

**THE PERFORMANCE OF OUTSOURCED REVENUE
COLLECTION SYSTEM IN LOCAL GOVERNMENT
AUTHORITIES CASE STUDY OF KASULU DISTRICT
COUNCIL**

By

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**A dissertation presented to the School of Business in partial fulfillment of the
requirement of Master of Science accounting & finance (MSc A & F) of Mzumbe
University**

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DECLARATION

I, Paul Paschal Mabhuve, hereby declare that this research is my own work and it has not been submitted for the award of Master of Science at any Higher learning institution.

Signature.....

Date.....

DEDICATION

This research is dedicated to my beloved parents Mr & Mrs Paschal Mabhuye who deliberately sent me to school to learn A, B, C, D. May God bless them.

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ABBREVIATIONS

CAG	-	Controller and Auditor General
CC	-	City Council
DC	-	District Council
DED	-	District Expenditure Director
DT	-	District Treasure
HO	-	Head of Department
KDC	-	Kasulu District Council
LGA	-	Local Government Authorities
LGRP	-	Local Government Reform Program
MC	-	Municipal Council
MU	-	Mzumbe University
PORALG	-	Prime Minister's Office Regional Administration and Local Government
PORALG (2000)	-	Prime Minister's Office Regional Administration and Local Government report.

ABSTRACT

The general objective of the research was to assess the performance of outsourced revenue collection in LGA Kasulu District council as the case study. The key findings of this dissertation were, that the council has been able to collect revenue from own sources in moment in time by an average percentage of 0.97% or 0.97 annually. This means that, some agencies were not complying with their contract signed between the agencies and the council. Also another finding was that the performance in revenue collection of market due dropped by average of 47.6% while the performance of the forest fee levy has increased by an average percentage of 17%.Also the performance of market stall rent has increased by average percentage of 3%.

The achievement to collect about 97% revenue from own source was due to the effort done by finance department to make strong follow up as well as the strong terms of the agreement as found in the legal contracts between the Agencies and Council. And 3% difference was due to weak adherence by the agencies to terms of agreements and contract signed.

The key recommendation emanating from the above findings were, that the council should build abattoir and cow action mart in order to add more number of revenues and to increase council revenue collection in which this option has multiple effect of supporting animal activities and improving famer's income together with health to people. In order to minimize the risk of giving the contract to incompetent and dishonest agents who fail to submit revenue collected at time, the council management should give the contracts or terms of agreements to agents with enough experience, and also the augends should have required and recommended collaterals.

Since the council has enough number of revenue sources which has not outsourced and which can perform well if they are outsourced. I recommend new revenue sources such as parking fees for bicycles, fee for Lorries in transit parking in towns and also the council should opt to make investment in government shares and treasury bonds and also LPF.

The general research method employed to achieve this dissertation at the whole period of study were questionnaire ,personal observation together with documentary review as the major method of research data collection approach used.

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CHAPTER ONE

1.0 Introduction

This research is concern with an assessment on performance of outsourcing revenue collection in Local Authorities. However there are different kinds of revenue sources in council particularly the research deal with outsourced revenue sources. The Local Government Act No 9 of 1982. Local Authorities granted wide ranging powers to raise their own revenue subject to approval of their by laws by the ministry and subject to a process of local deliberation. Authorities can levy a wide range of taxes, licenses, fees and charge. Local authorities are autonomous and are therefore free to develop their own tax systems (Poralg 2002).

Keenja (1988) said, though given the authority of revenue collection the Local Authority has seen to fail to reach their estimates hence causing failure to implement the objectives targeted. The negative efficiency of revenue collection forced the central Government to introduce the reforms since in 2003 in order to harmonize the local revenue system. The Local Government Authorities in Tanzania has out sourced their revenue collection to the agents in the view of improving their revenue.

Madungu (2001) elaborated the reason for poor performance in revenue caused by poor revenue collection system, loose supervision, poor recording of business license owner's unreliable provision of transport to inspectors and a great number of inexperienced staff.

This research selected Kasulu District Council as a case study to assess the revenue collection performance after the introduction of the outsourcing of revenue policy.

1.1. Background Information:

Kasulu District Council is in Kigoma region in the west of Tanzania. It comprises 7 divisions, 42 wards, 102 villages and 383 sub villages. Kasulu District Council was established in 1984 with respect to provision of section 8 and 9 of the Local Government Act (District Authorities 1982).

The Laws of 1982 gave the Local Government authorities the objective of promoting economic development and social welfare maintenance of peace order and good

governance. In making sure that the objectives of LGA are met the Local Government finance Act under section 7(i)(a)-I,(2),(3) and 4 gives powers to LGA to raise revenue. In Tanzania as general although the LGA has given power to raise revenue Local authorities have sources that are generally non-buoyant and difficult to collect. According to Fjeldstad (2008) there have been considerable and unfortunate political interferences by central Government agencies in tax collection by Councils.

The Councils themselves has not been effective in organizing equitable collection and nor has central government operated a grant system which clear incentives for councils to improve their own revenue collection. Semboja and Therkilden (1992) argued that there is wide spread resentment among the public against paying taxes to council. According to Controller and Auditor General (2008) most citizens regard Local Government Councils as ineffective and severally affected by corruption and while this perceptions may be exaggerated it is certainly true that revenue mobilization and financial management standards of the councils leave much to be desired. Finally there is an absence of an institutional mechanism such as Local Government finance commission to facilitate rational decision about the sharing of public revenue sources and funds between the central Government and LGA as by Local Government Reform (1998)

The performance of revenue collection in Tanzania District Councils has been falling due to the problems discussed.

Kasulu District Council as the case study has experienced the same situation which has contributed to fail to exercise their objectives as planned.

1.1.1 Scholarly Ideas:

Danninger (2005) writes that the principal can benefit from overstated targeted revenue, knowing that higher revenue collections are likely to materialize. Their model is premised on a classic principal agent set up; the main fiscal authority (e.g. the ministry of finance) as the principal provides public services under conditions of imperfect control over its agent, the revenue administration. The agent chooses the level of unobservable effort and hereby determines the revenue available for the government to fulfill its functions. The efficiency of government services is under

public scrutiny. Since the public is critical of low performance, it dislikes large revenue shortfalls relative to budget and exerts pressure to penalize responsible officials. Thus, the revenue administration has an incentive to not deviate too much from the official revenue forecast. This allows the fiscal authority to use overstated forecasts as an incentive device to increase performance efficiency at the cost of producing unrealistic forecasts. Also, as long as the gains from increasing effort outweigh the costs of producing ex-post forecast errors, the government will produce overstated revenue forecasts.

Heller (1997) argues that with political will, African countries can strengthen their revenue mobilization efforts, despite the weak prevailing economic conditions and the heavily agricultural and informal sector character of their economies. Separating the revenue authority from the civil service is expected to facilitate greater efficiency through economies of scale in revenue collection, greater insulation from political pressures, reduced duplication of efforts, and enhanced capacity for cross checking capabilities.

Fjeldstad(2000) analyses that coercion is likely to be an integral part of the tax collection methods which is a reason for revenue raising performance for Local Authorities in Tanzania. Coercive methods yield higher taxes per capital, but the need for coercion reflects higher levels of distrust in the governmental system and dissatisfaction with service delivery. The evidence supporting this proposition emphasizes the importance of different tax enforcement regimes, and thus the relationship between the state apparatus and the citizens.

1.2 Statement of the Problem:

The introduction of outsourced revenue collection system within Local Government Authorities (LGAs) was aimed at improvement of revenue collection. However, the outsourced revenue system has been challenged due to poor performance as by Controller & Auditor General (2008). There are few researches which have been conducted on the performance of the outsourced revenue collection system in various councils in Tanzania. Kasulu District Council is among the councils which collect revenue by the use of agent and the performance of the new system in Kasulu is yet

studied. Therefore this research aims at assessment of the performance of the outsourced revenue collection system in Kasulu district Council.

1.3 Research Objectives;

1.3.1 General objectives

The general objective of the study is to assess the performance of outsourced revenue collection in LGA Kasulu District Council as the study under review.

1.3.2 Specific Objectives.

The specify objective is as follows:

- To examine the extent to which the revenue collected from different sources in the council are collected in moment in time.
- To examine if revenue collections has been increased or decreased after the out sourcing policy
- To examine the shortcomings observed in the revenue collection
- To examine revenue sources for the intention of coming with proper approaches of monitoring revenue collection.

1.4 Research Questions:

This study is guided by the following research questions.

