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## Challenges Facing Local Government Authority in Enhancing Revenue Collection in Zanzibar: A Case of Urban Municipal Council

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### Abstract

The study was aimed at assessing the challenges facing local government authority in enhancing revenue collection in Zanzibar. The researcher employed quantitative research approach where a case study was used as research design. The sample size for this study consists of 100 respondents and questionnaire was used to collect data. The collected data was analysed by using descriptive and inferential statistical analysis using Statistical Package for Social Science (SPSS). The findings showed that there were challenges facing enhancement of revenue collection in Zanzibar which were shifting of some sources of revenue from local authority to national government, employees working under pressure at the local government authority and tax exemption. The study recommended local government authority to have a dialogue with national government to allow shifted sources of revenue to national government to be returned to the mandate of the local authorities. The study concluded that workload of the employees at the local authority be revised to make sure that employees do not work under pressure and the local authority to legislate on the categories of tax exemption to avoid too much tax exemption categories.

**Keywords:** Local Government, Local Government Authority, Revenue Collection

### Introduction

Local government is a generic term for the lowest tiers of public administration within a particular sovereign state (Alam, *et al.*, 2017). In comparison, decentralized service delivery expected to provide a quicker gain than with centralized systems (Sharma, 2021). As the primary organ for the economic and social development of the people in local area. Local governments have been given very important goals, duties and tasks to do and achieve, however most of them have not been able to achieve the intended objectives especially in developing countries (Alam *et al.*, 2017). Today, many countries designed a new computerized system to address some problems of revenue collection and administration; yet, there are a lot of challenges confronting these authorities especially those managing cities in terms of revenue collection (Robert, 2020).

A part from challenge associate with a new system, local government also suffered from ineffectiveness financial management. In developing countries ineffective financial management has been a persistent problem for decades and become a serious issue among many Local Government Authorities today (Dietrich, 2015). History shows that total revenue collections were always too small compared to the actual required expenditure by Local Government Authorities especial in developing countries (Bagchi, 2006). It was argued that lack of a uniform local revenue system hindered the systematic collection of data on local government revenues and tax compliance (John, 2017).

In Zanzibar, a local government system with councils was partially developed during the colonial period and further developed after World War II (Khamis, 2013). The structure of local government in Zanzibar includes five regions, three urban; Municipal council and seven district councils which are; Urban Municipal Council, West A Municipal Council, West B Municipal Council, North A Town Council, North B Town Council, Central Town Council, South Town Council, Wete Town Council, ChakeChake Town Council, Mkoani Town Council and Micheweni Town Council (RGoZ, 2014). The local government in Zanzibar is responsible for a range of vital service for people and business in defined area. Also ensuring the collection of proper utilization of revenue of Council; Make bylaws applicable throughout its area of jurisdiction; and consider, regulate and co-ordinate development plans, projects and programs of villages and township councils within its area of jurisdiction (Khamis, 2013).

According to the Zanzibar Municipal Council Act 1995, the Local authorities have been given mandates to collect revenues from the identified sources. Despite of given authority to collect their own revenue, the local government authority further hampered by the weak capacity of those managing the revenue collection process, and the municipal administrations have poor technical and professional skills in management of revenue collection. Therefore, the purpose of this study is to examine challenges facing local government authority in revenue collection in Zanzibar.

### **Statement of The Problem**

The government financing system to any level of administration always requires a set of effective mechanisms for generating government revenue and allocation of funds. Local Governments play an important role in effectively reaching to the needs of people at the grassroots (World Bank, 2010).

In Zanzibar, the local governments have been given mandate to collect revenue to their respective duties. The data shows that, in 2016/17 the revenue collected was Tsh 2,597,713,072/- while the expectation was Tsh 3,032,474,000/-; in 2017/18 the revenue collected was Tsh 1,568,124,394/- while the expectation was Tsh 3,033,474,000/-; in 2018/2019 the revenue collected was Tsh 1,876,247,818/- while the expectation was Tsh 1,437,072,982/- in 2019/20 the revenue collected was Tsh 4,053,170,480/- while the expectation was Tsh 4,809,080,000/- and in 2020/21 the revenue collected was Tsh 3,828,717,532/- while the expectation was Tsh 5,135,020,000/- (Municipal Annual financial year, 2021). The data indicate that there is challenge in which the municipal do not reach the target in revenue collection.

In order to solve this problem of poor revenue collection, the Revolutionary Government of Zanzibar established various sources of income in municipals such as registration tax, parking area etc in order to encourage municipal to cover their needs in their areas of jurisdiction (RGoZ, 2014). However, the municipal has not been able to become financially sustainable and it is difficult for them to carry out their activities accordingly. The reason behind the

failure can be various challenges which include poor financial management, accountability, poor management, fluctuation of licenses prices etc. Therefore, this study intends to assess the challenges facing local government authority in enhancing revenue collection in Zanzibar.

