An Assessment on the Implementation of Local Government Financial Decentralization in Tanzania: A Discrepancy between Theory and Practice

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Abstract

Tanzania saw the significance of moving to local government financial decentralization from 1990s. Such commitment is evidenced on the policy paper on local government reform of October, 1998 which aimed towards the shared vision for local government in Tanzania, and the main strategy of achieving it was through decentralization by devolution. Tanzania has been implementing a particular vision from 2000s of which its part includes financial decentralization. The study assesses the implementation of Local Government financial decentralization in Tanzania engrossing on the discrepancy between theory and practice. It is the view of the study that, the implementation of Local Government financial decentralization in Tanzania still is passing into a difficult situation. Also, the study opines that, local government stakeholders need to rethink about the progress and commitments towards fully local government financial decentralization.

Key words: Discrepancy, Financial Decentralization, Local Government Authorities

1. Introduction

Local government in Tanzania is a non-union matter. The study centers itself in local government authority in Tanzania mainland. It is however, established under the Constitution of the United Republic of Tanzania of 1977, Article 145 (establishment) and Article 146 provides the purpose for establishing Local government authorities.

Article 145 provides that;

(1) *"There shall be established local government authorities in each region, district, urban area and village in the United Republic, which shall be of the type and designation prescribed by law to be enacted by Parliament or by the House of Representatives".*

(2) *"Parliament or the House of Representatives, as the case may be, shall enact a law providing for the establishment of local government authorities, their structure and composition, sources of revenue and procedure for the conduct of their business".*

Basing on Article 145 (2) of the constitution of the United Republic of Tanzania, the establishment of local government authorities is empowered by two significant legislations. This is for the reason that, local authorities are divided into urban authorities and rural (District authorities). On the side of rural (Authorities), local government is established under local government (District Authorities) Act. No. 7, 1982, and on the other side of urban authorities, they are established under the local government (Urban authorities) Act. No. 8 of 1982.

The purpose of local government authorities in Tanzania is to transfer authority to the people and power to participate and to involve people in the planning and implementation of development programmes within their respective areas, as Article 146 (1) of the constitution of the United Republic of Tanzania of 1977 provides. The Article provide that,

"*The purpose of having local government authorities is to transfer authority to the people. Local government authorities shall have the right and power to participate, and to involve the people, in the planning and implementation of development programmes within their respective areas and generally throughout the country*".

Local government in Tanzania are holistic (multi-sectoral, government units with a legal status (body corporates)), operating on the basis of specific and discretionary powers under the legal framework provided by the national legislation. Local government in Tanzania have the functions of social development and public service delivery, facilitation of maintenance of law and order and promotion of local government under participatory process. They are administered through local councils which is responsible for overseeing local government activities. Councils are the highest decision making body within their localities (REPOA, 2008).

However, Local Government in Tanzania has outstanding history. It has passed through important epochs trending even before colonialism. Other epochs includes independence period (1961-1971), decentralization period (1972-1980s) and reform period (1980s to present). For the sake of this study, the focus is the reform era (Warioba, 1999, Mmari, 2005).

From 1990s, the government of Tanzania decided to embark on reform agenda which aimed at strengthening and improving governance in the country. The Local Government Reform Programme (LGRP) was among the important reforms initiated by the government in this period. The Local government reform programme intended to improve local governance and service delivery with the aim of achieving Tanzania poverty reduction target (Tidemand & Msami, 2010).

The local government reform programme is articulated in the policy paper on local government reform. The reform is based on the CCM election manifesto of 1995, recommendations of national conference on a shared vision of local government in Tanzania, the local government reform agenda, discussion and recommendations with Association of Local Government Authorities of Tanzania (ALAT), representatives from local authorities, sector ministries and other central government organs (Policy paper on LG reform, 1998).

The local government reform stresses at the shared vision of the future local government system which its objective is improving the public service delivery and its main strategy being decentralization. Four important policy areas were stressed including; Political decentralization, Administrative decentralization, Financial decentralization and Changed central local relations. The programme was initiated from 1998 (Policy paper on LG reform, 1998).

