local government authorities need not have full control over administration to call a tax or fee an own-source revenue. Devolved responsibility does not necessarily imply fully devolved administration, especially in the context of weak local capacity. National governments, for example, might take responsibility for certain administrative functions, such as assessing property, or assist local governments with core functions related to information and communications technology. This opens up a much-needed discussion of the appropriate division of labor between national and local authority jurisdictions, and of the options for assisting low-capacity local government authorities with revenue administration.

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**CURRICULUM VITAE**

**PART ONE: PERSONAL INFORMATION.**

| | |
|---|---|
| Name: | MASORE MWERYA MASOGO |
| Date of birth: | 5th September 1974 |
| Place of birth: | Mugango Village-Musoma-Mara |
| Nationality: | Tanzanian |
| Marital status: | Married |
| Sex: | Male |
| Religion: | Christian |
| Profession: | Teacher/Planner/Economist |
| Contacts: | i. Masore M, Masogo,<br>P.O.Box 425,<br>DAR ES SALAAM.<br>ii. Mobile no. ***+255754414422 or, +255712236350***<br>iii. e-mail:***mmwerya@yahoo.com*****,or** ***mmwerya@gmail.com*** |

**PART TWO: ACADEMIC QUALIFICATION.**

| | |
|---|---|
| 2011 to date | Continuing student at Mzumbe University – MOROGORO TANZANIA, where I'm studying MSc-Economics (Project Planning and Management). Hoping that after this course I will be very good skilled and project planning and implementation. |
| 2012 | Postgraduate Diploma in Project Management (PM), Maastricht School of Management (MsM) – THE NETHERLANDS . (Have good knowledge in Project Appraisal, Planning and Management) and tools) |
| 2009: | Postgraduate Diploma in Regional Development Planning, Institute of Rural Development Planning (IRDP) – DODOMA TANZANIA. (Have good use of Data collection techniques and tools) |
| 2008: | Certificate of Demographic Methods and Analysis, University of Groningen (R*u*G) – THE NETHERLANDS. (Have a very good idea in Demographic Data Analysis) |
| 2005: | Bachelor of Science with Education **(Hons)** Physics and Mathematics (This involved number Courses in Statistics and Economics) University of Dar es salaam DAR ES SALAAM - TANZANIA. |
| 1999: | Advanced Certificate Secondary Education **(PCM)**, Shinyanga High School SHINYANGA- TANZANIA. |

1995: Certificate of Secondary Education, Tarime Secondary School MARA- TANZANIA.

1991: Primary Education Certificate, Kwikuba Primary School MARA- TANZANIA.

**PART THREE: EMPLOYMENT EXPERIENCE.**

To date: I am working as a Planning and Statistics Officer-Temeke Municipal Council, Dar es salaam. Apart from data collection, analysis and interpretation for further use also I do participate in Council Planning and budgeting processes.

2006: I was employed at Dar es salaam Institute of Technology **(DIT)** as a Tutorial assistant, teaching Mathematics for FTC students.

2005: I was employed at Temboni Secondary School teaching Physics and Mathematics, Kinondoni Municipal, Dar es salaam.

2004: I attended teaching practice at Kambangwa Secondary School teaching Physics and Mathematics, Kinondoni Municipal, Dar es salaam.

2003: I attended teaching practice at Mara Secondary School teaching Physics and Mathematics, Musoma District-Mara Region.

2002 I attended teaching practice at Tarime Secondary School teaching Physics and Mathematics, Tarime District-Mara Region.

2001 I was employed in part time bases teaching Physics and Mathematics at Mwema Secondary school, Tarime District, Mara Region.

**PART FOUR: OTHER EXPERIENCES.**

Since I am a Mathematics teacher by profession and Planner as well, I can also perform well the following:

- Good in Project Planning and Management
- I can work as a Statistician and Planner with a good knowledge in Statistical packages like SPSS and GIS data analysis package (Arc View 3.2).
- I can teach well Statistics and Probability.
- I can work as an Academic advisor.