- To what extent the revenue collected from every out sourced source is collected in moment in time?
- To what degree the collections has been increased or decreased after the out sourcing policy?
- What are the shortcomings observed in the revenue collection process?
- Does the revenue sources being examined in order to get proper ways of agents monitoring?

1.5 Scope of the Study

The study was conducted at Kasulu District Council and covered the period of eleven years from 1997-2007/2008. The first six years is the period prior to outsourcing and the other five years is after outsourcing policy. The study examined financial records,

documents, contract files, contract awarding procedures by laws in the conformity with the prevailing financial regulations.

1.6 Significance of the study

The study is the continuation of the various discussion raised by various scholars in connection with fiscal problem that Local Authorities in Tanzania are facing and their consequences failure to collect the estimated revenue.

The results which were obtained from the study may act as inspiration to academician who would want to add or quantify which has been found and discussed. Many Local Government Authorities in Tanzania has reformed their tax collection system in recent years in order to increase their revenue. This study examined the performance in revenue collection to private agents in Kasulu District Council with particular focus on the outsourcing of revenue collection to private agents.

Such knowledge is relevant for present and future tax administration reform and for the broader issue of outsourcing local government services specifically the study is significant in the following ways

- The result of the study adds knowledge to the existing body of knowledge and is a catalyst to other researchers and scholars to undertake related researches and hence build up the body of knowledge.
- The research finding and recommendation may be used by Kasulu District Council in designing policies and strategies for enhancing revenue collection capacities of local authorities.
- It is a partial fulfillment of the requirements for the award of the degree of Master in Science Finance and Accounting.

1.7 Organization of the study.

The research report consists of five chapters. Chapter one presents a background to the problem. Review of related literature to problem is presented in chapter two. Chapter three contains research procedures and methodology. Research Findings analysis and discussion are presented in chapter four, while in chapter five a summary of findings, conclusions and recommendations are given.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 The Brief History of Local Government Authorities in Tanzania

Local authorities were established over 100 years ago. The period is divided into main five periods namely as, pre colonial period, colonial era, period after independence up to 1972, period between 1972 and 1984 and period between 1984 and 1998. As by Poralg (2000) the ongoing Local Government reform process dominates the period after 1998.

The Pre-Colonial Period 1884-1998

Before the colonial era and during the initial period of the colonial era, local communities were organized around chiefs in chiefdoms. Councilors or elders who were their close advisors surrounded chiefs. In Kilimanjaro region for example, the Chagga chief was called MANGI. The Hehe called him MTWA and the Ha called him MWAMI. Besides these advisors the chief had lieutenants who were known as sub-chiefs. Under the sub chiefs there were headmen. In geographical terms, chiefdoms were more or less equivalent to the current administrative units known as divisions, sub chiefdoms were equivalent to village control and according to Poralg (2000) there was no district or regions except tribal boundaries.

The Colonial Period

When the German colonized Tanganyika they set in clear provincial District and chiefdom boundaries. They abolished the chiefdoms and established the post of the District commissioner (DC). But according to Poralg (2000) when the British were mandated to administer Tanganyika (Now Tanzania mainland) in 1918 they adopted a different approach.

In the urban area they enacted the Township ordinance (cap 101) in 1920. Subsequently urban local government was established. In the rural area the DC was retained. It was until 1926 that the foundation form organized local government system was laid down following the establishment of Native Authorities (NAS) by enacting the Native Authorities ordinance (cap 72). With it the chiefs were reinstated. According to Poralg (2000) in 1928 the colonial administration introduced provisional

commissioners (PCs), Both the DCs and PCs were trained and experienced administrators who were assisted by District Officers (DO).

The Period between 1961-1972.

After independence in 1961 the Government abolished the old NAs and created an entirely new structure of Councils covering the whole country. These LGAs were established more on political rather than on economic considerations. Hither (1961) said there were only 17 councils but by 1972 this number has risen to 68. These councils were composed of elected Councilors with small number of appointed members. No provision was made for elected bodies before the District or Town council thus naming the scope of democratically elected local governments. Tanzania has had clear policy objectives regarding overall development. Over since independence in 1961 the Government identifies three key enemies of the people as being poverty, illiteracy and disease. Since structures sees as decentralized instruction were devised at various levels to try to execute strategies to achieve these goals.

The Period between 1972 -1984 (Decentralization Era)

Institutionally the Government switched from partnership to direct management of the development process and provision of social services. As by Poralg (2000) number of committees were established into the villages' wards, districts and regions as vehicle of people's participation and Region become the primary focus for rural development planning and implementation.

The period between 1984-1998

The reintroduction of LGAs raised hopes for a one proved performance through greater involvement of citizens these hopes were however not realized due to number of reasons. The anticipated improves performance in service delivery as well as development initiatives through broad based public involvement was not being achieved as anticipated. (poralg2000)

Several studies were carried out to establish reasons for this failure and the following were identified as being same of the interfiling reasons.

- The human resource capacity and management was weak and this seriously constrained performance by goal Government Authorities.
- Shortage of Revenue due to narrow tax base

- Shortage of qualified, disciplined and commuted personnel

The Local Government Reform Programmer (LGRP)

The Local Government reform programme was formulated and implemented by the government in order to address the problems which constrained the performance of the Local Government Authorities are mentioned above. Through the programme the government intends strengthens Local Authorities and transform them to be effective instrument of social and economic development at Local level. Poralg (2000) said this has been addressed by the Government in a Local perform policy paper of 1998.

2.1.2 Functions of Local Government Authorities in relation to revenue collection.

Local Government Finance Act 2004 explained that in making sure those LGAs has the enough revenue for carrying different tasks such as:

- To promote the social welfare and economic well being of all persons within its area of jurisdiction and
- Maintain and facilitate the maintenance of peace order and good governance within the area of its jurisdiction the LGAs has the following functions.
- Issuing by laws which can be used in collection of revenue in the area of its jurisdiction
- Design and implements new revenue collection system.
- Strengthening financial management system
- Review of on the sources of revenue to see if it exactly collect the real revenue available
- To make sure that all revenue collected are kept and used for the intended purpose.

2.1.3 Local Government Authorities Revenue Prior Outsourcing

Until 2003, Tanzania followed a relatively “approach to local government taxation, meaning that local governments were given substantial latitude in coming up with their own local revenue structure. This open approach to local revenues was a major contribution factor to a highly fragmented local tax system. It was broadly felt that the fragmented local tax structure imposed an excessively high burden on local

taxpayers (through high cumulative rates and high administrative costs) and caused an environment not conducive to economic growth. In addition to the collection and taxpayer compliance problems caused by the lack of a uniform local revenue system, the absence of a uniform local revenue system also has hindered the systematic collection of data on local government revenues. (Local Government fiscal Review 2004)

Recognizing the shortcomings of the local revenue system, PMO-RALG Sought to promote the voluntary “rationalization and harmonization” of local revenue system, by encouraging local government authorities to broaden their tax bases and keep tax rates low. In this vain, PMO-RALG produced a set of Guidelines for Rationalization and Harmonization of Local Government Sources of Revenue, Tanzania Mainland (2002) along with related training materials.

In June 2003, the system of Local taxation in Tanzania was significantly reformed by proclamation of the Minister of Finance during the Budget Speech. In contrast to the voluntary nature of the previous reform efforts, the reforms efforts announced in June 2003 imposed a forced, top-down rationalization of local revenue sources eliminated the development levy, abolished eight fees, eliminated two types of licenses fees, and abolished the local brew cess and the livestock cess. The remaining “permitted” local government revenue sources were captures in a schedule incorporated into the Local Government Finances Act. 2003 Subsequently, in 2004, local business license fees were virtually eliminated as part of broader reform of business licensing in Tanzania. (Local Government fiscal Review 2003). Detailed list of permitted local orvenment taxes and revenue sources are presented in table 2.1.

Table 2.1: List of permitted local government taxes and revenue sources.