In financial decentralization, the main focus was that, local councils to have financial discretionary powers and powers to levy tax. The central government had to be left with obligation to supply to local government's unconditional grants and other forms of grants. Also, financial decentralization empowered local councils to pass budget reflecting their own priorities and mandatory expenditure required by legislation reflecting the national standards (REPOA, 2008).

Du reste, in order to implement the reform, the policy advised the changes of relevant laws to be made to establish legal bases to guide the process. The government begun to implement the local government reform programme from 2000 and it has been in the process of implementation (Tidemand & Msami, 2010).

The study focuses on assessing the implementation of local government reform programme on financial decentralization. Several efforts have been made by the government in order to achieve financial decentralization, including amending laws, supervision and capacity building as entailed in the following part.

2. Methodology

The study used the document review method in accomplishing it. It involved reviewing different documents including policies, legal provisions, development reports, books and publications on local government in Tanzania. It has passed through the local government reform programme within the limits of financial decentralization basing on the local government sources of revenue, local government budget process and its effectiveness.

The study provides in details the concept of local government financial decentralization in Tanzania, the sources funds and its budget system. It also provides the discussion of the findings on the discrepancy between theory and practice of financial decentralization, the conclusion and recommendations towards full local government financial decentralization.

3. Financial decentralization in Tanzania

Financial decentralization in Tanzania is among of the four key policy areas that came as a result of policy paper on Local Government reform programme in 1998. The policy paper included ideas from several stakeholders in local government and documents that, in one way or another were in a position of affecting the functions of local government authorities. The policy paper was based on the CCM election manifesto of 1995, the recommendations from a National Conference about a shared vision for local government in Tanzania which was held in May, 1996. The local government reform agenda of 1996 which aimed at decentralizing the local government authorities functions and responsibilities; it also included several discussions and recommendations with the Association of Local Government Authorities (ALAT), representative from local government authorities (including administrators, councilors and citizens representatives), central government organs and recommendations from other stakeholders about local government reform (Policy paper on LG reform, 1998).

This policy can be debated to be democratic since it collected ideas, discussions and recommendations from important stakeholders in in the management of local government authorities. It was *de facto* politically legitimate as stakeholders as whole were involved in planning for decentralization process. With decentralization, it was anticipated that, there was a lot to achieve in the process in improving social, economic, and political efficiency of the country. It was expected that, it would have been the era of autonomy of the local government authorities from what they suffered in the 1970s, when the autonomy was taken away through decentralization by deconcentration under decentralization policy of 1972 (REPOA, 2008).

The policy paper, aimed towards a shared vision of local government authorities whereby its overall objective was to improve the service delivery to the public and improve democratization process at the local level. The main strategy of the vision was decentralization on key areas of local authorities and provides autonomy to exercise the powers vested (REPOA, 2008).

Financial decentralization was among the important policy areas that were recommended for implementation. The *raison deture* of financial decentralization was to provide financial autonomy and improve the capacity of economic performance of the local government authorities.

In financial decentralization, it was meant that, local government councils to have financial discretionary powers and powers to levy local taxes. This aimed at expanding the collection of local revenues and vesting power to the local council empowering it as the highest decision making body at the local government level and the council to have a say over the local government finances including policing how they are being utilized. The financial discretionary powers also included the power to re-allocate funds as the council would see fit for the interest of the public (Mollel & Mbogela, 2014).

Again, in financial decentralization, it was expected that, the central government in turn had the obligation to provide local governments authorities with unconditional grants (intergovernmental transfers) and other forms of grants. This area, aimed at removing conditional recurrent expenditures that were previously provided to the local authorities by the central government. It was aimed further that, funds without conditions could have provided power to the local council to use them depending on the need of the authority (ies) at that time and removing the gap in the service areas administered by the local government.