**PART FIVE: PANELS, WORKSHOPS AND SEMINARS ATTENDED.**

2010 I attended a training for two weeks on Monitoring, Evaluation and Data Management at ECDC Training Center-Arusha Tanzania

2007: I attended a workshop on National Economic Empowerment and Job creation Program, conducted by Bank of Tanzania (BOT)

2006: I attended a Training Course on Local Government Monitoring Database (LGMD), University Computing Centre-Dar es salaam.

Also have been involved in planning and budgeting processes in Temeke Municipal Council with a very good knowledge in PlanRep.

2004: I attended 9th College on thin film technology conducted at the University of Dar es salaam under Department of Physics.

**PART SIX: COMPUTER LITERACY.**

I attended two courses in Computer offered by Department of Computer Science, University of Dar es salaam and I can do the following with the Computer:

- Word Processing (Microsoft Word).
- Spreadsheet (Microsoft Excel).
- Microsoft Power point.
- Communication.
- Searching Some Information in Internet.
- Microsoft Publisher.
- Computer Statistical packages such as SPSS and STATA

**PART SEVEN: MEMBERSHIP.**

I have been a member of University of Dar es salaam Mathematics Students Association (UDMSA) from 2004-2005.

**PART EIGHT: REFEREES.**

| | |
|---|---|
| Jenifa C. Omolo<br>Director<br>Kibaha City Council<br>P.O.Box 46343<br>DAR ES SALAAM.<br>Tel no: +255 756390421 | Masele Juma, J<br>Lecturer - UDSM<br>P.O.Box 425,<br>DAR ES SALAAM.<br>masele2000@yahoo.com<br>Tel no: +255744834374 |

I Masore Mwerya Masogo does hereby declare that all the above given information are correct.

Signature..... ..... Date.....

**APPENDICES**

**APPENDIX I: QUATERLY REVENUE COLLECTION BY SOURCES**

| Sources | 2003 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | 2003Q1 | 2003Q2 | 2003Q3 | 2003Q4 | |
| City service Levy | 1,790,231,415 | 2,685,347,122 | 1,969,254,556 | 2,506,323,981 | 8,951,157,073 |
| Provision of Lisence | 224,745,934 | 337,118,901 | 247,220,528 | 314,644,308 | 1,123,729,671 |
| Fees | 8,181,886 | 12,272,829 | 9,000,075 | 11,454,641 | 40,909,431 |
| Property Tax | 237,288,351 | 355,932,527 | 261,017,186 | 332,203,692 | 1,186,441,756 |
| Fines and other charges | 403,290 | 604,936 | 443,619 | 564,607 | 2,016,452 |
| Sales of Council Properties | 8,232,354 | 12,348,531 | 9,055,589 | 11,525,296 | 41,161,770 |
| Dividends (Shares) | 6,626,903 | 9,940,354 | 7,289,593 | 9,277,664 | 33,134,514 |
| **TOTAL** | **2,275,710,134** | **3,413,565,200** | **2,503,281,147** | **3,185,994,187** | **11,378,550,668** |

| Sources | 2004 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | 2004Q1 | 2004Q2 | 2004Q3 | 2004Q4 | |
| City service Levy | 2,214,907,647 | 3,322,361,470 | 2,436,398,411 | 3,100,870,705 | 11,074,538,234 |
| Provision of Lisence | 278,059,855 | 417,089,783 | 305,865,841 | 389,283,798 | 1,390,299,277 |
| Fees | 10,122,782 | 15,184,173 | 11,135,060 | 14,171,895 | 50,613,910 |
| Property Tax | 293,577,567 | 440,366,351 | 322,935,324 | 411,008,594 | 1,467,887,836 |
| Fines and other charges | 498,958 | 748,438 | 548,854 | 698,542 | 2,494,792 |
| Sales of Council Properties | 10,185,222 | 15,277,832 | 11,203,744 | 14,259,310 | 50,926,108 |
| Dividends (Shares) | 8,198,928 | 12,298,392 | 9,018,820 | 11,478,499 | 40,994,638 |
| **TOTAL** | **2,815,550,959** | **4,223,326,439** | **3,097,106,055** | **3,941,771,343** | **14,077,754,795** |