<p>Taxes on property.</p> <ul style="list-style-type: none"> • Property rates <p>Turnover Taxes</p> <ul style="list-style-type: none"> • Service levy <p>Taxes on Goods and services</p> <ul style="list-style-type: none"> • Crop cess • Forest produce cess <p>Taxes on specific services</p> <ul style="list-style-type: none"> • Guest house levy <p>Motor vehicles, other equipment and ferry licenses</p> <ul style="list-style-type: none"> • Vehicle license fees • Fishing vessel license fees 	<p>Business and Professional Licenses.</p> <ul style="list-style-type: none"> • Commercial fishing license fee • Intoxicating liquor license fee • Private health facility license fee • Tax license fee • Plying (transportation) permit fees • Other business licenses fees <p>Other Taxes on the use of Goods</p> <p>Permission to Use Goods</p> <ul style="list-style-type: none"> • Forest Produce license fees • Building material extraction license fee • Hunting licenses fees • Muzzle loading guns license fees • Scaffolding/Hoarding permit fees <p>Administrative Fees and Charges (Cont'd)</p> <ul style="list-style-type: none"> • Revenue from sale of building plans • Building valuation service fee • Central bus stand fee • Sale of seedlings • Insurance commission service fee • Revenue from ranting of houses • Revenue from renting assets • Parking fees <p>Entrepreneurial and property income</p> <ul style="list-style-type: none"> • Dividends • Other Domestic property Income • Interest • Land rent <p>Fines, penalties and forfeitures</p> <ul style="list-style-type: none"> • Stray animals penalty • Share of fines imposed by magistrates court • Other fines and penalties
<p>Administrative Fees and Charges</p> <ul style="list-style-type: none"> • Market stalls/slabs dues • Auction mart fees • Meat inspection charges • Land survey service fee • Building permit fee • Permit fees for bill boards, posters or hoarding • Tender fee • Abattoir slaughter service fee • Artificial insemination service fee • Livestock dipping service fee • Livestock market fee • Fish landing facilities fee • Fish auction fee • Health facility user charges • Clean water service fee • Refuse collection service fee • Cesspit emptying service fee • Clearing of blocked drains service fee 	

Source: Local Government Finances Act (Schedule) as adopted in 2003.

In many ways, the reforms of 2003 and 2004 failed to address the fundamental shortcomings of the local government revenue system, and in many ways the local government revenue system in Tanzania continues to be one of the weakest components of Tanzania's Local government finance system. In particular, weaknesses of the current system include; (1) local governments are mostly assigned low-yielding taxes which are among the least popular and political acceptable revenue sources; (2) the fragmentation of the local tax system causes horizontal inequities and inefficiency; (3) the benefit principle" is largely missing as a conceptual foundation for local government revenues; and (4) local revenue are hard to administer and hard to enforce, while compliance costs for local taxes are unnecessarily high.

(Development of a Strategic framework for the financing of LGAs in Tanzania June 2005)

2.1.4 Outsourced Revenue Collection In Other Local Government Authorities In Tanzania:

Features of Revenue Outsourcing

A large number of revenue sources have been outsourced in recent years. They include; private collection of property taxes in some urban councils such as in Ilala and Kinondoni Municipal Councils and Mwanza City Council; market fees in both rural and urban councils; forestry levies (Until 2005) mainly in rural councils such as Kilosa and Kisarawe; cess on certain agricultural products in rural councils; and bus stand and parking fees. According Controller and Auditor General (2006) in Mwanza more than one third of the Councils own revenues in 2006 were collected by private agents.

In general, outsourcing of revenue collection is based on an open tender process, based on guidelines provided by the Local Government Reform programme (June 2003) and the public procurement Act No 21 of 2004. Before floating a tender the council often conducts an assessment to determine the revenue potential and the tender bids are expected to be within the council's revenue estimates. The applicant is also required to show a bank guarantee or an asset as security, this measure aims to ensure that the council's revenues are not lost if the contractor defaults. Ngalewa (2008) said that if the contractor defaults, councils have to instituted a system whereby the contractor has to submit revenues to the council in installments, most commonly on a weekly or fortnightly basis, but in some cases also daily, which was the case for bus stand fees from the Ubungo Bus Terminal in Dar es Salaam Council. General criteria for winning contract to collect revenue on behalf of the council.

- Submission of a detailed tender proposal
- The bid should fall within the council's assessed revenue estimates
- The bidder is required to have a Tanzania citizenship
- An individual, a firm, a co-operative, village government, etc. may submit a bid,

- The bidder must have a “known past history (ideally experience from revenue collection and no record of court cases against him/her)
- The bidder is required to present bank statements and bank guarantee and/or a security of an immovable asset. (Public Procurement Act no 21 of 2004)

2.1.5 Why outsourcing and what are the Experiences so far.

Cost Effectiveness and predictability

Outsourced collection generally implies lower administration cost for local government authorities by shifting the collection cost to the private sector rather those utilizing government employees for the same purpose. Furthermore, due to the season aspect of some revenue sources, a private agent has much more flexible labor input than a council thus reducing the operational cost of revenue collection. For example, According to Katera (2008) the company contracted by Mwanza City council (MCC) to collect revenue in 2008 at Mwaloni fish market engaged up to 25 collectors during the peak revenue collecting season and reduced the number to 10 during the low season.

Corruption.

Private tax collection is likely to reduce corruption at the collection point by offering mechanisms for penalizing poor collector performance. A private collector has in general (i) a stronger personal interest in the collection result and (ii) more effective mechanisms for penalizing poor performance on the part of collector. These factors combined may reduce corruption at the point of collection. The potential profits connected with such contracts can, however encourage corrupt arrangements between members of the tender board and private entrepreneurs. An important measure to reduce this potential problem is to ensure the capacity of the local government revenue administration to assess the actual local revenue base. Assessment of the revenue potential is still poor in many types of council in Tanzania and may imply that the contracted amount which is to be remitted to the council only represents a small fraction of the revenues actually collected by the agent.

According to Ngalewa (2008) there is a recognized danger, as reflected in historical evidence that overzealous collection can occur under privatized tax collection systems. However this does not seem to be a problem in the councils covered by this study. Perhaps generous profits attributed to the agents as a result of accidental

circumstances such as the structure of local markets, bus stands etc, explain this observation. More general mechanisms for curtailing overzealous behavior have also been established by awarding contracts to market association, which collect the market fees from its own members. However, still there is a need for establishing systems for dealing with complaints from taxpayers, including market vendors and property owners.

Monitoring the Agents.

How to minimize the risk of contracting incompetent or dishonest agents initially, several of the councils experienced that some agents did not comply with their contracts, either by not submitting revenues collected to the council, or by submitting less money than stipulated in the contract. In Kinondoni Municipal Council and Mwanza City Council these problems were partly due to the agent's lack of experience, reflected in over ambitious bids, and partly because the agents in some cases did not pay their own collectors properly, which reduced their incentives to collect. In some cases the council brought the agents to court, which was a costly and time consuming exercise.(Ngalewa 2008)

Fjeldstad (2008) said an additional problem experienced with property tax collection was that some agents only targeted the most easily accessible taxpayers to minimize the collection costs. This method by the private agents did not contribute to expanding the revenue base as intended and it also led to complaints from taxpayers who were approached for tax collection, when others were not. Consequently, the tendering process and contracts were revised by incorporating mechanisms to reduce the risks for defaults, including measures for more efficient monitoring of the agents.

Fjeldstad (2008) argued that moreover to avoid substantial losses by default or embezzlement the agent must submit revenues to the council in daily or weekly installments. Mwanza City Council is planning to institutionalize a system whereby the contractors will have to pay a monthly submission in advance of the collection. Furthermore the contracts are usually for a limited period of time often one year although an agent can still apply for renewal on a competitive basis. The five year contract assigned to the agent collecting fees at the Ubungo Bus Terminal in Dar es Salaam and the ten year contract to the agent collecting parking fees in Dar es Salaam city centre seem to be exceptions from the general procedures.

Although several research studies have been undertaken by different scholars and professionals in relation to the issue of outsourced revenue collection in Tanzania local authorities, researchers found none among the studies which directly include the impact of abolition of some revenue sources as affected in 2003. The following are some brief review on the findings found in these studies.

Local government reform team (1998) in their paper titled policy paper on local government reforms, they said that to make substantial increase in own revenues and to enhance tax payer's compliance, the revised legislation shall make provision for the following:-

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

Keenja (1998), emphasize that, the collection of revenue from local government own source has been unsatisfactory. This is due to:

- The political leadership has been very resistant in supporting direct taxation after these were abolished in 1969, as a result a number of contradicting statements have been made over the past year, which have tended to discourage the people from paying taxes.
- After many years with no direct taxation people have been reluctant to pay their taxes.
- The provision of service and the implementation of development programs has been less than satisfactory thus further discouraging the people from paying taxes.

- In most local government authorities, there have been cases of mismanagement of funds and even thefts which have further discouraged the people from paying taxes. Furthermore, Keenja pointed out that Local Authorities have been facing serious financial problems and the central government has not been able to meet its obligation as laid down in local government Finance act No. 9 of 1982. In 1984/85 financial year, government grants were a small fraction of actual local government needs. The situation improved somewhat in 1985/86 and became more so in 1986/87 financial year when estimates of grants to local government authorities were slashed to Tshs. 1.0 billion at the eleventh hour. At the same time recognized finding levels from various services have not been adhered to in giving grants to local governments.