The policy aimed also, to allow local councils to pass its own budgets. The reason for providing budget autonomy was for local councils to plan budgets basing on their own priorities and mandatory expenditures provided by legislation setting national standards. That is to say, recommendations from local government stakeholders observed the fact that, each local government council had its own priorities depending on what they wanted to achieve in time. Therefore, granting budget autonomy would have provided the chance for local authorities to be flexible in implementing their plans and targets. It was expected that, this autonomy would have improved the service delivery at the local level.

Regarding the local government revenues, the reform aimed at substantial increase in own revenue and sources and enhancing the tax payers compliance to revised legislation for revenue performance. For that matter, it was anticipated to increase and improve local government councils cost effectiveness in revenue collection through dismissing minor local government taxes which was believed that, the cost of collecting them was greater than the outcome. Making the local government tax structure simple, modernizing administration, making the local government tax system more transparent, securing a fair and equal treatment of all tax payers, introducing a less costly system of levying property tax in all urban councils and removing all ambiguities and perhaps, overlaps between central and local governments.

It was however, recommended by the policy that, in order to have smooth implementation of financial decentralization and other areas of decentralization (political, administrative and central local relations), substantial changes in the existing legislation were needed so as to reflect the vision and objectives of the country local government reform. It was stressed that, the changes of local government laws must reflect the vision of the local government reform agenda. For that matter, on the side of financial decentralization, laws had to create a system of local government where powers, functions and revenue are decentralized from central government, establishing sources of revenue and providing financial accountability (Policy paper on LG reform, 1998).

The implementation of the local government reform programme was scheduled to be in different phases, each phase comprising of one third of all district and urban councils. It was expected so, due to insufficiency budget that was required to implement the policy. Local government authorities, central government, ministry responsible and other stakeholders were required to take a lead in implementing the policy reform (Chaligha et al, 2005). However, the question has been how far the country has succeeded to implement financial decentralization.

Financial decentralization had to focus on the local government sources of funds and the budget system. The following part provides what is being implemented as far as such parameters are concerned.

(a) Local government sources of funds (revenue)

Local government authorities in Tanzania mainland have different sources of funds (revenues). They include; the local government own sources of revenue, central government transfers (mostly known as “intergovernmental transfers”), loans from financial institutions and development aid (REPOA, 2008). Here below are the sources of local government revenues.

Local own sources of revenue

Local government authorities have their own sources of revenue, they are four by types. These sources are mentioned and empowered by the Local government finance Act, No.9 of 1982 and the Urban Authorities (Rating) Act. No. 2 of 1983. These legislations identify the following owns sources of revenue for local government authorities.

I. Local Rates

A. Local rates on immovable property and land

i. Local property rates ii. Land rent

B. Local rates on income, business, or activity.

i. Service Levy ii. Produce Cess iii. Guest House Levy iv. Other rates on income, business, or activity (including Forest Produce Cess and the Fish Landing or Auction Levy)

II. Local Licenses and Permits

(a) Licenses on business activities; (b) Permits on construction activities; (c) Licenses on extraction of forest products and natural resources; (d) Licenses and permits on vehicles and transportation

III. Local Fees and Charges

(a) Market fees and charges; (b) Sanitation fees and charges; (c) Specific service fees and charges

IV. Other Local Revenue Sources

(a) Fines and penalties (b) Income from (sale or rent of) property, goods, or services

However, the financial laws (Miscellaneous amendments) Act of 2008, amended the local government finances Act Cap 290 of 1982 by adding immediately section 31 (A). That section empowers the Tanzania Revenue Authority (TRA) (an authority entitled to collect central government revenue) in consultation with relevant local government authority to collect the property rate.

The section that empowers TRA to collect rates is 31A (1), it provide that;

“Without prejudice to the provisions of section 31, the Tanzania Revenue Authority in consultation with a respective local government authority shall evaluate, assess, collect and account for property rate imposed by Authorities”

31A (3) provide that “In the performance of its functions under this Act, the Tanzania Revenue Authority shall be indemnified by the local government authorities in relation to any cost incurred, loss suffered or action brought by reason of performance of such functions”

Also 31A (5) provides that,

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"In the enforcement or recovery of property rate the Tanzania Revenue Authority shall apply mutatis mutandis the powers of recovery stipulated under the provisions of the Income Tax Act and the Urban Authorities (Rating) Act."