| Sources | 2005 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | |
| City service Levy | 2,828,135,339 | 4,242,203,008 | 3,110,948,872 | 3,959,389,474 | 14,140,676,693 |
| Provision of Lisence | 300,469,877 | 450,704,816 | 330,516,865 | 420,657,828 | 1,502,349,387 |
| Fees | 11,826,209 | 17,739,314 | 13,008,830 | 16,556,693 | 59,131,045 |
| Property Tax | 289,784,133 | 434,676,199 | 318,762,546 | 405,697,786 | 1,448,920,665 |
| Fines and other charges | 1,264,956 | 1,897,434 | 1,391,452 | 1,770,938 | 6,324,780 |
| Sales of Council Properties | 15,400,628 | 23,100,943 | 16,940,691 | 21,560,880 | 77,003,142 |
| Dividends (Shares) | 8,349,367 | 12,524,050 | 9,184,303 | 11,689,113 | 41,746,834 |
| **TOTAL** | **3,455,230,509** | **5,182,845,764** | **3,800,753,560** | **4,837,322,713** | **17,276,152,545** |

| Sources | 2006 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | |
| City service Levy | 3,603,174,381 | 5,404,761,572 | 3,963,491,820 | 5,044,444,134 | 18,015,871,907 |
| Provision of Lisence | 347,352,745 | 521,029,117 | 382,088,019 | 486,293,843 | 1,736,763,725 |
| Fees | 18,050,563 | 27,075,844 | 19,855,619 | 25,270,788 | 90,252,813 |
| Property Tax | 580,600,774 | 870,901,162 | 638,660,852 | 812,841,084 | 2,903,003,872 |
| Fines and other charges | 22,879,011 | 34,318,516 | 25,166,912 | 32,030,615 | 114,395,053 |
| Sales of Council Properties | 14,073,530 | 21,110,296 | 15,480,883 | 19,702,942 | 70,367,652 |
| Dividends (Shares) | 5,425,735 | 8,138,602 | 5,968,308 | 7,596,029 | 27,128,674 |
| **TOTAL** | **4,591,556,739** | **6,887,335,108** | **5,050,712,413** | **6,428,179,435** | **22,957,783,695** |

| Sources | 2007 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | |
| City service Levy | 4,661,497,844 | 6,992,246,766 | 5,127,647,629 | 6,526,096,982 | 23,307,489,221 |
| Provision of Lisence | 367,127,944 | 550,691,916 | 403,840,739 | 513,979,122 | 1,835,639,721 |
| Fees | 17,718,240 | 26,577,360 | 19,490,064 | 24,805,536 | 88,591,199 |
| Property Tax | 558,787,396 | 838,181,093 | 614,666,135 | 782,302,354 | 2,793,936,978 |
| Fines and other charges | 7,452,149 | 11,178,224 | 8,197,364 | 10,433,009 | 37,260,747 |
| Sales of Council Properties | 7,047,540 | 10,571,310 | 7,752,294 | 9,866,556 | 35,237,700 |
| Dividends (Shares) | 100,741,802 | 151,112,704 | 110,815,983 | 141,038,523 | 503,709,012 |
| **TOTAL** | **5,720,372,915** | **8,580,559,373** | **6,292,410,207** | **8,008,522,082** | **28,601,864,577** |

