

# Revenue Gap Analysis between Own Source Revenue Estimates (OSRE) and Actual Own Source Revenue Collection (AOSRC): A Case of Local Government Authorities (LGAs) in Tanzania

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**Abstract:** *The empirical study was conducted in financial year 2016/2017 in four LGAs namely, Bahi DC, Kongwa DC, Manyoni DC and Dodoma MC in Tanzania mainland to analyze revenue gap between Own Source Revenue Estimates (OSRE) and Actual Own Source Revenue Collection (AOSRC) for five financial years from 2011/2012 to 2015/2016. However, Dodoma Municipal Council availed data set from the financial year 2012/2013 to 2016/2017 due to missing data of 2011/2012 financial year in the database. In most of the financial years investigated, the empirical study revealed that actual own source revenue collections were less than the own source revenue estimates due to unrealistic data of own source revenue estimates, narrow base of own revenue sources and unstable of available own revenue sources including produce cess, business licence fee, service levy, market dues, slaughter fee, livestock fee, bus stand fee, land tax, fish cess, mining fee, forest cess, auction fee, car parking fee, fines and penalties among others. Hence, the empirical study suggested that LGAs have to carry out frequent surveys to identify potential own revenue sources so as to come up with realistic data for own source revenue estimates. Moreover, LGAs have to broaden the base of their own revenue sources by identifying new own revenue sources as well as stabilizing the available own revenue sources with the aim of bridging the gap between the own source revenue estimates and actual own source revenue collection for local government revenue enhancement so as quality social services can be delivered to the Tanzanian community.*

**Keywords:** Revenue gap analysis; own source revenue estimates; actual own source revenue collection; LGAs; Tanzania

## 1. Introduction

The Government of Tanzania in its efforts of providing better services to the people as well as fostering its citizens Social Economic Development; had established Local Government Authorities (LGAs) which are the Governments closer to the people [10]. Also the so called Decentralization by Devolution that simply means devoting power to the local community both political, financial and social power was established [10]. LGAs own source revenue is a very vital factor for LGAs' financial autonomy. LGAs' revenue mobilization plays an important role in enhancing their own source revenue. The Council (LGA) requires sufficient financial resources to deliver better social services to the Local community [10].

The Local Government Authorities for many years have been facing problems of not performing well in revenues collected from their own sources while the cost of service delivery and infrastructure has been increasing year after year [10]. Low performance in local revenue collection is brought about by several factors including; public resistance to pay taxes, fees and charges, lack of buoyant sources of revenue, corruption and poor administrative capacity among others [2].

Moreover, [4] found that most councils have huge gaps between reported and projected revenues this is due to: poor administrative capacity to assess the revenue base; poor administrative capacity to enforce the taxes; explicit and intentional tax evasion and resistance from taxpayers; corruption, including embezzlement of revenues; external

pressure on the local finance department to provide optimistic projections; and political pressure on the local tax administration to relax on revenue collection.

The weaknesses of the Tanzanian local government revenue system is also one of the factors contributing to low performance of own source revenue collection attributed by low-yielding taxes assigned to Local Government authorities which are among the least popular and politically acceptable revenue sources; the fragmentation of the local tax system which causes horizontal inequities and inefficiency [11].

Even though several empirical studies have been conducted in Tanzanian context to explore gaps between estimated revenue requirements and actual revenue collections, including; [9], [4], [11], [2], [7], [3], [5], and [10] among others; still the own source revenue collection are insufficient to develop and supply adequate services for the fast growing Tanzanian population.

Hence, this study is going to analyze the gap between estimated revenues and actual revenue collections by exploring the differences between own source revenue estimates and the actual revenue collection in Tanzania LGAs and suggesting the remedial measures.

Specifically the empirical study is seeks to answer the following research questions:

**RQ1:** What is the revenue gap between own source revenue estimates and actual own source revenue collection?

**RQ2:** What are the remedial measures of the revenue gap between own source revenue estimates and actual own source revenue collection?

The rest of the empirical paper is presented as follows. Section 2 presents the literature review, Section 3 discusses the research methods, Section 4 presents the empirical results, Section 5 draws the conclusion and Section 6 presents policy implications of the study.

## 2. Literature Review

Several research findings have been reported on own revenue sources including; [8] investigated on the factors affecting revenue collection in LGAs in Morogoro region, he found that most of revenue sources in LGAs are Local taxes, fees, fines, licenses, and permits. Moreover, [10] conducted a study on LGAs own source revenue collection in Tanzania, it revealed that the LGAs major revenue sources are property taxes, land rent, produce cess, service levy, hotel levy, fees, charges, licenses and permits. [7] explored on factors affecting own source revenue collection in Local Government Authorities in Tanzania, he concluded that even though there are factors which affect own source revenue collection including corruption and tax evasion. However, there are key own revenue sources in LGAs including; produce cess, bus stand fee, service levy, house rent, market fee, hotel levy, land rent, license fee, tender application fee, fines and penalties [7].

[6] investigated on effectiveness of collecting revenue in Local Government Authorities in Tanzania; he concluded that produce cess collection surpassed development levy collection. The [10] studied on transforming the local government revenue system in Tanzania, they reported that the permitted local government revenue sources are property taxes, service levy, crop cess, forest produce cess, guest house levy, vehicle license fees, fishing vessel license fees, commercial fishing license fee, intoxicating liquor license fee, private health facility license fee, taxi license fee, and transportation permit fees. [1] Studied on categories of current revenues for local authorities in Africa. They revealed that there are two categories of revenues namely; own revenue which includes taxes, user fees, and various licenses, and transfers from the central government, in the form of grants and revenue sharing [1]. [12] Found that in many developing countries when the level of contribution of local revenues to local government financing is low, then LGAs will tend to ignore these sources and depend on grant transfers from the central government and direct donor funding. However, even though LGAs have various own revenue sources still the actual revenue collection have not met the revenue estimates.

## 3. Research Methods

### 3.1 Research design

The empirical study employed survey design to investigate the selected variables of the entire population which constitute a total of 186 councils all over the country. However, because of time and cost considerations, a sample

of four (4) councils out of 186 councils examined to represent the entire population.

### 3.2 Sampling techniques

The purposive sampling technique was employed to the sample of four (4) LGAs out of 186 LGAs which were not well performing in own source revenue collection. The four (4) LGAs sampled purposively for the study were Bahi Dc, Dodoma Mc, Kongwa Dc, and Manyoni DC.