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

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

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

cess has suppressed development levy collection by any average of 71.4% over and above revenue collected per annum through development levy method.

Nsemwa (1998) further found out that many of the inefficiencies in collecting produce cess have been caused by the failure of District organ to perform their functions effectively. So in order to eliminate these inefficiencies Nsemwa recommended the following to the District Produce Purchase Supervision Committee (DPPSC).

- The committee should not depend only on the reports submitted by buyers but rather they should make frequent visit to buying centers.
- The exemption of some of the buyers to purchase produce prior to advance payment of cess should be avoided
- In order to maintain quality in terms of grades and packaging the committee should collaborate with cashew nut boards of Tanzania (CBT)

Ngwilizi (2002/2003) argued that the President Office –Regional administration and local government in collaboration with treasury, is searching for the better ways of increasing revenue of the local authorities such ways include analyzing new and reliable sources of revenue, to introduce good collection producers and to abolish the ambiguity sources. Furthermore he said that the year 2001 was not conducive for council's revenue because most of the cash crops production was decreased due to the decrease of price in the market. He insisted that all council should adhere to the government order of removing all road brocks/barriers which concerning with crop transportation the only way is to introduce better revenue collection procedures instead.

Ndaba (1998) revealed that, financing local government in Tanzania at that component faced a number of problems most of which are basically historical according to Ndaba revenue collection was hindered by: The loss in experienced staff and the temporary discontinuity of the local rates. In order to improve revenue collection mechanism, to have close supervision to improve the recording of the business license owners and provision of reliable transport to inspectors.

Semboja and Therkilden (1992), in their study in Tanzania revealed that local authorities were not able to collect enough revenue to finance the operations and maintenance of basic services in their localities. Due to these problems additional

funds to support the council were provided by central government. In their study pointed out four major causes of poor revenue collection in local authorities. These composed of the following:-

- The entire three main sources (Development levy, produce cess and business licenses) are based on a fixed rate per unit and are therefore likely to be inelastic.
- The administration of revenue collection has generally been exploited
- Certain potentially important new sources have not yet been exploited
- Moreover there has not been sufficient political and administrative support from central government to tax a population accustomed to “fee” public service since 1967.

As evidenced from the above empirical review different researchers have analyzed various setbacks and solution concerning the revenue collection in local authorities. Impliedly they aimed at recommending on the best ways of exploiting councils revenue sources in order to improve the critical financial condition caused by lack of revenue.

However, establishing a health financial situation of the council is not an easy job. It requires the council be creative innovative and to practice the modern ways of exploiting revenue sources to earn sufficient revenue. In turn several councils have tried to balance the public-private sector relationship by privatizing some of their revenue sources and removing the ambiguity source such as development levy. Therefore this study attempts to assess the impact of revenue collection privatization and abolition of ambiguity source in the local authorities.

Fijeldstad (2002) in his study on collectors, councilors and Donors: local Government Taxation and state-society Relations in Tanzania, he argued that; Twenty first century debates on taxation and democratizations in poor countries argues that the more a state earns its income through the operation of bureaucratic apparatus for tax collection, the more it needs to enter into reciprocal arrangements with citizens about provision of services and representation in exchange for tax contributions. In terms of local government taxation in Tanzania, this assumption appears not to be

valid. In contract, this article concludes that revenue performance depends on the degree of coercion

2.2.1 Conceptual Framework

Conceptual framework presented in figure 2.1 shows the relationship of the rules and regulations in revenue collection, human resource (Manpower) used in revenue collection, transparency in tendering process improved monitoring of agents and motivations of staff who participate in revenue collection. The relationship of the above variables determines the performance of the revenue collection after outsourcing policy.

Rules and Regulations

Public Finance Act 2001 revised 2004 section 5 gives explanation on control management and supervision of public finance. It states that it shall be the duty of Minister.

To develop and implement a micro economics and fiscal policy frame work for the United Republic and Coordinate international and intergovernmental financial and fiscal relations.

System are established throughout Government for planning, allocation and budgeting for the use of resources and approve all requests for the issue of public monies prior the inclusion in estimates of expenditure for the submission to the National Assembly in accordance with the provisions of the public Finance Act No. 6 of 2001 Revised 2004. To ensure fully control public funds the Treasury circulars from time to time. Therefore Rules and Regulations are responsible for monitoring all revenue collecting activities with the view of attaining organization objectives.

Motivation

According to Gupta (2006), motivation is anything that initiates or sustains activity. It is an inner state that energizes, activates or moves and that directs or channel behavior towards goals Motivation provides the following advantages to the organizations.

- High efficiency is an effective instrument in the hands of management to maximize efficiency of operations
- Reduction in lab our turnover

- Better organization relation and
- Result into utilization of resources, it inspires employees to make best

Human Resource

Human resource is the important paramount asset in any organization which aims higher in achievement. Human resource is those ones who activate non human resources to move forward without them the other resources remain dominant for the survival of the organization.

Therefore human resource is considered to be pivot variable in controlling public revenue collection. As said earlier people are ones who activate other resources and are the one who prepare budget and excite rules and regulations are made by them and should be followed by them as the guide for revenue collection. In nutshell, effectiveness and efficiency in revenue collection human resources should be motivated through training, equipped with modern techno equipment allowances and appreciate when show good performance. For human resource to be productive they need to be facilitated by working facilities such as transport allowances and the likes.

Proper efficient and transparency in tendering process:-

In general outsourcing of revenue is based on an open tender process based on guidelines provided by the Local Government Reform Programmed (June 2003) and the public procurement Act No 21 of 2004.

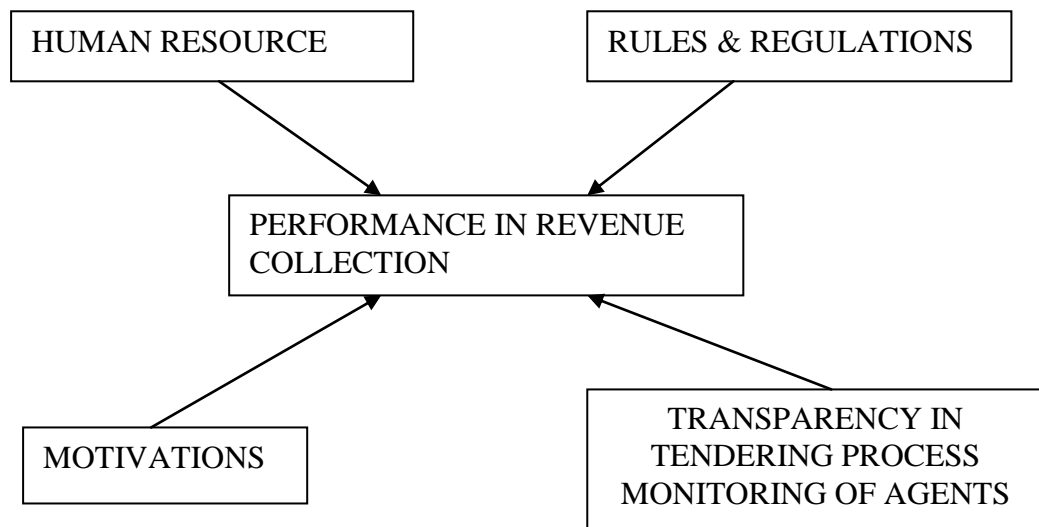
Before floating a tender the corncob after conducts an assessment to determine the revenue potential and the tender bids are expected to be within the Council estimates. The applicant is also required to show a bank guarantee or an asset as security this measure aims to ensure that the council's revenue is not lost if the contractor defaults.

General criteria for revenue collecting contract.

- Submission of a detailed tender proposal
- The bid should fall within the council is assessed revenue estimates
- The bidder is required to have a Tanzanian citizenship
- An individual a firm, a co-operative, village government etc may submit a bid

- The bidder must have a known past history (ideally experience from revenue collection and no record of court case against him/her)
- The bidder is required to present bank stale and bank guarantee and/or a security of an immovable asset.

Figure 2.1: Conceptual Framework Model



CHAPTER THREE RESEARCH METHODOLOGY:

3.1 Introduction

Frankfort Nachmias and Nachmas (1992) define a methodology as a system of explicit rules and procedures on which research is based and against which claims for knowledge are evaluated.