| Sources | 2008 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | |
| City service Levy | 5,192,121,250 | 7,788,181,875 | 5,711,333,375 | 7,268,969,750 | 25,960,606,250 |
| Provision of Lisence | 732,557,687 | 1,098,836,530 | 805,813,456 | 1,025,580,762 | 3,662,788,435 |
| Fees | 4,091,526 | 6,137,289 | 4,500,679 | 5,728,136 | 20,457,630 |
| Property Tax | 431,200,934 | 646,801,401 | 474,321,027 | 603,681,308 | 2,156,004,670 |
| Fines and other charges | 6,595,142 | 9,892,712 | 7,254,656 | 9,233,198 | 32,975,708 |
| Sales of Council Properties | 11,996,460 | 17,994,690 | 13,196,106 | 16,795,044 | 59,982,299 |
| Dividends (Shares) | 51,496,170 | 77,244,255 | 56,645,787 | 72,094,638 | 257,480,851 |
| **TOTAL** | **6,430,059,168** | **9,645,088,753** | **7,073,065,085** | **9,002,082,836** | **32,150,295,842** |

| Sources | 2009 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | |
| City service Levy | 6,229,711,107 | 9,344,566,660 | 6,852,682,217 | 8,721,595,549 | 31,148,555,533 |
| Provision of Lisence | 868,916,994 | 1,303,375,491 | 955,808,694 | 1,216,483,792 | 4,344,584,971 |
| Fees | 55,912,428 | 83,868,641 | 61,503,670 | 78,277,399 | 279,562,138 |
| Property Tax | 1,135,642,211 | 1,703,463,317 | 1,249,206,432 | 1,589,899,096 | 5,678,211,056 |
| Fines and other charges | 59,874,748 | 89,812,121 | 65,862,222 | 83,824,647 | 299,373,738 |
| Sales of Council Properties | 32,718,486 | 49,077,729 | 35,990,335 | 45,805,880 | 163,592,430 |
| Dividends (Shares) | 68,432,830 | 102,649,245 | 75,276,113 | 95,805,962 | 342,164,150 |
| **TOTAL** | **8,451,208,803** | **12,676,813,205** | **9,296,329,684** | **11,831,692,325** | **42,256,044,016** |

| Sources | 2010 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | |
| City service Levy | 7,601,283,318 | 11,401,924,978 | 8,361,411,650 | 10,641,796,646 | 38,006,416,592 |
| Provision of Lisence | 1,646,640,257 | 2,469,960,385 | 1,811,304,282 | 2,305,296,359 | 8,233,201,283 |
| Fees | 11,576,598 | 17,364,897 | 12,734,258 | 16,207,237 | 57,882,990 |
| Property Tax | 1,114,317,912 | 1,671,476,868 | 1,225,749,703 | 1,560,045,077 | 5,571,589,559 |
| Fines and other charges | 98,848,607 | 148,272,910 | 108,733,467 | 138,388,049 | 494,243,033 |
| Sales of Council Properties | 1,113,007,254 | 1,669,510,880 | 1,224,307,979 | 1,558,210,155 | 5,565,036,268 |
| Dividends (Shares) | 125,098,924 | 187,648,386 | 137,608,817 | 175,138,494 | 625,494,621 |
| **TOTAL** | **11,710,772,869** | **17,566,159,304** | **12,881,850,156** | **16,395,082,017** | **58,553,864,347** |

| Sources | 2011 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | |
| City service Levy | 12,291,765,888 | 18,437,648,832 | 13,520,942,477 | 17,208,472,243 | 61,458,829,440 |
| Provision of Lisence | 2,095,527,384 | 3,143,291,076 | 2,305,080,122 | 2,933,738,338 | 10,477,636,920 |
| Fees | 36,252,528 | 54,378,792 | 39,877,781 | 50,753,539 | 181,262,640 |
| Property Tax | 3,112,210,296 | 4,668,315,443 | 3,423,431,325 | 4,357,094,414 | 15,561,051,478 |
| Fines and other charges | 132,840,000 | 199,260,000 | 146,124,000 | 185,976,000 | 664,200,000 |
| Sales of Council Properties | 922,992,000 | 1,384,488,000 | 1,015,291,200 | 1,292,188,800 | 4,614,960,000 |
| Dividends (Shares) | 124,375,632 | 186,563,448 | 136,813,195 | 174,125,885 | 621,878,160 |
| **TOTAL** | **18,715,963,728** | **28,073,945,591** | **20,587,560,100** | **26,202,349,219** | **93,579,818,638** |