Cited from Financial laws (miscellaneous amendment) Act, 2008; Part II: Amendment of the Local Government Finances Act of 1982, section 5 (addition of section 31A (1-6).

Again, the financial laws (Miscellaneous amendment) Act. 2008, amended the urban authorities (Rating) Act of 1983 in section four by adding subsection one, which empower the Tanzania Revenue Authority (TRA) in consultation with relevant local government authority to appoint a valuation surveyor to prepare a roll or supplementary roll for all rating authorities, as the section below provides;

"(1A) Without prejudice to subsection (1), the Tanzania Revenue Authority in consultation with a respective local government authority shall appoint a Valuation Surveyor for preparing a roll or supplementary roll for all rating authorities to which it has been appointed as agent."

The amended law provides the power to Tanzania revenue authority (TRA) to collect, evaluate, assess and account property rate which is an important source of local government revenue. Despite the fact that, consultation is required for TRA to be able to collect property rates, the process tries to centralize the particular revenue collection as TRA is an authority entitled to collect central government revenue.

In this aspect, albeit local government authorities have been entitled to collect such revenue from their own sources, but, they contribute a little to the whole local government budget about 6.0% to 15.0%. For example, in the financial year 2010/2011 local own sources of revenue contributed 6.6% of the total budget of local government and in the financial year 2011/2012 the contribution was 8.0% (MOF, 2013). However, in the financial year 2013/2014 local government contributed nearly 7% (PWC, 2016). Arguably, the progress has been almost the same also in recent years. This entails that, local government own sources is still not sufficient and adequate to fund the entire local government budget.

However, for the sake of national revenue contributions, local government authorities collect roughly 2-5% of all public sector revenues and they spend roughly 20% of public sector spending (MOF, 2013).

Intergovernmental transfers

Due to insufficiency of local government own sources of revenue, the largest percent of the local government budget is funded by central government transfers mostly known as "intergovernmental transfers". The intergovernmental transfers account for about and over 80% to 85% of the whole local government budget. For example, in the financial year 2010/2011 the intergovernmental transfers constituted 86.7% of the whole local government budget and financial year 2011/2012 it was about 92.0% and the progress has been not that much different in recent financial years (MOF, 2013). The trend has not changed in the recent years where by the intergovernmental transfer amount from 80% to 90%. Such as in the financial year 2013/2014 it contributed almost 92% (PWC, 2016).

Intergovernmental transfers are grants provided by the central government to the local government authorities to fund their budget and improve the service delivery at the local level. Types of intergovernmental transfers includes; recurrent block grants, sector specific funds and programmes such as health basket funds, sector specific development funds such as TASAF, other transfers (ministerial subventions and development grants and funds).

(i) Recurrent block grants

Recurrent grants are grants that recur continuously. Each council is allocated such funds from central government to deal with recurrent costs including; remuneration of local government personnel and other for operating system. Such grants includes five sector services provided by the central government but devolving at the local government level including education, rural water, agriculture, road and health. Again, the part of block grants is used to cover the administrative costs at the local government level. The funds are disbursed in the local government councils through the specified prescription linked to the size of the population and services provided by relevant council. It is estimated that, they account for about 60% of the whole intergovernmental transfers (APSP, 2011).

(ii) The sector basket funds and ministerial subventions

They are funds that are added to respective sectors and ministries. For example, they include the health sector basket fund (HBF), the agriculture sector development programme (ASDP) and Road Fund (RF). Also, it includes the road fund that is distributed to each council for maintenance of local government roads (currently the government have decided to establish an agency known as Tanzania Rural and Urban Roads Agency "TARURA" (we argue that, it is a good move) dealing with maintenance and construction of local government roads in order to improve effectiveness of the road funds). The total of such funds contribute roughly an average of 8.0% of each local government authority annual budget (Haki Elimu & policy forum, 2008).