### 3.3 Data collection

Documentary review was used as a method for secondary data collection. Relevant information extracted and reviewed from various sources including files, circulars, reports and guidelines which contain vital information about revenue collection for five years period from the financial year 2011/12 – 2015/16.

## 4. Empirical Results and Discussion

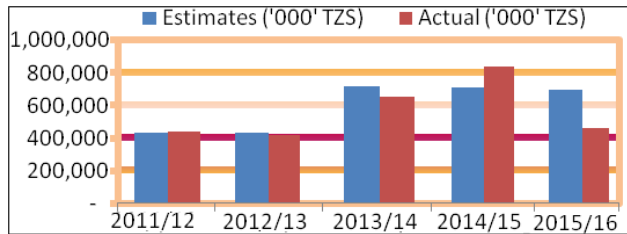
### 4.1 Revenue gap analysis between own source revenue estimates and actual own source revenue collection

The empirical findings focus on answering the research question one concerning with revenue gap analysis between own source revenue estimates and the actual own source revenue collection. The research findings revealed that there is a revenue gap between own source revenue estimates and actual own source revenue collection in Tanzanian LGAs. Similar findings have been reported by [4] who revealed that most of the councils have huge gaps between reported and projected revenues due to poor administrative capacity to assess the revenue base and poor administrative capacity to enforce the taxes. Moreover, [11] argued that weaknesses of the Tanzanian local government revenue system is also one of the factors contributing to low performance of own source revenue collection attributed to low yielding taxes assigned to Local Government authorities. The revenue gap was observed from various own revenue sources of the respective LGAs (Fig. 1-27). The empirical findings are presented based on own revenue sources along with the own source revenue estimates and actual own source revenue collections as per respective LGAs (Kongwa DC, Bahi DC, Manyoni DC and Dodoma MC) as shown in **Fig. 1 - 27**.

### Kongwa District Council Own Source Revenue Estimates (OSRE) versus Actual Own Source Revenue Collection (AOSRC)

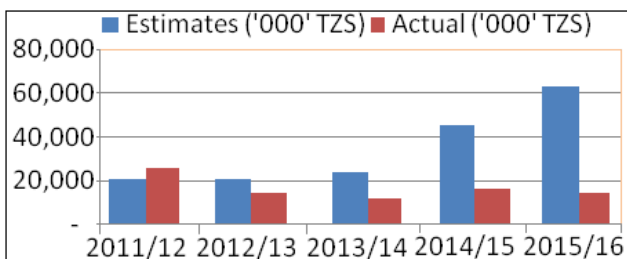
**Produce cess:** It is a major source of own source revenue collection due to the fact that agriculture is the main economic activity of the people in Kongwa DC whereby its actual own source revenue collections were TZS 441,501,000.00 equals to 103% of the own source revenue estimates (TZS 430,000,000.00); TZS 420,636,000.00 (98%) of the own source revenue estimates (TZS 430,000,000.00); TZS 651,406,000.00 (91%) of the own source revenue estimates (TZS 718,799,000.00); TZS 835,358,000.00 (117%) of the own source revenue estimates (TZS 711,799,000.00); and TZS 462,321,000.00 (66%) of the own source revenue estimates (TZS 697,700,000.00) in

the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively (Fig. 1 ). However, in the financial year 2011/2012 and 2014/2015 the actual revenue collection of produce cess outweighed the estimated revenue because of good crop harvesting attributed by the presence of favourable weather condition for crop production (Fig. 1 ).



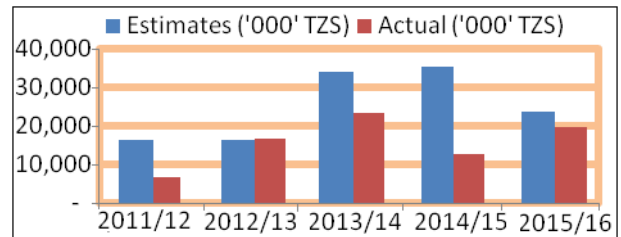
**Figure 1:** Kongwa DC: Produce cess revenue estimates versus actual collections  
Source: Kongwa DC Field Data, (2017)

**Auction levy:** It is the second largest source of own source revenue collection after produce cess. Its actual collections were TZS 26,127,000.00 (124%) of the revenue estimates (TZS 21,000,000.00); TZS 14,405,000.00 (69%) of the revenue estimates (TZS 21,000,000.00); TZS 12,169,000.00 (52%) of the revenue estimates (TZS 23,640,000.00); TZS 16,654,000.00 (37%) of the revenue estimates (TZS 45,142,000.00); and TZS 14,453,000.00 (23%) of the revenue estimates (TZS 62,725,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively (Fig. 2). However, in the financial year 2011/2012 the actual revenue collection of auction levy outweighed the estimated revenue due to presence of many crop auctions attributed by good crop harvesting season in the research area (Fig. 2).



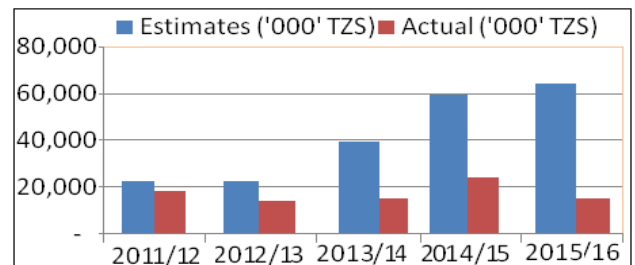
**Figure 2:** Kongwa DC: Auction levy estimates versus actual collections  
Source: Kongwa DC Field Data, (2017)

**Service levy:** It is the third largest source of own source revenue collection after produce cess and auction levy. Its actual collections were TZS 6,765,000 (41%) of the revenue estimates (TZS 16,430,000.00); TZS 16,558,000.00 (101%) of the revenue estimates (TZS 16,430,000.00); TZS 23,192,000.00 (68%) of the revenue estimates (TZS 33,867,000.00); TZS 12,521,000.00 (35%) of the revenue estimates (TZS TZS 35,326,000.00); and TZS 19,561,000.00 (83%) of the revenue estimates (TZS 23,573,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively (Fig. 3).