| Sources | 2012 | | | | TOTAL INCOME |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | |
| City service Levy | 14,693,174,000 | 22,039,761,000 | 16,162,491,400 | 20,570,443,600 | 73,465,870,000 |
| Provision of Lisence | 2,710,167,000 | 4,065,250,500 | 2,981,183,700 | 3,794,233,800 | 13,550,835,000 |
| Fees | 38,684,000 | 58,026,000 | 42,552,400 | 54,157,600 | 193,420,000 |
| Property Tax | 3,706,076,000 | 5,559,114,000 | 4,076,683,600 | 5,188,506,400 | 18,530,380,000 |
| Fines and other charges | 141,750,000 | 212,625,000 | 155,925,000 | 198,450,000 | 708,750,000 |
| Sales of Council Properties | 986,633,000 | 1,479,949,500 | 1,085,296,300 | 1,381,286,200 | 4,933,165,000 |
| Dividends (Shares) | 130,828,000 | 196,242,000 | 143,910,800 | 183,159,200 | 654,140,000 |
| **TOTAL** | **22,407,312,000** | **33,610,968,000** | **24,648,043,200** | **31,370,236,800** | **112,036,560,000** |

## APPENDIX II: TOTAL FUNDS SPENT ON DEVELOPMENT PROJECTS ANNUALLY AND QUARTERLY

| YEAR | TOTAL EXPENDITURE ON DEVELOPMENT PROJECTS | QUARTER | | | |
|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 |
| 2003 | 11,378,550,668 | 2,048,139,120 | 2,503,281,147 | 3,185,994,187 | 3,641,136,214 |
| 2004 | 14,077,754,795 | 2,533,995,863 | 3,097,106,055 | 3,941,771,343 | 4,504,881,535 |
| 2005 | 17,276,152,545 | 3,109,707,458 | 3,800,753,560 | 4,837,322,713 | 5,528,368,814 |
| 2006 | 22,957,783,695 | 4,132,401,065 | 5,050,712,413 | 6,428,179,435 | 7,346,490,782 |
| 2007 | 28,601,864,577 | 5,148,335,624 | 6,292,410,207 | 8,008,522,082 | 9,152,596,665 |
| 2008 | 32,150,295,842 | 5,787,053,252 | 7,073,065,085 | 9,002,082,836 | 10,288,094,669 |
| 2009 | 42,256,044,016 | 7,606,087,923 | 9,296,329,684 | 11,831,692,325 | 13,521,934,085 |
| 2010 | 58,553,864,347 | 10,539,695,583 | 12,881,850,156 | 16,395,082,017 | 18,737,236,591 |
| 2011 | 93,579,818,638 | 16,844,367,355 | 20,587,560,100 | 26,202,349,219 | 29,945,541,964 |
| 2012 | 112,036,560,000 | 20,166,580,800 | 24,648,043,200 | 31,370,236,800 | 35,851,699,200 |