3.2 Research Design:

According to Aker et al (2002), research design gives a detailed blue point of a scientific inquiry. Research design is a general plan which is used to conduct a study in order to gather the needed information relevant to the research problems.

A case study design is used in undertaking this study of outsourcing the revenue collection in Local Government Authorities. Kasulu District Council (KDC) is selected for this research to avoid looking around to all other Local Authorities which have outsourced their revenue sources like Kibondo, Kisarawe, Dodoma district Council etc.

This is done with intention to manage the time limit. Given that the method chosen is less expensive which enabled the searcher to overcome the financial constraints. In most cases the case study design involve in depth, contextual analysis of similar situation in other organizations where the nature and definition of the problem happen to be the usefully particularly when and intends to gain a reach understanding of the study. Case study research design use a multiple sources of evidence and sometime strategies including data collection methods such as use of questioners, interviews, observations and documentary review also recommended.

3.3 Units of analysis.

Unit of analysis is an item to which an analysis concerning the research in going to be made for this study of assessment of performance of revenue collection in LGAS after the outsourcing policy the unit of analysis was Kasulu District Council.

3.4 Units of inquiry.

For intention of achieving the general objectives of the study Kasulu District Council (KDC) was selected as the unit of analysis from which the sample of respondents were selected. The selection of the following units in inquiry is subject to their

knowledge of council's revenue collection activities. The units of Investigation consisted of the following.

- District Executive Director (DED)
- District Treasurer (DT)
- Revenue Accountant (RA)
- Expenditure Accountant (EA)
- Final Accounts Accountant (FAF)
- Head of Departments (HODs)
- Councilors
- Agencies
- Revenue Collectors

The mentioned above are participants who get involved much in planning implementing correcting and supervision now and followed by the up to date ways of exploiting the council revenue source.

The above groups of people are the one who educate the taxpayers on the significant of paying tax. Further they supervise revenue collection and estimates council expenditure despite the fact that the agencies and Revenue collectors are the ones who manager and implement the daily procedure of revenue collection in the Council.

3.5 Sampling technique.

Nichols (1991) asserted that, once there is an idea of the size of the sample to be afforded there should be a think about the level of accuracy this sample will give and if this is adequate for the purposes for investigation on in depth work the aim is to get a feel for a problem. The economists (1997) Sounder et al (2000) suggest a minimum of 30 items to be included in a sample when statistical analysis will be adopted for the purpose of this study. Purposive sampling method, simple random, systematic sampling method and time series technique is to be used.

- **Purposeful sampling method**

The researcher identified the methods to establish the sample to stand for council's official basing on the position familiarity and knowledge of the respondents. This is because, not every one of council's officials is vigorous concerned in all revenue

exercise. The following are the officials who were selected purposely District Executive Director, district treasurer, revenue accountant, expenditure accountant, final accounts accountant and heads of departments.

- **Random sampling method.**

Random sampling method is to be engaged to establish the sample to stand for all members of the council and the agencies owing the fact that all respondents will be having an equal chance of being selected to provide the information regarding outsourcing of revenue collection in Kasulu District Council. Councilors, agencies and revenue collectors were selected randomly to get the required information.

- **Systematic sampling method,**

A systematic sampling method is to be involved to select the sample at regular intervals from the revenue collectors.

3.6 Data collection method.

Assessment of the performance of revenue collection after the outsourcing policy was done due to the data on which the analysis was made. To accomplish this goal the researcher used both primary and secondary data. Primary data were obtained through engaging observing the whole process of revenue collection in the council as well as questionnaires to council's staff, councilors, agents and revenue collectors while the secondary data were gathered from various reports such as council's final accounts, annual reports.

3.7 Research Instruments.

This study used both primary as well as secondary data. These were collected by using questionnaires, personal interview, site observation and documentary review.

3.7.1 Questionnaires.

Questionnaires consisting of different number of questions typed or printed in a definite order were sent to the persons concerned with a request to answer and return the questionnaire. This method is mostly used because it has different advantages such as low cost, free from bias, wide coverage and respondents have adequate time to give thoughtful answers. For obtaining the right information of the study under review the questionnaires attached to the Appendix A to D were used to collect data from relevant units of inquiries.

3.7.2 Observations

Through observation the researcher was able to collect several data relating to revenue collection process, procedures for awarding tender for revenue collection and budgeting process during his visits at the KDC, revenue collection centre and the relevant stations and units.

3.7.3 Documentary Review

Documentary review was used to supplement other instruments. To get certain types of data to supplement and support those through questionnaires certain council's documents were reviewed. These include those relating to budget, revenue collection, Contracts document, final Accounts, internal control system, Audit reports etc.

3.8 Data processing and Analysis.

The collected data were processed prior to its subsequent subjection to analysis.

For this study, the information was presented in a combination of methods namely tables where percentages are used and narrative notes. This information formed a basis for making conclusions as regarding the researcher assumptions'

CHAPTER FOUR

4.0 DATA PRESENTATION, DISCUSSION AND ANALYSIS:

This section presents, discuss and analyze the information collected and composed from Kasulu District Council, through the assist of descriptive statistical methods. This analysis is intended for answering the main study questions with the aid of answers to four specific study questions as presented in section 1.4.

The research questions were prepared with the consideration to verify the objectives of the research as confirmed in sections 1.3

The major study is to assess the performance of outsourced revenue collection in LGA Kasulu District Council as the study under review.

For having a clear answer on the major research question, four specific questions were addressed:-

- To what extent the revenue collected from every outsourced source is collected in moment in time?
- To what degree the collections have or increase decreased during outsourcing policy?
- What are the shortcomings observed in the revenue collection process?
- Does the revenue sources being examined in order to get proper ways of monitoring the agents?

4.1 The scope to which the council has achieved to collect revenue in moment in time.

Throughout the field study, it was revealed that, the council was capable to collect revenue at least in moment in time as compared to the period before outsourcing by an average of 97% per year. (Refer Table 4.2). This was due to the effort done by finance department to make strong follow up as well as to the strong terms of agreement as found in the legal contracts between the agencies and council. The 3% difference was due the weak adherence by the agencies to the agreements and contracts signed.

Though, the conditions originated in the legal contracts vary from one agency to another depending on the agreement between two parties.

From the set of rules of Kasulu District Council, (fee and agencies) by – law 2005, Agencies who are delegated an authority to collect revenue by the council, were obligatory to make a complete payment of the estimated amount of revenue in twelve equal installment, each installment to be submitted at the commencement of each month in a year schedule/calendar.

The agencies were obligatory to make complete payments of estimated amounts of revenue from own source outsourced, through four equal installments.

The table below 4.2 a summary of agencies monthly revenue submission to the council from 2004 to 2008.

Table 4.2. Timely submission by the collection agents of Revenue to KDC in Percentage.

Years	2004/2005	2005/2006	2006/2007	2007/2008
Details/ Month	% Age of Agencies who submitted in time	% Age of Agencies who submitted in time	% Age of Agencies who submitted in time	% Age of Agencies who submitted in time
July	83	100	100	100
August	83	83	100	100
Sept	83	100	83	100
Oct	100	83	100	100
Nov	100	100	100	83
Dec	100	100	100	100
Jan	83	100	100	100
Feb	100	100	100	100
March	100	83	83	83
April	100	100	100	100
May	100	100	100	100
June	83	100	100	100
Average	93	96	97	97

Source: Analyzed data, 2008

From the fact and information obtained in table 4.2 , the general results shown that, the council was capable to collect revenue in time by an average of 97% year. This indicates only three quarter of the agencies obeyed the term established in their legal contracts.

Additional, throughout the study it was noted that there was almost all Agencies submitted the revenue collected at the time required, however adverse performance between the actual and estimated revenue has been observed at different periods of time, from the fact of data observed, the estimated revenue goes above the actual revenue.

This was not anticipated in the existing systems of revenue collection. Table 4.3 provide presentation of the performance over time of outsourced revenue sources in percentage from 12003 to 2007/2008.

Table 4.3 Performance of outsourced revenue sources in percentages from 2003 to 2008.

	Market due	Market stall rent	Forest fee levy
2003	50%	44%	53%
2004/2005	68%	80%	51%
2005/2006	42%	46%	140%
2006/2007	52%	83%	92%
2007/2008	90%	124%	136%

Sources: Compiled Research from field research data.

Since the table 4.3 over it is Cleary disclosed that, the council experienced adverse revenue collection (estimates exceeds the actual) in year 2003 and 2005/2006 for market due and market stall while in forest fees levy experienced poor revenue collection in yea 2004/2005.