The health basket fund (HBF) is financed by the development partners through the holding account at the Central Bank of Tanzania (BOT) and transferred to the Ministry of Health Community Development Gender Elderly and Children (MoHCDGEC), PO-RALG and respective local government authorities on a quarterly basis through the exchequer account. Local government authorities receive their share depending on the capacity of funding by development partners (CAG, 2017).

The agriculture sector development programme (ASDP) basket fund is financed by contributions and loans from development partners through the embassy of Ireland, International fund for agricultural development (IFAD), and Japan International Cooperation Agency (JICA). Such funds are received through the holding account maintained by Treasury, then after, funds are transferred to Local government authorities for implementation (Ibid. 2016)

The Road Fund (RF) derives its revenue from collection on fuel levy, transit charges, overloading fees, interest income, other income and external support specifically from DFID. The collected amount are distributed among implementing partners including local government authorities basing on the percentage set by the parliament from time to time (Ibid. 2016)

(iii) The development grants

These are intergovernmental transfers that are provided to local government authorities by the central government to cover development costs. They are sometimes known as non- recurrent grants (expenditure) because it does not necessarily recur continuously. They may be given for new infrastructure or rehabilitation. In spending these funds, the respective council my decide where to allocate it depending on the priorities of the council at the time. They may be used for building and renovation of school classrooms, construction of new roads, new or recovering health facilities, water and irrigation projects, disposals and other development aspects, as the council may see fit for the time provided.

Also, the government may provide to local government authorities the development grants that can be limited to specific regions or districts depending on the central government priorities. They may include; Participatory Agriculture Development Empowerment Projects (PADEP), Urban Development Environmental Management (UDEM), District Agriculture Sector

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Investment Project (DASIP) and Participatory Forest Management (PFM). Such grants, in general provide about 5.0% of the annual budget of the local government authorities (APSP, 2011).

(iv) Local government borrowing and development aid

This is another source of funds for local government authorities in Tanzania. In this source, local government borrows some funds from financial institutions in order to implement pre-determined development projects and improve service delivery. The local government borrowing does not play a significant role in the budget system as it contribute roughly about o.1 to 1.% of the whole local budget. For that matter, local government borrowing is not a common source or preferred financing mechanism for local government authorities in Tanzania. For example, in the financial year 2011/2012 according to the MOF (2013) report the local government borrowing had dropped to almost zero percent.

At some points, local government authorities receive funds from other development partners in form of aid. Such aid is channeled to different development projects initiated to help local authorities improve the service delivery such as water projects, roads and schools. Again, this source is not effective, as it depends to the economic situation of funders and how the given funds were utilized. Also, it varies from council to council. Therefore, some of councils may receive more aid than others and therefore creating the development difference between areas where such councils exists. Under this circumstance, it is adamant to trust aid as a permanent source of revenue for local government authorities and do not contribute that much to the local budget.

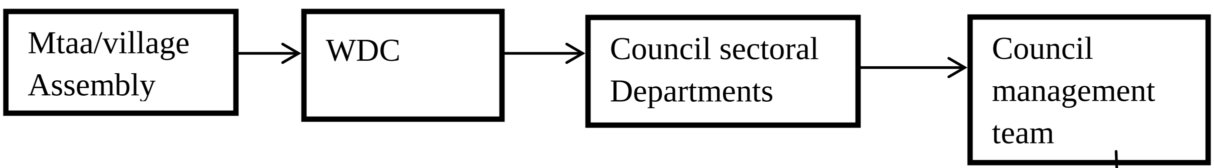
(b) The local government budget system (preparation and implementation)