**APPENDIX III: TOTAL FUNDS SPENT ON DEVELOPMENT PROJECTS QUARTERLY BY SOURCE**

| QUARTER | Total funds for projects | City service Levy | Provision of Licenses | Fees | Property tax | Fines and other charges | Sales of Council Properties | Dividends (shares) |
|---|---|---|---|---|---|---|---|---|
| 1 | 2,048,139,120 | 1,790,231,415 | 224,745,934 | 8,181,886 | 237,288,351 | 403,290 | 8,232,354 | 6,626,903 |
| 2 | 2,503,281,146 | 2,685,347,122 | 337,118,901 | 12,272,829 | 355,932,527 | 604,936 | 12,348,531 | 9,940,354 |
| 3 | 3,185,994,187 | 1,969,254,556 | 247,220,528 | 9,000,075 | 261,017,186 | 443,619 | 9,055,589 | 7,289,593 |
| 4 | 3,641,136,214 | 2,506,323,981 | 314,644,308 | 11,454,641 | 332,203,692 | 564,607 | 11,525,296 | 9,277,664 |
| 5 | 2,533,995,863 | 2,214,907,647 | 278,059,855 | 10,122,782 | 293,577,567 | 498,958 | 10,185,222 | 8,198,928 |
| 6 | 3,097,106,055 | 3,322,361,470 | 417,089,783 | 15,184,173 | 440,366,351 | 748,438 | 15,277,832 | 12,298,392 |
| 7 | 3,941,771,343 | 2,436,398,411 | 305,865,841 | 11,135,060 | 322,935,324 | 548,854 | 11,203,744 | 9,018,820 |
| 8 | 4,504,881,535 | 3,100,870,705 | 389,283,798 | 14,171,895 | 411,008,594 | 698,542 | 14,259,310 | 11,478,499 |
| 9 | 3,109,707,458 | 2,828,135,339 | 300,469,877 | 11,826,209 | 289,784,133 | 1,264,956 | 15,400,628 | 8,349,367 |
| 10 | 3,800,753,560 | 4,242,203,008 | 450,704,816 | 17,739,314 | 434,676,199 | 1,897,434 | 23,100,943 | 12,524,050 |

| QUARTER | Total funds for projects | City service Levy | Provision of Licenses | Fees | Property tax | Fines and other charges | Sales of Council Properties | Dividends (shares) |
|---|---|---|---|---|---|---|---|---|
| 11 | 4,837,322,713 | 3,110,948,872 | 330,516,865 | 13,008,830 | 318,762,546 | 1,391,452 | 16,940,691 | 9,184,303 |
| 12 | 5,528,368,814 | 3,959,389,474 | 420,657,828 | 16,556,693 | 405,697,786 | 1,770,938 | 21,560,880 | 11,689,113 |
| 13 | 4,132,401,065 | 3,603,174,381 | 347,352,745 | 18,050,563 | 580,600,774 | 22,879,011 | 14,073,530 | 5,425,735 |
| 14 | 5,050,712,413 | 5,404,761,572 | 521,029,117 | 27,075,844 | 870,901,162 | 34,318,516 | 21,110,296 | 8,138,602 |
| 15 | 6,428,179,435 | 3,963,491,820 | 382,088,019 | 19,855,619 | 638,660,852 | 25,166,912 | 15,480,883 | 5,968,308 |
| 16 | 7,346,490,782 | 5,044,444,134 | 486,293,843 | 25,270,788 | 812,841,084 | 32,030,615 | 19,702,942 | 7,596,029 |
| 17 | 5,148,335,624 | 4,661,497,844 | 367,127,944 | 17,718,240 | 558,787,396 | 7,452,149 | 7,047,540 | 100,741,802 |
| 18 | 6,292,410,207 | 6,992,246,766 | 550,691,916 | 26,577,360 | 838,181,093 | 11,178,224 | 10,571,310 | 151,112,704 |
| 19 | 8,008,522,082 | 5,127,647,629 | 403,840,739 | 19,490,064 | 614,666,135 | 8,197,364 | 7,752,294 | 110,815,983 |
| 20 | 9,152,596,665 | 6,526,096,982 | 513,979,122 | 24,805,536 | 782,302,354 | 10,433,009 | 9,866,556 | 141,038,523 |
| 21 | 5,787,053,252 | 5,192,121,250 | 732,557,687 | 4,091,526 | 431,200,934 | 6,595,142 | 11,996,460 | 51,496,170 |
| 22 | 7,073,065,085 | 7,788,181,875 | 1,098,836,530 | 6,137,289 | 646,801,401 | 9,892,712 | 17,994,690 | 77,244,255 |