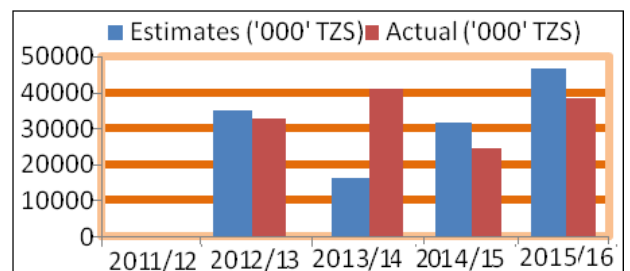
**Figure 3:** Kongwa DC: Service levy revenue estimates versus actual revenue collections  
Source: Kongwa DC Field Data, (2017)

**Slaughter fee:** Its actual revenue collections were TZS 18,325,000.00 (81%) of the revenue estimates (TZS 22,580,000.00); TZS 13,954,000.00 (62%) of the revenue estimates (TZS 22,580,000.00); TZS 15,412,000.00 (39%) of the revenue estimates (TZS 39,267,000.00); TZS 24,255,000.00 (41%) of the revenue estimates (TZS 59,247,000.00); and TZS 15,263,000.00 (24%) of the revenue estimates (TZS 64,159,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively (Fig. 4).



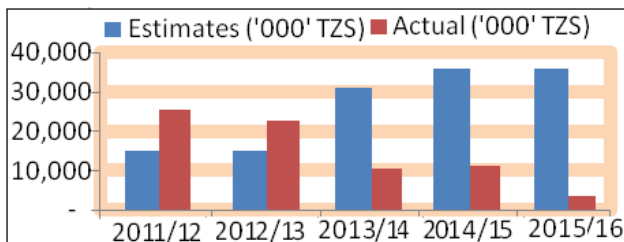
**Figure 4:** Kongwa DC: Slaughter fee estimates versus actual collections  
Source: Kongwa DC Field Data, (2017)

**Business licence fee:** Its actual revenue collections were TZS 32,519,000.00 (93%) of the revenue estimates (35,000,000.00); TZS 40,834,000.00 (254%) of the revenue estimates (TZS 16,050,000.00); TZS 24,362,000.00 (77%) of the revenue estimates (TZS 31,696,000.00); and TZS 38,489,000.00 (82%) of the revenue estimates (TZS 46,654,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively (Fig. 5). However, in the financial year 2011/2012 business licence fee was not collected due to presence of weak local government by-laws enforcement to collect business licence fee. Moreover, in the financial year 2013/2014 the actual revenue collection of business licence fee outweighed the estimated revenue due to presence of strong local government by-laws enforcement to collect much more business licence fee in their respective areas of jurisdiction (Fig. 5).



**Figure 5:** Kongwa DC: Business licence fee revenue estimates versus actual revenue collection  
Source: Kongwa DC Field Data, (2017)

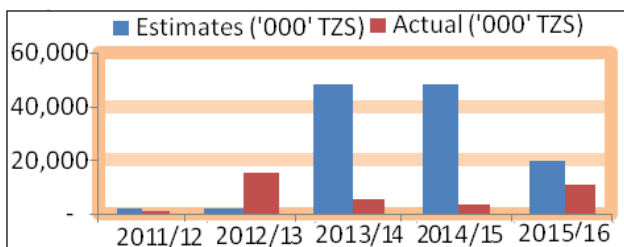
**Tender fee:** Its actual revenue collections were TZS 25,550,000.00 (170%) of the revenue estimates (TZS 15,000,000.00); TZS 22,735,000.00 (152%) of the revenue estimates (TZS 15,000,000.00); TZS 10,560,000.00 (34%) of the revenue estimates (TZS 30,880,000.00); TZS 11,180,000.00 (31%) of the revenue estimates (TZS 35,880,000.00); and TZS 3,400,000.00 (9%) of the revenue estimates (TZS 35,880,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively (Fig. 6). However, in the financial year 2011/2012 the tender fee revenue collection outweighed the estimated revenue due to presence of many bidders' applications for tender works advertized by the LGA (Fig. 6).



**Figure 6:** Kongwa DC: Tender fee estimates versus actual collection

Source: Kongwa DC Field Data, (2017)

**Bus stand levy:** It is one of the revenue sources of Kongwa district council. Its actual revenue collections were TZS 834,000.00 (46%) of the revenue estimates (TZS 1,800,000.00); TZS 15,236,000.00 (846%) of the revenue estimates (TZS 1,800,000.00); TZS 5,608,000.00 (12%) of the revenue estimates (TZS 48,027,000.00); TZS 3,250,000.00 (7%) of the revenue estimates (TZS 48,027,000.00); and TZS 10,949,000.00 (55%) of the revenue estimates (TZS 19,893,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively (Fig. 7). However, in the financial year 2012/2013 the actual revenue collection outweighed the estimated revenue of bus stand levy because of underestimates of the revenue source attributed by presence of poor premises of the bus stop (Fig. 7).

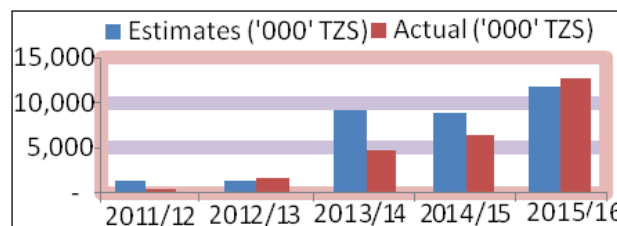


**Figure 7:** Kongwa DC: Bus stand levy revenue estimates versus actual revenue collection

Source: Kongwa DC Field Data, (2017)

**Market dues:** The actual revenue collection of market dues were TZS 390,000.00 (30%) of the revenue estimates (TZS 1,320,000.00); TZS 1,660,000.00 (126%) of the revenue estimates (TZS 1,320,000.00); TZS 4,735,000.00 (51%) of the revenue estimates (TZS 9,240,000.00); TZS 6,382,000.00 (72%) of the revenue estimates (TZS 8,860,000.00); and TZS 12,753,000.00 (108%) of the revenue estimates (11,790,000.00) in the financial year

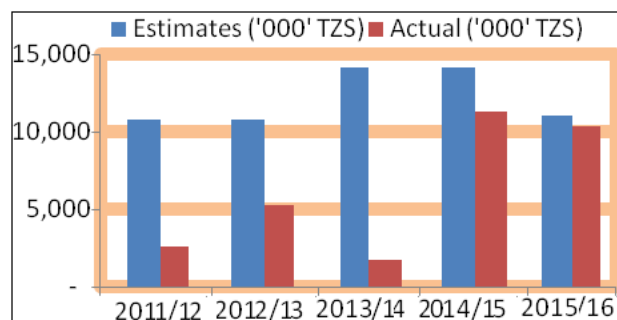
2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively (Fig. 8). However, in the financial year 2015/2016 the actual revenue collection of market dues outweighed the estimated revenue due to presence of well management of revenue collection at the Kibaigwa international maize market in Kongwa district (Fig. 8).