### Literature Review

Sharma (2021) studied on Local Government Financing Practice and Challenges in Developing Countries with Reference to Nepal. Descriptive and analytical design was used to attain the objectives. The study revealed that, there is no uniformity in the global experience, when looking at the practice of fiscal federalism and economic decentralization. Developed countries are at the forefront of this agenda while developing countries have different experiences. This exercise is futile unless all parties are freed from the notion that any other person or organization should not exercise its inherent political, administrative, and economic rights in any way. On top of that, when the local municipalities are unable to bear the cost of services financially, the cooperation of all levels of government is naturally necessary. All the local bodies should be able to avoid deviating from the right path and moving in a contradictory direction by not paying attention to its proper exercise as they have a constitutional right.

Teremetskyi, *et al* (2021) investigated the challenges faced by local authorities in achieving Sustainable Development in Ukraine. The results showed that the main challenges faced by most local authorities are: the mobilization of financial resources, the inadequacy of own income, unreliability of central government transfers and weakness of financial management, economic uncertainty, the difficulty of balancing the reality of the local budget with reduced revenues, the widening gap between the availability of financial resources and municipal expenditure needs. Responsibility and financial resource management are the basis for the good governance of local governments, key drivers for public institutions on the improvement path and ensure sustainable development. To successfully implement sustainable development, for ensuring the financial resilience of local authorities it becomes crucial to develop a strategic financial management plan. Financial management can be a tool for improving the performance of local government.

Robert (2020) conducted a study on the influence of local government revenue collection information system on revenue performance in Arusha city council, Tanzania. The study used both secondary and primary data. Primary data was collected by using a questionnaire. Findings showed that major challenges hindering effective implementation of Local Government Revenue Collection Information System (LGRSIS) in Arusha City Council was unreliable electric power for recharging revenue collection devices, poor internet connectivity, staff were reluctant to move to automated technology and poor knowledge of use among users. Some of key recommendations made were as follows. Arusha City Council should train its staff on how to effectively use Local Government Revenue Collection Information System (LGRSIS) revenue collection devices. Arusha City Council should introduce devices which can use solar energy so as to address current situation where charging of those devices is a problem. Finally, Arusha City Council should accompany the devices with another devices which provides an additional internet connection like mobile phones or modems

Taamneh, Almaaitah and Alqdha (2020) investigated on the challenges facing local government in Jordan and strategies to address them. The study used descriptive study as methodology. The study revealed that environmental protection was the biggest challenge. Responsiveness and public participation are other challenges faced by local governments. Based on the study results, the recommendation and provision of centralized technical

assistance are required to maintain environmental protection. However, capacity building for local employees is a must. The critical financial position of local governments needs to be addressed by re-evaluating the share of funds allocated to local units.

John (2017) conducted a study on the challenges facing local government authorities in implementing local government tax reforms in Tanzania: A case of Mpwapwa District Council, Tanzania. A cross-sectional research design was adopted as methodology. The findings revealed that the challenges facing Local government authorities in implementing local tax reforms were low tax base, low collection rates, tax evasion and low awareness level of taxpayers. Strategies being implemented to enhance revenue collection were establishment of taxation training, establishment public awareness campaign, using of integrated payment system like point of sale (POS) as well as creation of check points and gates-barrier for revenue collection. The effectiveness of strategies adopted by Local Government Authorities to enhance revenue collection was effective because there are increases in revenue collected due to strategies which are implemented. It is recommended from the study that the United Republic of Tanzania (URT) should make sure they create public awareness and education to the importance of paying taxes and amend legal framework for the Local Government Authorities benefit.

### **Methodology**

The study adopted a Descriptive Research Design. This design was selected because of its capability to describe a particular phenomenon at a particular time. This study employed the quantitative approach so as to meet the demands of study and for acquiring accurate data. This study was conducted in Urban Region located at Unguja; The reason for selected this study area was, Urban Municipal Council is one of Local Governments Authority in Zanzibar which has various small, medium and large size enterprises that constitute many taxpayers due the establishment of various business activities that considered as the major sources of revenue to local government. The study included 518 people who are responsible for collecting revenue in the respective area. The sample size was 100 selected from the population using Yamane formula (1967). Both random and non randomly sampling were used select the sample size. Data was collected by use of questionnaire. The study used descriptive analysis to analyze the data using SPSS version 23. Experts and pre-test methods were used to evaluate data collection tool in order to check for data reliability.

### **Study Findings**

#### **Demographic Characteristics of the Respondents**

This section gives a basic information and profile of respondents. These information help a researcher to study a behavior of respondents towards revenue collection. The section provides the characteristics of the respondents related to their, age, gender, marital status, educational level and position. The results from the table 1 shows that, (7%) of the respondents were between 25-34 years, (37%) of respondents were between 35 and 44 years old, (40%) of them were 45-54 years of age, where (16%) of respondents were between 55 and above. These findings show that, various ages were represented and the respondents were mature.