| QUARTER | Total funds for projects | City service Levy | Provision of Licenses | Fees | Property tax | Fines and other charges | Sales of Council Properties | Dividends (shares) |
|---|---|---|---|---|---|---|---|---|
| 23 | 9,002,082,836 | 5,711,333,375 | 805,813,456 | 4,500,679 | 474,321,027 | 7,254,656 | 13,196,106 | 56,645,787 |
| 24 | 10,288,094,669 | 7,268,969,750 | 1,025,580,762 | 5,728,136 | 603,681,308 | 9,233,198 | 16,795,044 | 72,094,638 |
| 25 | 7,606,087,923 | 6,229,711,107 | 868,916,994 | 55,912,428 | 1,135,642,211 | 59,874,748 | 32,718,486 | 68,432,830 |
| 26 | 9,296,329,684 | 9,344,566,660 | 1,303,375,491 | 83,868,641 | 1,703,463,317 | 89,812,121 | 49,077,729 | 102,649,245 |
| 27 | 11,831,692,325 | 6,852,682,217 | 955,808,694 | 61,503,670 | 1,249,206,432 | 65,862,222 | 35,990,335 | 75,276,113 |
| 28 | 13,521,934,085 | 8,721,595,549 | 1,216,483,792 | 78,277,399 | 1,589,899,096 | 83,824,647 | 45,805,880 | 95,805,962 |
| 29 | 10,539,695,583 | 7,601,283,318 | 1,646,640,257 | 11,576,598 | 1,114,317,912 | 98,848,607 | 1,113,007,254 | 125,098,924 |
| 30 | 12,881,850,156 | 11,401,924,978 | 2,469,960,385 | 17,364,897 | 1,671,476,868 | 148,272,910 | 1,669,510,880 | 187,648,386 |
| 31 | 16,395,082,017 | 8,361,411,650 | 1,811,304,282 | 12,734,258 | 1,225,749,703 | 108,733,467 | 1,224,307,979 | 137,608,817 |
| 32 | 18,737,236,591 | 10,641,796,646 | 2,305,296,359 | 16,207,237 | 1,560,045,077 | 138,388,049 | 1,558,210,155 | 175,138,494 |
| 33 | 16,844,367,355 | 12,291,765,888 | 2,095,527,384 | 36,252,528 | 3,112,210,296 | 132,840,000 | 922,992,000 | 124,375,632 |
| 34 | 20,587,560,100 | 18,437,648,832 | 3,143,291,076 | 54,378,792 | 4,668,315,443 | 199,260,000 | 1,384,488,000 | 186,563,448 |

| QUARTER | Total funds for projects | City service Levy | Provision of Licenses | Fees | Property tax | Fines and other charges | Sales of Council Properties | Dividends (shares) |
|---|---|---|---|---|---|---|---|---|
| 35 | 26,202,349,219 | 13,520,942,477 | 2,305,080,122 | 39,877,781 | 3,423,431,325 | 146,124,000 | 1,015,291,200 | 136,813,195 |
| 36 | 29,945,541,964 | 17,208,472,243 | 2,933,738,338 | 50,753,539 | 4,357,094,414 | 185,976,000 | 1,292,188,800 | 174,125,885 |
| 37 | 20,166,580,800 | 14,693,174,000 | 2,710,167,000 | 38,684,000 | 3,706,076,000 | 141,750,000 | 986,633,000 | 130,828,000 |
| 38 | 24,648,043,200 | 22,039,761,000 | 4,065,250,500 | 58,026,000 | 5,559,114,000 | 212,625,000 | 1,479,949,500 | 196,242,000 |
| 39 | 31,370,236,800 | 16,162,491,400 | 2,981,183,700 | 42,552,400 | 4,076,683,600 | 155,925,000 | 1,085,296,300 | 143,910,800 |
| 40 | 35,851,699,200 | 20,570,443,600 | 3,794,233,800 | 54,157,600 | 5,188,506,400 | 198,450,000 | 1,381,286,200 | 183,159,200 |