The raise in performance in the 2006/2007 and 2007/2008 was due to the termination of some contract and some of agency being sued for not remitting their collections to council as agreed.

PERFOMANCE OF MARKET DUE, FOREST LEVY, MARKET STALL RENT 2003-2008:

Hence from the above analysis it is reasonable to conclude that there has been operational efficiency (substantial increase in revenue collection) at the Kasulu District Council as there is an effect of performance from outsourcing of revenue strategy. Due to the reason that the council has been able to collect own source outsourced by 75% an average per annum.

4.2 To what extent the revenue collected from every outsourced revenue source has changed.

The researcher dealt with the above problem by adopting an intra-firm comparison or sometime known as time series techniques, which involve comparing the operational efficiency of a single firm over a period of time. According to Forester & Anthony

(1986, 1985), time series techniques analysis operational efficiency by constructing an output trends table, since the operational efficiency of the firm expenses a relationship between inputs and outputs the latter involves choosing one year as a base and then expressing. The product makes comparison of items of the following years comparative to their worth in the base year. At the same time as a usual, the base year is specified with a value of 100.

Therefore the output relates substance in the output trend chart might comprise; Three council outsourced revenue sources are Market dues, Market stall rent, and forest fees levy.

The time series techniques was useful to the data collected from three outsourced revenue sources to institute the scope to which the collections of every outsourced revenue has changed.

Tables 4.4, 4.5 and 4.6 present the performance of outsourced revenue sources in two different periods so as to shows former and after outsourcing (1997/2002) and 2003/2008) in that order.

Table 4.4 Performances of outsourcing Revenue Sourcing before outsourcing In Tshs from 1997 to 2002

Items	1997			1998			1999			2000			2001			2002		
	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%	Estimate	Actual	%
Market	48,66 0,000	35,48 3,700	7 3	46,33 2,000	72,2 30,1 50	1 5 6	52,47 4,000	62,76 6,000	1 2 0	52,474, 000	55,5 09,7 07	1 0 5	56,91 2,000	61,5 85,4 00	1 0 8	56,91 2,000	53,32 5,790	9 4
Forest fees levy	13,70 0,000	8,751 ,640	6 4	13,70 0,000	9,41 8,70 0	6 9	13,98 0,000	10,30 5,530	7 4	13,700, 000	11,3 91,6 70	8 3	13,70 0,000	11,7 22,4 25	8 6	13,70 0,000	11,29 1,940	8 2
Market shall rent	10,05 0,000	10,25 1,000	1 0 2	10,05 0,000	9,15 6,50 0	9 1	18,75 0,000	8,583 ,000	4 6	19,350, 000	10,3 86,5 50	5 4	10,09 0,000	9,61 1,63 5	9 5	21,18 4,000	8,696 ,050	4 1

Source: Kasulu District Council Abstracts of Accounts.

Table: 4.5 Summary of Performance of Outsourcing Revenue Sources in Average in Average percentage from 1997 to 2008.

Items	Years	Before Outsourcing							After Outsourcing					
		1997	1998	1999	2000	2001	2002	Average	2003	2004/2005	2005/2006	2006/2007	2007/08	Average
Market due		73	156	120	105	108	94	109	50	68	42	52	90	60.4
Forest fee levy		64	69	74	83	86	82	76	53	51	140	92	136	94
Market stall rent		102	91	46	54	95	41	72	44	80	46	83	124	75.4

Source: Analyzed data 2013

The subsequent table below shows the presentation of outsourcing revenue source in the two different periods. That is revenue collection before and after outsourcing (1997/2002) and (2003/2008) respectively.

Table 4.6 Kasulu District Council Trends of Revenue Performance before and after outsourcing 1997 and 2008.

Items	Year	Before Outsourcing						After Outsourcing					
		1997	1998	1999	2000	2001	2002	2003	2004/2005	2005/2006	2006/2007	2007/2008	
Market dues	Actual revenue	35,483,700	49,322,343	52,515,876	55,509,709	61,585,400	53,325,790	28,560,000	8,066,000	14,997,040	11,514,650	18,049,700	
	Output trends	100	139	148	154	174	150	80	23	42	32	51	
Forest fee levy	Actual Revenue	8,751,640	9,418,700	10,305,530	11,391,670	11,222,425	11,291,940	7,258,200	3,406,300	8,132,500	7,668,200	11,561,840	
	Output trends	100	108	118	130	128	129	83	39	93	88	132	
Market stall rent	Actual Revenue	10,251,100	9,156,500	8,815,946	10,386,555	9,611,635	9,738,545	8,822,000	14,341,200	215,273,310	29,735,000	37,240,000	
	Output trends	100	89	84	101	89	95	86	71	110	290	363	

Source: Kasulu District Council of Abstracts.

In general table 4.6 considering 1997 as the base year shows to all three outsourced revenue sources in Kasulu District Council “between” 1997 to 2008 experienced fast growth before outsourcing, there after constant growth at normal growth with instantly after outsourcing that is from 2003 to 2004/2005. Then increasing at decreasing rate in market dues in the year 2006/2007 and 2007/2008.

The next is the detailed and internally an assessment of every outsourced revenue sources as presented in table 4.6 .

- **Market dues.**

The actual revenue realized and collected from market dues decrease by 74% (174%-100%) then this source dropped by 99% (150-51%) out of that 50% (150%-100%) was recorded prior to outsourcing that is from 1997 to 2002 while the general trend of decrease in growth of 99% (150%-51) was recorded after outsourcing, that from 2003 to 2008.

Forest fees levy.

The actual revenue realized and collected from forest fees levy grew by 32% (132%-100%) out of that 29% (129%-100%) was recorded prior to outsourcing that is 1997 to 2002 while the growth of 3%(132% - 129%) was recorded after outsourcing that is 2003 to 2008.

Market Stall Rent.

The actual revenue realized and collected from market stall rent grew by 263 (363%-100%) out of that 5% (95%-100%) was recorded prior to outsourcing that is 1997 to 2002 while the growth of 268% (363%-95%) was recorded after outsourcing that is 2003 to 2008.

Consequently from the above argument it can be noted that, there has been a measurable increase in revenue collection as the outcome of outsourcing of revenue sources. The only exception was the revenue from market due showed a decrease in revenue collection of 99% during the period of outsourcing. The increase in revenue collected from market due before outsourcing was due to levies that were taxed to most items and collection

being realized but as a result of nationalization some of items were exempted from tax and ultimately leads to the decrease in revenue collection after outsourcing. Though the growth increase in forest levy and market stall rent resulted from the act of outsourcing exercised from 2003 to 2008.

Thought, it cannot be in use in most cases true to conclude that, the process of outsourcing of revenue collection was failed completely, however there are other factors that must be taken in consideration as common failure of macro and micro-economic developments in the council such as an increase in total population, change in government policy concerning council levies, and also over budgeting of a definite revenue sources to make certain amount of revenue, this might be completely made intentionally or unintentionally by District treasurer and district management as well as government.

4.3 Shortcomings observed in the revenue collection Process.

During the study, the researcher gathered information relating to problems in revenue collection at KDC and encounter some problems concerning with the whole process or exercises.

At the time of field research there was at all times a question raised to every unity of inquiry, so that to discover the major problems encounter the revenue collection practice in the outsourced revenue sources, towards meeting the objectives of outsourcing revenue collection of own sources at Kasulu District Council.

The following were problems gathered from interviewee response to the question.

4.3.1 Agencies unable to submit revenue and council are inability to realize fully revenue due to it.

This is one of the major administrative problems. The ratio between actual revenue collected from market due, forest fees and market stall rent and projected revenue differs measurably both between council and between areas within council.

4.3.2. Resistance from taxpayers

Most taxpayers perceived taxes to be unfair. Taxpayers see few tangible benefits in return for the taxes they pay. The majority of taxpayers found in outsourced sources, were businessmen, they complained that no development activities are undertaken through council financial sponsorship. The researcher noted the deterioration and in some cases some non-existence of public services raises taxpayer's perceptions of exploitation from an unequal contract with government, and promoted tax resistance.

In Kasulu district council particular at Nyamgali ward the researcher was informed about tax collectors/agency being attacked by the public.

One collector had been seriously attacked and being hit in some of his part. The researcher was informed that in 2005, tax collector/agency avoided certain villages like Nyamgali due to the high personal risk involved in tax collection.

4.3.3 Political Pressure

Political pressure was found to be another impediment in a revenue collection exercises. This problem stems from the fact that taxes are universally disliked and councilors who want to be re-elected need to be popular among the constituents. The KDC is controlled by the joint effort of the Kasulu District commissioner office and the KDC office.