Table 1

*Demographics of the respondents*

Variables	Category	Frequency	Percentage
Age	25-34	7	7
	35-44	37	37
	45-54	40	40
	55 and above	16	16
Gender	Male	39	39
	Female	61	61
Education level	Diploma	26	26
	Degree	52	52
	Master	22	22
Working experience	1-4	28	28
	5-9	31	31
	10-14	30	30
	15 and above	11	11

Source: Field Data, 2022

Based on Gender Distribution, the results show that, (39%) of the respondent were male and (61%) of respondents were female. This implies that, both gender participated in the study. Results showed that, the level of education in the Urban Municipal Council are at satisfactory level in which most of the respondents had atleast a diploma level of education. The results indicates that: 26 respondents corresponding to (26%) had diploma level; 52 respondents equal to (52%) had bachelor degree level, and 22 respondents which equal to (22%) had master level. Therefore, the findings of the study implied that almost all respondents had satisfactory level of education.

Finally, The findings showed that (28%) have working experience from 1-4 years whereas (31%) have working experience of 5-9 years and (30%) have shown to possess 10-14 years working experience and final (11%) have working experience from 15 and above years. These results implied that, the majority of the respondents had high experience on working at Urban Municipal Council.

### **Challenges Challenges Facing Local Government Authority In Enhancing Revenue Collection** ***Shifting of some sources of revenue from local authority to central government***

*In this section, respondents were asked to rank how shifting of some sources of revenue from local authority to central government was a challenge. The summary of findings are shown in Table 2. The findings on table 2 shows how the respondents agreed or disagreed on shifting of revenue sources from local authority to local government was a challenge.*

Table 2

*Shifting of some sources of revenue from local to central government*

Results	Frequency	Percent
Strong disagreed	10	10.0
Disagreed	11	11.0
Neutral	2	2.0
Agreed	32	32.0
Strong agreed	45	45.0
Total	100	100.0

*Source: field data, 2022*

The results revealed that (10%) of the respondent strongly disagreed, (11%) of the total respondents disagreed, and (2%) of the respondents remained neutral. While (32%) of the respondents agreed and (45%) strongly agreed. This findings implies that, majority of the respondents strongly agreed that sifting of source of revenue was a challenge and affected revenue collection in local government authority. The findings are supported by John (2017) who studied on the challenges facing local government authorities in implementing local government tax reforms in Tanzania and found that, among the factors affecting the effectiveness of revenue collection at local government authority is shifting of revenue sources to National Government.

### **Employees working under pressure at the local government authority**

In this part of the study, the researcher investigated whether working under pressure was challenge on local authority revenue collection. The respondents were asked to indicate how they agreed or disagreed working under pressure was challenge. The results are summarized clearly in Table 3.

The findings from the table 3 below on the responses on the work under pressure affect revenue collection in local government authority shows that (9%) of the respondents strong disagreed, (13%) Disagreed, (20%) of the respondents remained neutral, (32%) of the respondents agreed and (26%) of all respondents indicated strong agreed. This implies that employee working under pressure was a challenge and affected revenue collection in the local government authority. The finding were in agreement with those by Taamneh, Rwabdeh and Abu-Haummour (2019) who studied evaluation of decentralization experience through political, administrative, and fiscal indicators in Jordan and found that, working under pressure was affected revenue collection.

Table 3

*Response on employee work under pressure.*

Results	Frequency	Percent
Strong disagreed	9	9.0
Disagreed	13	13.0
Neutral	20	20.0
Agreed	32	32.0
Strong agreed	26	26.0
Total	100	100.0

*Source: field data, 2022*

### Tax Exemption

In this part of the study, the researcher was interested to understand if the tax exemption hinders the revenue collection in the local area. The respondents were asked to indicate how they agreed or disagreed with tax exemption hindered revenue collection. The results were displayed in table 4.

Table 4

*Response on Tax exemption as hindering revenue collection.*

Result	Frequency	Percent	
Valid	Strong disagreed	18	18.0
	Disagreed	16	16.0
	Neutral	19	19.0
	Agreed	22	22.0
	Strong agreed	25	25.0
	Total	100	100.0

*Source: field data, 2022*

Finding from table 4 shows the responses from the respondents on whether tax exemption hindered revenue collection in local government authority. The result showed that (18%) of the respondents strong disagreed, (16%) of respondents disagreed, and (19%) of them remained neutral. On the other hand, (22%) of respondents agreed and (25%) of the respondents strong agreed. This implies that, most of the respondents agreed that tax exemption hindered revenue collection in the local government authorities. The findings of this study differ with Kimario (2014) who found that, there was little categories of tax exemption and thus could not hinder revenue collection.

### Conclusion

The study concluded that there were challenges facing revenue collection in Zanzibar. Based on the results, the study identified the challenges included shifting of some sources of revenue from local authority to national government, employees working under pressure at the local government authority and tax exemption are among the factors hindering the development of revenue collection in local government authority in Zanzibar. .

### Recommendation

In relation to the challenges facing revenue collection, the study recommended that, local government authority should have a dialogue with national government to allow shifted sources of revenue to national govern to be returned to the mandate of the local authorities. The study concluded that workload of the employees at the local authority be revised to make sure that employees do not work under pressure and the local authority to legislate on the categories of tax exemption to avoid too much tax exemption categories.



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