**Figure 8:** Kongwa DC: Market dues revenue estimates versus actual revenue collection

Source: Kongwa DC Field Data, (2017)

**Livestock uploading levy:** Its actual revenue collection were TZS 2,544,000.00 (24%) of the revenue estimates (TZS 10,800,000.00); TZS 5,257,000.00 (49%) of the revenue estimates (TZS 10,800,000.00); TZS 1,710,000.00 (12%) of the revenue estimates (TZS 14,099,000.00); TZS 11,300,000.00 (80%) of the revenue estimates (TZS 14,098,000.00); and TZS 10,326,000.00 (93%) of the revenue estimates (TZS 11,072,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016 respectively, ( Fig. 9).



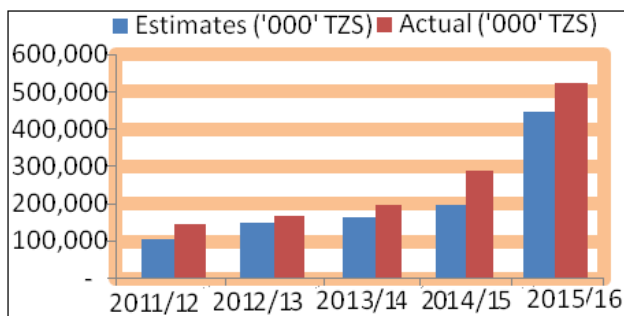
**Figure 9:** Kongwa DC: Livestock uploading levy revenue estimates versus actual revenue collection

Source: Kongwa DC Field Data, (2017)

**Bahi District Council Own Source Revenue Estimates (OSRE) versus Actual Own Source Revenue Collection (AOSRC)**

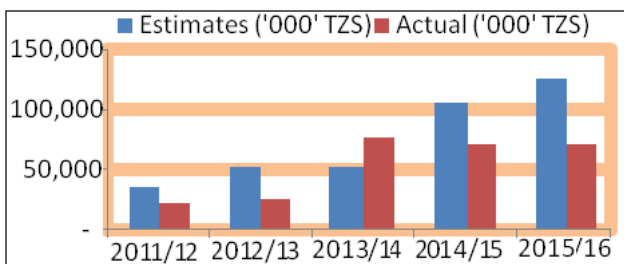
**Livestock market levy:** It is the first largest source of own source revenue collection in Bahi District Council due to presence of livestock markets in the district. Its actual revenue collections were TZS 146,383,000.00 (138%) of the revenue estimates (TZS 105,934,000.00); TZS 168,345,000.00 (112%) of the revenue estimates (TZS 150,000,000.00); TZS 198,000,000.00 (120%) of the revenue estimates (TZS 165,000,000.00); TZS 289,122,000.00 (146%) of the revenue estimates (TZS 198,000,000.00); and TZS 522,596,000.00 (117%) of the revenue estimates (TZS 446,700,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively (Fig. 10). However, the actual revenue collections of livestock market levy outweighed the estimated revenue for five years period due to presence of many livestock (cattle) transported from Mwanza to Dodoma and Dar es Salaam livestock markets. Hence, Bahi

is the hub of uploading and downloading livestock while they are on their way to Dodoma and Dar es Salaam markets (Fig. 10).



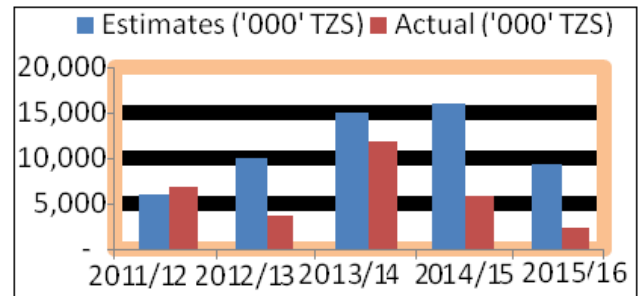
**Figure 10:** Bahi DC: Livestock market levy revenue estimates versus actual revenue collection  
Source: Bahi DC Field Data, (2017)

**Produce cess:** It is the second largest source of own source revenue in Bahi district council due to presence of crop production activities including paddy, sunflower, groundnuts, and sorghum, among others. Its actual revenue collections were TZS 22,165,000.00 (62%) of the revenue estimates (TZS 36,000,000.00); TZS 26,081,000.00 (50%) of the revenue estimates (TZS 52,000,000.00); TZS 76,310,000.00 (147%) of the revenue estimates (TZS 52,000,000.00); TZS 70,935,000.00 (67%) of the revenue estimates (TZS 105,600,000.00); and TZS 70,828,000.00 (56%) of the revenue estimates (TZS 125,640,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively (Fig. 11). However, in the financial year 2013/2014 the produce cess actual revenue collection outweighed the estimated revenue due to commitment of the revenue collection team attributed by the good harvesting season of paddy, sunflower, groundnuts, and sorghum among others in the district (Fig. 11).



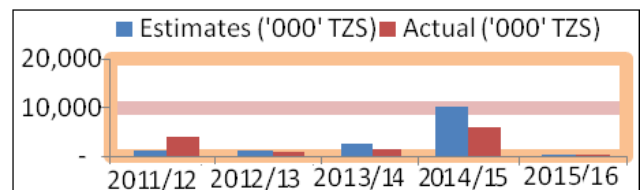
**Figure 11:** Bahi DC: Produce cess revenue estimates versus actual revenue collection  
Source: Bahi DC Field Data, (2017)

**Tender fee:** Its actual revenue collections were TZS 6,830,000.00 (114%) of the revenue estimates (TZS 6,000,000.00); TZS 3,700,000.00 (37%) of the revenue estimates (TZS 10,000,000.00); TZS 11,840,000.00 (79%) of the revenue estimates (TZS 15,000,000.00); TZS 5,900,000.00 (37%) of the revenue estimates (TZS 16,000,000.00); and TZS 2,280,000.00 (24%) of the revenue estimates (TZS 9,375,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively (Fig. 12). This implies that, the actual revenue collections in the financial years 2012/2013; 2013/2014; 2014/2015; and 2015/2016 were less than the revenue estimates except for the financial year 2011/2012 due to lessening of tender works advertisement (Fig. 12).