These two offices are both responsible to the central government. During the field study it was found that, some businessmen and councilors in KDC have relatively stronger influence on tax collection and designed. The observer observed the conflict and found that, it is rooted partly in divergent objectives with respect to tax design and partly in lack of trust between administrator and politician at the council level.

Each official frequently makes decision in favor of their office or part. An example can magnify on this; the research found that no legal action has been in use by the council to the tax payers who illegal and purposeful failed to pay tax as well the agencies who failed to remit revenue in time and the approved amount; this is because of fearing politician's reaction.

4.3.4. Unregistered Revenue sources

The researcher observed a number of unregistered revenue sources to be among of major problems such as business/trade advertisement board and entertainment promotion for business in a revenue collection exercises. The revenue were collected by the agencies without including appropriate measures from the council due to its unidentified officially. The researcher obtained some information from interviewees that some unregistered agencies colluding with some of official to collect the revenue from unregistered revenue sources for their personal interest. The money obtained from such sources generally shared among the colluded official and agencies.

4.3.5 Contract offered to incompetent or dishonest agents

During the research it was found that some agencies did not comply with their contracts by not submitting revenue collected to the council. Some were submitting less money collected than the predetermined and stipulated in the contracts. The researcher found that one of the agents who tendered for the renting of the council failed to comply with contract and eventually failed to submit revenue from that source and the council terminated the contract and sued the contractor.

4.4 Respondents perception in regard to the exercise of outsourcing the revenue collection.

Throughout the study 82% of the respondents being interviewed sight outsourcing of revenue collection as a better and forth to growth of financial strength of the council merely if the mentioned obstacles will be solved.

They supplement on the act of outsourcing revenue source as a good activity, because it has improved the efficiency of providing goods or services usually. They argued that with outsourcing the revenue collection to local agencies the council capacity is built in the local population to undertake such activities.

In addition they argued that outsourcing of revenue collection contribute to poverty alleviation strategies such as local contacting approaches are being used. Also according to council staff interviewed poor assessment of the revenue potential and political

interference in the tendering process, led to overambitious bids and the engagement of unqualified agents. This led the Kasulu District Council to receive less revenue from the private agents in some of the outsourced market than the amount the council staff had managed to collect before outsourcing took place.

In additional 12% of whom interviewed as respondents view outsourcing of revenue collection as unnecessary process taken to give an advantage of few people who robbing to take the advantage of majority people who are poor. This is brought forward for the argument or discussion because, the money to be submitted to the council by the agencies is restricted; however if the agencies may collect exactly 50 million per month. The agencies will remit exactly amount stated in the legal contract, nevertheless it is just 2% of the net money collected.

Respondents complained that, the funds belongs to majority could be used by the council to sponsor its developments activities are unnecessarily going into the hands of a small number of people

In relation to 6% of the respondents who were asked and interviewed. They discussed the issue with different opinion, on outsourcing of revenue collection by pointing out the trends shows the disappointment of the anticipated outsourcing systems of collecting revenue if you weigh against the system of collecting revenue by means of council staff. This suggests that, in order to make outsourcing success, a capacity is required within the council. They recommended that, for the rationale of improving outsourcing process, the council should build capacity to package properly the services or goods to be outsourced; proper, efficient and transparent tendering procedure; and capacity to regulate and monitor performance.

Furthermore the respondents said that for revenue enhancement, tax administration needs to be greatly improved. They suggested the council to make a simple improvement in procedures which could lead to enormous gains in revenue. They recommended that, for the purpose of improving tax administration an improved record keeping, maintained

well-specified contracts to agents improved cooperation among agencies council official and TRA should provide with them reliable facilities relating to revenue collection.

Lastly they argue that since the council had a lot of risk concern outsourcing carefully attentions is to be made to minimize the risk. The council has done some studies in which some agents did not comply with their contracts either by not submitting revenue collected to the council or by submitting less money than stipulated in the contracts. In Kasulu District Council they recommend that for agency to be able to collect revenue properly they should have enough experience with the particular source tendered and the agency has to be familiar with activities being carried out at revenue collection centers.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATION

5.1 SUMMARY.

This research intended to identify and examine the level to which the council has achieved to collect revenue in moment in time.

Secondly, to evaluate the degree to which the collections of each outsourced revenue sources has changed as compared with the period before privatization.

Thirdly, to evaluate the shortcomings observed in the revenue collecting process.

Fourthly, to examine revenue sources in order to get proper ways of monitoring the agents.

Finally the research aimed to examine all revenue sources for the purpose of discovery the new approach of control revenue collection and to increase revenue collection with purpose of increasing services to societies.

In the respect of achieving the objective of this research the purposes of the research were planned by stating the major study research question and specific research questions.

General objective of the research was to assess performance of revenue collection in local government authorities after the introduction of the revenue collecting agent Kasulu District council as a case study.

The research has pinpoint different arguments for the purpose of understanding the Local Government Authority. These are tax management and its principles, the concept of taxation and development and finally summary review of the results in various research studies which have been studied in Tanzania's Local Authorities.

At the whole period of the study structured and unstructured interviews personal observation all together with the documentary reviews were the major methods of research data collection approaches used.

From the field findings the researchers have discovered the following:

First, the researcher finds that the council has able to collect revenue from own sources in moment in time by an average of 97% annually. This means that some agencies were not complying with their contracts signed between the Agencies and council officials.

Secondly that the performance of items outsources at least has increased by looking on the fact of the average percentage of the performance of revenue collection in outsourced revenue sources that is six years prior outsourcing and five year after outsourcing revenue source (1997/2002)and 2003/2008) in that order.

The results shown a prior outsourcing revenue source indicates that the council was able to collect revenue sources at an average percentage of 109%, 76% and 72% whereas the performance of revenue collection after outsourcing was indicating an average percentage of 60.4%, 94% and 75.4% respectively per annum.

A general finding from indicates that performance in revenue collection of market due dropped by an average percentage of 48.6%. The performance of the of forest fees levy has increased by an average percentage of 18%. And also the performance of the market stall rent has increased or grows by average percentages of 3.4%.

It was also found that the performance of outsourced revenue sources in two different periods that is before outsourcing and after sourcing, (1997/2002) and (2003/2008) respectively.

The results further indicated that the average percentage of performance of outsourced revenue sources is 64.4% and 94% 75.4% average per for all outsourced revenues the exercises of revenue collections opposed by a number of problems being the methods to achieve council targets and objectives.

Nevertheless the number of problems which cause ineffective performance of revenue collection through outsourcing, the council has been given heavy workload. Due to increasing responsibilities downloaded on it and in order to cut costs and building local

capacity the council outsourced various activities through which the researcher observed some changes in the Kasulu District Council. Coverage areas such as increase in waste management practice, maintenance of road, the aspects of land management (such as land survey) and car parking building

5.2 CONCLUSION:

Given that privatized collection offers no quick- fix increase in local government authority's revenue as well easing administrative problems. The sources in which collecting had increased and become more predicable for some councils which had outsourced revenue collection other had experienced substantial problems. Among the main problems facing the local Authorities, is show

To make the use of such source as a means to improve the serious financial problems due to the insufficient revenues.

KDC which is among of Local Authorities in Tanzania which faces to similar problems. As a way of minimizing them they should outsource the goods and services that are best provided by third parties as well as revenue collection process as the most means of exploiting it revenue sources.

Since the legal and institutional frame is in place the council should adopt it also. Outsourcing could go a long way to build local entrepreneurial capacity and the local economy and to greatly increase the performance of the local Authorities.

Hence it is important for the KDC to install a system for more realistic assessment of the revenue potential before outsourcing take place. The findings have discovered that, the process was inadequate to meet the targets and objectives of the council.

5.3 Recommendation

Based on previous experience of revenue out sourcing in council and research findings and the conclusion drawn afterward, the included recommendations in this report need urgent attention, if the problems discussed in chapter four are to be rid off from the problems facing the Kasulu District council in order the exercise of collecting revenue to be better.

5.3.1 Abattoir and cow action mart

During the research study, it was established out that, the council adds more number of revenue sources, in which the council planned to build abattoir and cow action mart at Mwilavya and Buhigwe ward. This intends to support animal activities and farmers to improve their level of income.

It was resolved that, the modern new abattoir at the area of Kasulu town and new big cow action mart be established respectively. These were established purposely in order to add up new source of revenue at the same time the council revenue collection increases.