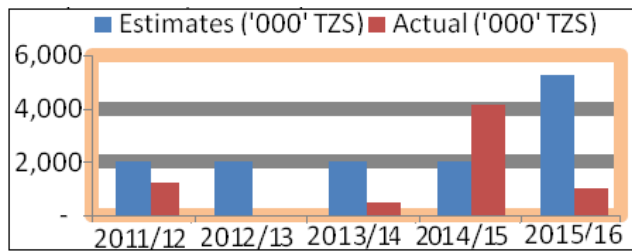
**Figure 12:** Bahi DC: Tender fee revenue estimates versus actual revenue collection  
Source: Bahi DC Field Data, (2017)

**Forest cess:** The actual revenue collections from forest cess were TZS 3,991,000.00 (399%) of the revenue estimates (TZS 1,000,000.00); TZS 855,000.00 (86%) of the revenue estimates (TZS 1,000,000.00); TZS 1,322,000.00 (53%) of the revenue estimates (TZS 2,500,000.00); TZS 5,975,000.00 (59%) of the revenue estimates (TZS 10,200,000.00); and TZS 187,000.00 (106%) of the revenue estimates (TZS 176,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively (Fig. 13). The revenue estimates and actual revenue collection of forest cess declined due to ban of harvesting forest with the aim of conserving the environment to mitigate the impact of climate change (Fig. 13).

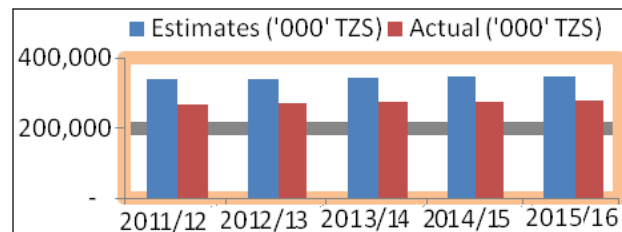


**Figure 13:** Bahi DC: Forest cess revenue estimates versus actual revenue collection  
Source: Bahi DC Field Data, (2017)

**Abattoirs slaughter fee:** Its actual revenue collections were TZS 1,234,000.00 (62%) of the revenue estimates (TZS 2,000,000.00); TZS 7,000.00 (0.35%) of the revenue estimates (TZS 2,000,000.00); TZS 494,000.00 (25%) of the revenue estimates (TZS 2,000,000.00); TZS 4,159,000.00 (208%) of the revenue estimates (TZS 2,000,000.00); and TZS 1,022,000.00 (20%) of the revenue estimates (TZS 5,250,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively (Fig. 14). However, the abattoirs slaughter fee was less due to lack of modern abattoirs in the district. Most of the observed abattoirs were operating locally. Hence, Bahi DC has to construct modern abattoirs which can attract many livestock for slaughtering so as the LGA can collect much more revenues from abattoir as one of the potential revenue source in the district (Fig. 14).

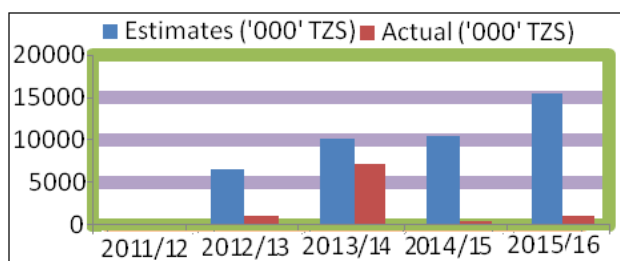


**Figure 14:** Bahi DC: Abattoirs slaughter fee: revenue estimates versus actual revenue collection  
Source: Bahi DC Field Data, (2017)



**Figure 16:** Manyoni DC: Produce cess revenue estimates versus actual revenue collection  
Source: Manyoni DC Field Data, (2017)

**Business licence fee:** The actual revenue collection from business licence fee were TZS 1,019,000.00 (16%) of the revenue estimates (TZS 6,570,000.00); TZS 7,185,000.00 (71%) of the revenue estimates (TZS 10,100,000.00); TZS 503,000.00 (5%) of the revenue estimates (TZS 10,500,000.00); and TZS 1,105,000.00 (7%) of the revenue estimates (TZS 15,500,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively (Fig. 15).



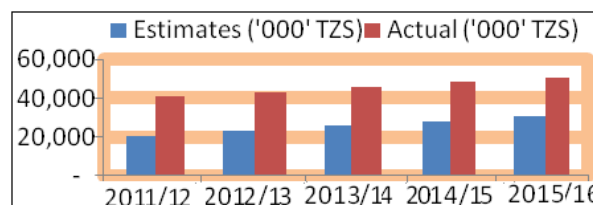
**Figure 15:** Bahi DC: Business licence fee revenue estimates versus actual revenue collection  
Source: Bahi DC Field Data, (2017)

**Other own revenue sources** were Land rent; House rent; Billboard fee; Mining (stones, aggregates and sand) fee; Fisheries cess; Fines and penalties among others.

**Manyoni District Council Own Source Revenue Estimates (OSRE) versus Actual Own Source Revenue Collection (AOSRC)**

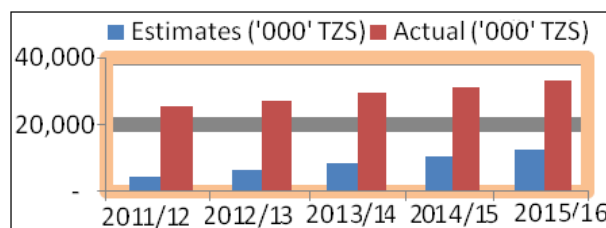
**Produce cess:** it is the main source of own source revenue collection in Manyoni DC. The produce cess actual revenue collections were TZS 268, 205,000 (79%) of the revenue estimates (TZS 338,100,000.00); TZS 270,505,000 (79%) of the revenue estimates (TZS 340,400,000.00); TZS 272,805,000 (80%) of the revenue estimates (TZS 342,700,000.00); TZS 275,105,000 (80%) of the revenue estimates (TZS 345,000,000.00), and TZS 277,405,000 (80%) of the revenue estimates (TZS 347,300,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively. Agricultural production is the main economic activity in Manyoni DC, thus why produce cess became the main source of own source revenue collection (Fig. 16).

**Service levy:** it is the second largest source of own source revenue collection after produce cess. Its actual collections were TZS 40,654,000 (197%) of the revenue estimates (TZS 20,602,000.00); TZS 43,154,000 (187%) of the revenue estimates (TZS 23,102,000.00); TZS 45,654,000 (178%) of the revenue estimates (TZS 25,602,000.00); TZS 48,154,000 (171%) of the revenue estimates (TZS 28,102,000.00); and TZS 50,654,000 (166%) of the revenue estimates (TZS 30,602,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively. The actual revenue collections of service levy were above the estimated revenue due to unrealistic estimates of the service levy (Fig. 17).



**Figure 17:** Manyoni DC: Service levy revenue estimates versus actual revenue collection  
Source: Manyoni DC Field Data, (2017)

**Land rent:** The actual revenue collections from land rent were TZS 25,523,000.00 (567%) of the revenue estimates (TZS 4,500,000.00); TZS 27,000,000.00 (415%) of the revenue estimates (TZS 6,500,000.00), TZS 29,500,000.00 (347%) of the revenue estimates (TZS 8,500,000.00); TZS 31,000,000.00 (295%) of the revenue estimates (TZS 10,500,000.00); and TZS 33,000,000.00 (264%) of the revenue estimates (TZS 12,500,000.00) in the financial year 2011/2012; 2012/2013; 2013/2014; 2014/2015; and 2015/2016, respectively (Fig. 18). However, the actual revenue collection of land rent outweighed the estimated revenue due to selling of the surveyed land in the district (Fig. 18).

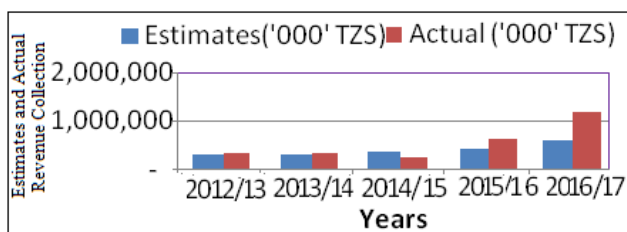


**Figure 18:** Manyoni DC: Land rent revenue estimates versus actual revenue collection  
Source: Manyoni DC Field Data, (2017)

**Other own revenue sources** were guest house levy; business licence; forest cess; market due, sanitation fee; fines and penalties among others.

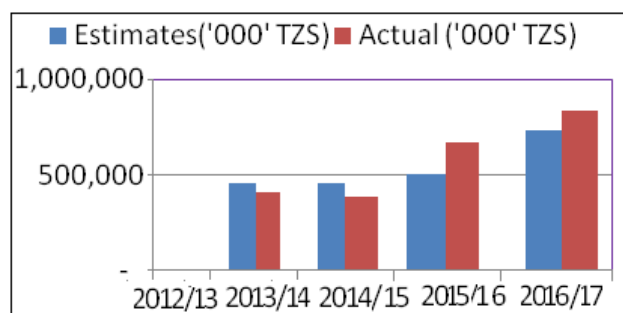
**Dodoma Municipal Council Own Source Revenue Estimates (OSRE) versus Actual Own Source Revenue Collection (AOSRC)**

**Service levy:** Its actual revenue collections were TZS 331,085,000.00 (110%) of the revenue estimates (TZS 300,000,000.00); TZS 340,000.00 (103%) of the revenue estimates (TZS 300,000,000.00); TZS 229,661,000.00 (67%) of the revenue estimates (TZS 341,934,000.00); TZS 604,158,000.00 (145%) of the revenue estimates (TZS 418,076,000.00); and TZS 1,166,840,000.00 (194%) of the revenue estimates (TZS 600,000,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 19). This implies that, the actual revenue collections were more than revenue estimates due to strong commitment of the revenue collection team pioneered by the municipal treasurer and revenue accountant (Fig. 19).



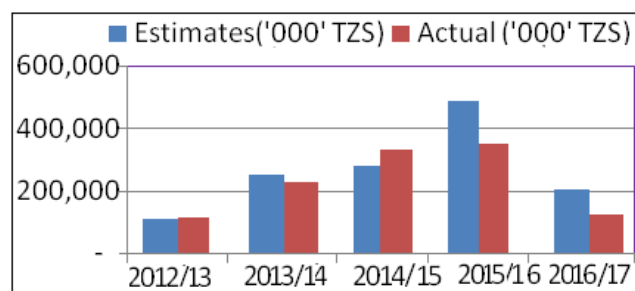
**Figure 19:** Dodoma MC: Service levy revenue estimates versus actual revenue collection  
Source: Dodoma MC Field Data, (2017)

**Business licence fee:** The revenue collected from business licence fee were TZS 7,886,000.00 (106%) of the revenue estimates (TZS 7,450,000.00); TZS 412,693,000.00 (91%) of the revenue estimates (TZS 454,204,000.00); TZS 383,035,000.00 (84%) of the revenue estimates (TZS 458,332,000.00); TZS 667,993,000.00 (133%) of the revenue estimates (TZS 502,954,000.00); and TZS 834,234,000.00 (114%) of the revenue estimates (TZS 730,531,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 20). However, in the financial year 2015/2016 and 2016/2017 the actual revenue collections of business licence fee outweighed estimated revenue due to commitment of the trade officers to collect the fee as per stipulated rules and regulations of the business licence (Fig. 20).