The study found out that, a number of local slaughtering processes and unauthorized are for selling animal exists within the area of district council.

Though the majority of the people are not satisfied with the environment in which the business is conducted. It was observed that the majority slaughtering place and former abattoir were conducted at open places where there are no toilet services and good drainage systems.

For the council to increased revenue sources, the mentioned structure should be made in use soon for the council to expand it revenue sources as well to improve services state at abattoir and cow action mart as part to attract the beneficiary of the services.

5.3.2 Resistance from tax payer

The council should provide the quality services to the public by undertaking development activity through council financial funds and the expected services be realized. After that the council official should sensitize the taxpayers on their responsibility to pay tax in order to increase council revenue collection performance.

5.3.3 Monitoring the agents

In order to minimize the risk of giving the contract to incompetent or dishonest agent who fails to remit revenue collected to council at point in time, the council management has to give the contracts or term of agreement to agents with enough experience. Agents should pay their own collectors properly and have required and recommended collaterals.

Furthermore the council has to talk with agents to know the logical problems which cause not to bring the collections. Those who fail with no justified reasons are brought to the court,

Recommend revenue source

Basing on the fact that the study findings and analysis, of outsourced revenue has revealed an increase at decreasing rate. As seen the council has enough number of revenue sources which has not outsourced and which can perform well if they are outsourced. The researcher recommends additional revenue sources that can be exploited by the means of Agencies or Contractor this arise from the grounds that. The actual revenue collection of the recommended revenue sources cannot simply be determine where in hotel levy where the number of taxpayers and the rate to be paid by each taxpayers is officially and public known, at present to need for privatization. Then the recommended revenue sources are parking fees for bicycles, (most towns have areas in which transit Lorries park their vehicles), and investment in government share and treasury bonds.

5.5 Recommendation for further research

To conclude the researcher recommends for more study to be conducted on the performance of revenue collection in local government authorities after the introduction of revenue collecting agents. This is because, Kasulu District Council encounter number of difficult in the performing this function: There are number of insufficient of other materials resources that have over time coursed as follows:

- (a) Increased construction of new infrastructure needs (e. g. roads, markets, schools etc)
- (b) Lack of suitable regulatory (e. g. land management, control of pollution)
- (c) Increased maintenance needs. (e. g. of existing infrastructure)
- (d) Lack of suitable environmental management (such as waste removal and disposal)
- (e) Lack of sufficient funds for: village office buildings, administrative transport, hospital facilities and drugs.

Though execution of the recommended research, the council will be familiar exactly with its capacity to finance its development and recurrent activities through using the outsourced revenue sources.

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APPENDICES

APPENDIX ‘A’

MZUMBE UNIVERSITY

QUESTIONNAIRE NA. 1: TO COUNCIL OFFICIALS.

Introduction. My name is Paul Paschal Mabhuye a master student of Mzumbe University. I am conducting a research about assessment of performance of outsourcing revenue collection in the local government Authorities. Would you please assist my study by answering the following questions? You are hereby informed that answers will be treated as confidential, please do not write your name.

Instruction. Please attempt all questions, put (V) for correct answer in the box provided, fill the blank which a left blank.

Your cooperation is highly appreciated.

- When did the council start outsourcing of revenue collection?
- What were the forces behind outsourcing of revenue collection?
 - Poor performance of the council
 - To examine collection ()
 - It was just a matter of trying to change the means of revenue collection()
- It is true, all major revenue sources in the council has been privatized?
 - Yes () (b) No ()
- (i) What was the total number of Council’s revenue sources Which has been privatized? ()

(ii) Please, mention them.

-
-

-
-
-
- Did the outsourcing of revenue collection in the council started at the same time to all outsourced revenue?
 - Yes () (b) ()
- (i) How many agencies are involved in revenue collection?
 -
 -
 -
 -
 -
- What are the terms of agreement between the council and its agencies?

.....

.....
- Do they (agencies) requires to submit revenue collected in:-
 - Daily basis
 - Weekly basis
 - Monthly basis
 - Quarterly basis
 - Yearly basis
- Do you think that the present system of using Agencies is effective as Compared to the previous system?

- Yes () (b) ()

Please, explain the reason (s)

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

- Do you think the present system has helped the council to collect revenue in time?

Please, explain the reason(s)

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

- Do you think the council has been able to achieve its targets through the new system of revenue collection?

- Yes () (b) No ()

- Are there any problems that council officials encounter during revenue collection process?

- Yes (b) No ()

Please, mention them

- What do you think could be best substitute to resolve these problems?

• Do you think these revenue sources outsourced do well?

• Yes () (b) No ()

• Please, mention them.

• (i) Do agencies get commission on the revenue collected?

• Yes () (b) No ()

• How much do they get?

• 6% 10%

• 11% 15%

• 16% 20%

• 21% 25%

• 26% 30%

• Do you have any document in regard to the outsourcing of revenue collection in council?

Yes () (b) No ()

MZUMBE UNIVERSITY

QUESTIONNAIRE NO. 2 FOR COUNCILORS

Introduction: My name is Paulo P. Mabhuye, a Master student of Mzumbe University. I am conducting a study concerning “ an assessment on performance on outsourcing review revenue collection in local authorities” would do you please assist my study my study by answering the following question. You are hereby well-informed that, reply will be treated as secret, please do no write your name.

Instructions: Please attempt all questions, place (v) for right answer in a box provided: fill the vacant which are left open.

Your completion is extremely valued.

- Do you think that the idea outsourcing of revenue collection in the council was?
 - Good ()
 - Not good ()
 - Average ()
- You think the outsourcing of revenue collection has helped the council to revenue in time?
 - Yes () (b) ()

Explain _____

- Do you think council has been able to accomplish its goal and objectives on the revenue collection?
 - Yes () (b) ()

Please explain

- What do you consider are the main problems encountered by tax payers and Agencies during revenue collection process?

- What do you think can be the most excellent ways to resolve the problems?

- Do you consider, there are other revenue sources which are not yet outsources, that they could do better, if they ore outsources?

Please, explain your answer.

MZUMBE UNIVERSITY

QUESTIONNAIRE 3. FOR AGENCIES

Introduction: My name is Paulo P. Mabhuye, a Master Student of Mzumbe I am conducting study about an assessment of performance outsourcing revenue collection in the local Authorities” word you give pleasure to assist my study by answering the subsequent questions.

You are hereby informed to answer and you are answers will be treated as secret, please accomplish and do not write you are name.

Instruction: please attempt all questions, pit (v) for correct answer in a box provided; fill the blanks which are left open.

Your cooperation is highly appreciated.

- When did you start the activity of collecting revenue in the council?
 - 1997 () (b) 1998 ()
- (i) What are terms of agreement you (Agency) and the council. Are you required to submit the collected revenue in a:-
 - Daily basis
 - Weekly basis
 - Monthly basis
 - Quarterly basis
 - Yearly basis
- How much do you collect per month?
 - Actual estimates () (b) Below Estimates () (c) Above estimates

Please explain the reason(s) for the above answer

- Which types (s) of council revenue sources, does your organization/ constitution company deal what?

- _____

- _____

- _____

• Does your organization/ institution Company encounter any major problem(S) during revenue collection process?

- Yes () (b) No ()

If yes, please, point out them

What do you believe can be appropriate advice on those problems?

MZUMBE UNIVERSITY

QUESTIONNAIRE NO 4: FOR REVENUE COLLECTORS.

Introduction: My name is Paulo P. Mabhuye, a Master Student of Mzumbe I am conducting study about an assessment of performance outsourcing revenue collection in local Authorities” word you give pleasure to assist my study by answering the subsequent questions.

You are hereby informed to answer and you are answers will be treated as secret, please accomplish and do not write you are name.

You cooperation is highly appreciated.

- When did you start that activity of collecting revenue in the council?
- In which area of the council does your organization/ institution/ company operate?

- In 1997, the council decided to outsource revenue collection. Are you happy with this new revenue collection system?

- Yes () (b) No ()

Please give reason:

- From which Council’s revenue sources do you collect revenue? _____

- Have you experienced any difficulty(s) from taxpayers during revenue collection exercise?

- Yes () (b) No ()

- What do you think can be the suitable solution(s) to these difficult(s)?

- Have you experienced any problem(s) from the Agency (Your employer) in relation to revenue collection exercise?

- Yes () (b) No ()

If there is any explain

- What is your suggestion on the alternatives solution(s) to solve these problems (s?)

- Do you think, there are other revenue sources which are not yet outsources, but they could be better, if they are outsourced?

- Yes () (b) No ()

If yes please point out them