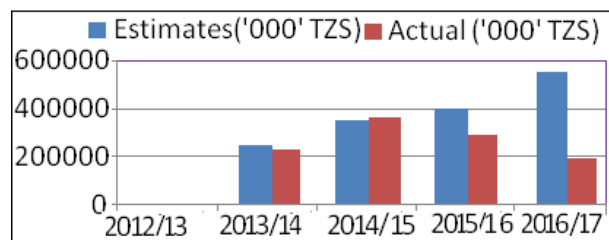
**Figure 20:** Dodoma MC: Business licence fee revenue estimates versus actual revenue collection  
Source: Dodoma MC Field Data, (2017)

**Market dues:** The actual revenue collections from market dues were TZS 114,336,000.00 (105%) of the revenue estimates (TZS 109,200,000.00); TZS 226,380,000.00 (90%) of the revenue estimates (TZS 251,500,000.00); TZS 332,089,000.00 (119%) of the revenue estimates (TZS 280,020,000.00); TZS 349,819,000.00 (72%) of the revenue estimates (TZS 487,771,000.00); and TZS 123,413,000.00 (61%) of the revenue estimates (TZS 202,100,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 21). However, in most cases the actual revenue collections of market dues were less than the estimated revenue due to deregulation of the market rules and regulations attributed to sellers (vendors) to sell their goods and services along the street roads rather than to sell in the regulated markets (Fig. 21).



**Figure 21:** Dodoma MC: Market dues revenue estimates versus actual revenue collection  
Source: Dodoma MC Field Data, (2017)

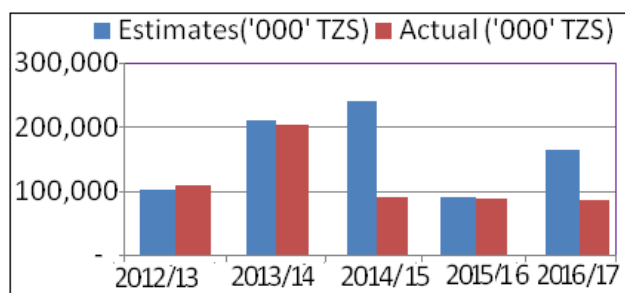
**Poster's (billboard) fee:** Its actual collections were TZS 225,493,000.00 (92%) of the revenue estimates (TZS 246,369,000.00), TZS 364,233,000.00 (105%) of the revenue estimates (TZS 348,045,000.00); TZS 284,936,000.00 (71%) of the revenue estimates (TZS 400,000,000.00); and TZS 191,395,000.00 (35%) of the revenue estimates (TZS 550,000,000.00) in the financial year 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 22). However, the billboard fee actual collections were less than the estimated revenue due to controversial of who is supposed to collect the billboard fee between the Central Government (Tanzania Revenue Authority) and Local Government Authority. Consequently, the billboard fee revenue collection has been shifted to Tanzania Revenue Authority (TRA).



**Figure 22:** Dodoma MC: Poster's (billboard) fee revenue estimates versus actual revenue collection  
Source: Dodoma MC Field Data, (2017)

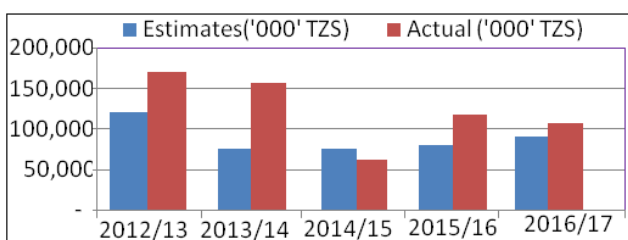
**Car parking fee:** Its actual revenue collections were TZS 108,238,000.00 (106%) of revenue estimates (TZS 102,070,000.00); TZS 204,086,000.00 (97%) of the revenue estimates (TZS 210,380,000.00); TZS 90,558,000.00 (38%) of the revenue estimates (TZS 239,580,000.00); TZS 87,205,000.00 (97%) of the revenue estimates (TZS

90,000,000.00); and TZS 84,524,000.00 (52%) of the revenue estimates (TZS 162,847,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 23). However, the actual revenue collections were less than estimated revenue due to outsourcing of the revenue source (car parking) to the private firms (Fig. 23).



**Figure 23:** Dodoma MC: Car parking fee revenue estimates versus actual revenue collections  
Source: Dodoma MC Field Data, (2017)

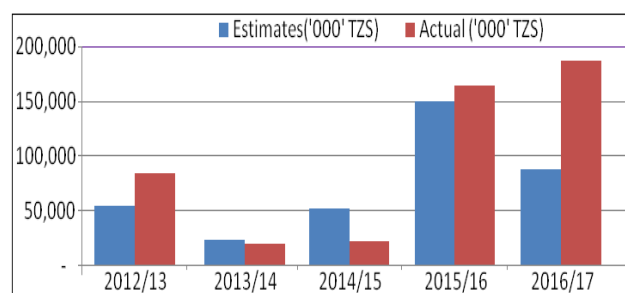
**Produce cess:** Its revenue collections were TZS 169,982,000.00 (142%) of the revenue estimates (TZS 120,000,000.00); TZS 157,069,000.00 (208%) of the revenue estimates (TZS 75,450,000.00); TZS 61,697,000.00 (82%) of the revenue estimates (TZS 75,450,000.00); TZS 117,435,000.00 (148%) of the revenue estimates (TZS 79,223,000.00); and TZS 107,503,000.00 (119%) of the revenue estimates (TZS 90,500,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 24). However, the actual revenue collection of produce cess outweighed the estimated revenue due to presence of agricultural produce market integration attributed to many agricultural produce transactions to take place subject to payment of produce cess as LGA revenue source (Fig. 24).



**Figure 24:** Dodoma MC: Produce cess revenue estimates versus actual revenue collection  
Source: Dodoma MC Field Data, (2017)

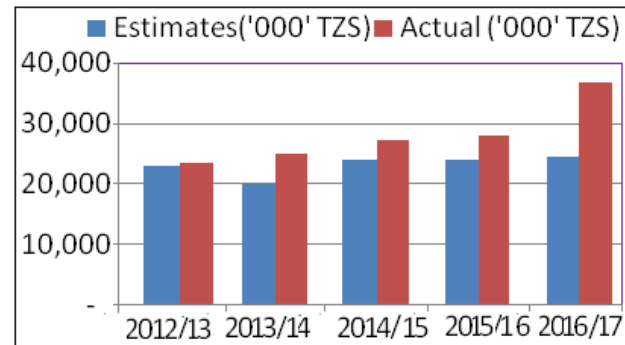
**Bus stand fee:** Its actual revenue collections were TZS 84,158,000.00 (156%) of the revenue estimates (TZS 53,950,000.00); TZS 19,222,000.00 (84%) of the revenue estimates (TZS 22,902,000.00); TZS 21,120,000.00 (41%) of the revenue estimates (TZS 51,120,000.00); TZS 164,160,000.00 (110%) of the revenue estimates (TZS 149,580,000.00); TZS 187,369,000.00 (215%) of the revenue estimates (TZS 87,153,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 25). However, in the financial year 2015/2016 and 2016/2017 the bus stand fee revenue collections outweighed the estimated revenue due to the completion of the trunk roads of Dodoma to Babati, Dodoma to Iringa, Dodoma to Mwanza and Dodoma to Dar es

Salaam attributed to many buses to pass through Dodoma bus stop subject to payment of bus stop fee charges (Fig. 25).



**Figure 25:** Dodoma MC: Bus stand fee revenue estimates versus actual revenue collection  
Source: Dodoma MC Field Data, (2017)

**Foreign liquor licence fee:** The actual revenue collections were TZS 23,541,000.00 (102%) of the revenue estimates (TZS 23,000,000.00); TZS 24,977,000.00 (125%) of the revenue estimates (TZS 20,000,000.00); TZS 27,195,000.00 (113%) of the revenue estimates (TZS 24,000,000.00); TZS 28,052,000.00 (117%) of the revenue estimates (TZS 24,000,000.00); and TZS 36,635,000.00 (150%) of the revenue estimates (24,432,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 26). However, the actual revenue collection of foreign liquor licence fee outweighed the estimated revenue due to presence of many liquor retailing shops (bar, pub and restaurants) selling and buying liquor in the city (Fig. 26).

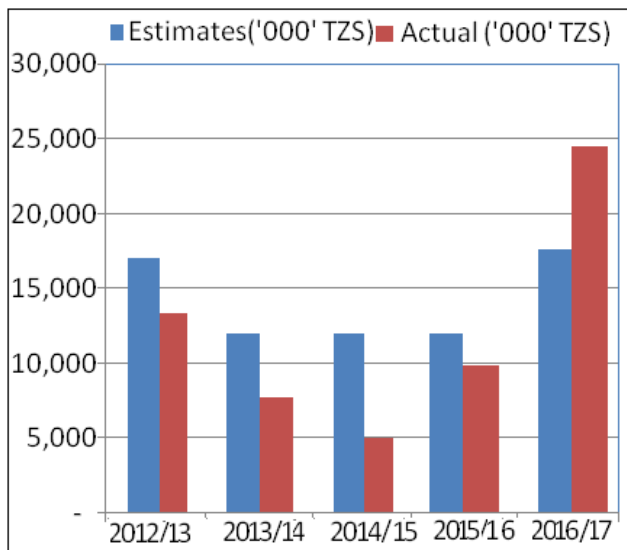


**Figure 26:** Dodoma MC: Foreign liquor licence fee revenue estimates versus actual revenue collection  
Source: Dodoma MC Field Data, (2017)

**Real estate survey fee:** The actual revenue collections were TZS 13,331,000.00 (78%) of the revenue estimates (TZS 17,000,000.00); TZS 7,718,000.00 (64%) of the revenue estimates (TZS 12,000,000.00); TZS 5,007,000.00 (42%) of the revenue estimates (TZS 12,000,000.00); TZS 9,840,000.00 (82%) of the revenue estimates (TZS 12,000,000.00); and TZS 24,475,000.00 (139%) of the revenue estimates (TZS 17,600,000.00) in the financial year 2012/2013; 2013/2014; 2014/2015; 2015/2016 and 2016/2017, respectively (Fig. 27). However, in the financial year 2016/2017 the actual revenue collection of real estate fee outweighed the estimated revenue due to shift of the administrative capital city from Dar es Salaam to Dodoma which attributed to many people to purchase surveyed land



in Dodoma as the administrative capital city of Tanzania (Fig. 27).



**Figure 27:** Dodoma MC: Real estate survey fee: revenue estimates versus actual revenue collection  
Source: Dodoma MC Field Data, (2017)

**Other own revenue sources** were council house rent; night club fee; fish cess; slaughter fee, tender fee, and forest cess among others.

#### 4.2 Remedial Measures of the Revenue Gap between Own Source Revenue Estimates (OSRE) and Actual Own Source Revenue Collection (AOSRC)

The empirical study focused to answer the research question two concerning with remedial measures of the revenue gap between own source revenue estimates and the actual own source revenue collection. Based on the findings of the revenue gap analysis between own source revenue estimates and actual own source revenue collection researchers pointed out that LGAs have to broaden their own revenue sources, carry out frequent own revenue sources surveys and stabilize the available own revenue sources so as to bridge the gap between the own source revenue estimates and actual own source revenue collection for local government revenue enhancement.

#### 5. Conclusion

The empirical study concluded that produce cess, business licence fee, service levy, market dues, slaughter fee, livestock fee, bus stand fee, land tax, fish cess, mining fee, forest cess, auction fee, car parking fee, fines and penalties are very common own revenue sources in the sampled LGAs namely; Bahi DC, Kongwa DC, Manyoni DC and Dodoma MC. The newly established own revenue sources were selling of surveyed land plots, and construction materials (stones, aggregates, and sand) levy. The empirical findings of the study implied that the observed revenue sources are the important own revenue sources in the sampled LGAs. Hence, the study suggested that much more efforts have to be taken by the respective LGAs to stabilize the available own revenue sources as well as to come up with new own revenue sources such as mining levy (stones, aggregates, and

sand) and land rent so as to widen the base of revenue sources with the aim of bridging the gap between own source revenue estimates and actual own source revenue collection.

However, even though the own source revenue collection is increasing, also the gap between own source revenue estimates and actual own source revenue collection is increasing due to the presence of unrealistic (over ambitious) revenue estimates and narrow base of LGAs revenue sources. Hence, the study suggested that LGAs have to carry out frequent surveys to identify the broad base of own revenue sources, this can help to come up with realistic data for own source revenue estimates.

#### 6. Policy Implications

The empirical findings of the study is useful to policy makers if it can be inculcated into the local government financial policy by stabilizing and broadening the own revenue sources so that local government authorities can be able to collect much more own source revenue; whereas through enhanced local government own source revenue quality services can be delivered to the Tanzanian community. Moreover, the findings of the empirical study can be used as the base for policy makers to decide which revenue sources can be well managed by LGAs rather than the Central Government and vice versa.

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