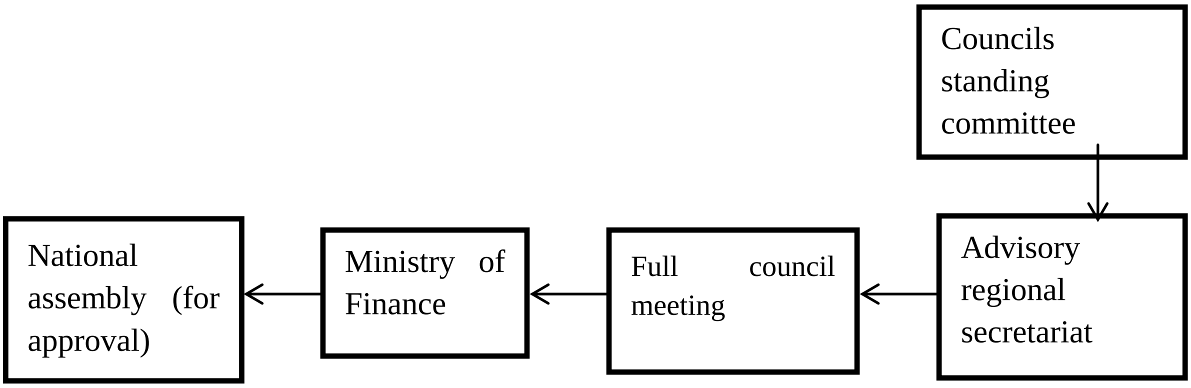
Local government authorities are entitled power to prepare the annual estimates of income and expenditure at their area as provided in Local Government Finances Act No. 9 of 1982. The annual budget plan need to show two important aspects; number one, it must show the estimated income for the next financial year including the amount of revenue expected to be collected from own sources and the amount of sources expected to be received as grants, and number two, the annual budget estimates need to show estimated recurrent and development expenditure for the next financial year (MOF, 2013).

The preparation of the local government budget is provided within the framework of the national budget. Budget estimation is formulated in line with macro-economic forecasts on the future growth, inflation and the external sector trends. For that matter, the preparations of local government budget is linked with the national budget. However, within the budget cycle, local government budget estimates is prepared hierarchically from the lowest level passing through such various level before national approval. Again, such estimates are prepared in consultation with the ministry responsible for local government "Presidents office Regional Administration and Local Government" (PO- RAGL). Also, the Ministry of Finance (MOF), can be consulted for guidelines and clarifications

The local government budget estimation follows the bottom up approach. The channel for local government budget starts with the mtaa (for urban authorities)/village for rural authorities, then to the ward development committee, council sectoral departments, council standing committee, advisory regional secretariat, full council meeting, ministry of finance then to the national assembly for approval as the chart below provides.

Formal local government budgetary channel





Source: (APSP, 2011)

Also, the formulation, approval process and estimation timings linked with the national budget are given below in the following table starting from August to July as provided by MOF report (2013).

No.	**Activity**	**Expected Number of days**	**Office/official responsible**
1.	Prepare and issue national budget guidelines	50	Ministry of Finance
2.	Transmission of guidelines to LGA	5	DLG/PO-RALG
3.	Issue (within LGA) of budget guideline for preparation	5	Council director
4.	Ward Development Committee's budget proposals	10	WEO
5.	Preparation of non-ward based LGA budget proposals	10	Treasurer
6.	Compilation of total LGA budget	10	Treasurer
7.	Discussion and finalizing draft budget by council management team (CMT)	5	Council director
8.	Submission of budget draft to finance committee	5	Council director
9.	Discussion and approval of council budget by full council	5	Council director
10.	Submission of draft budget to PO-RALG for review	5	Council director
11.	Review and comments on LGA budgets	15	DLG/PO-RALG
12.	Feedback to council- to incorporate any directives	5	DLG/PO-RALG
13.	Revised LGA budget to PO-RALG	10	Council director
14.	Review and approval by PO-RALG for submission to MOF	10	DLG/PO-RALG
15.	Submission of LGA budget to MOF for review	2	DLG/PO-RALG
16.	Budget review at MOF	5	Commissioner for budget
17.	Feedback to PO-RALG with changes if any	5	Commissioner for budget
18.	PO-RALG communicates MOF changes (if any) to LGA	5	DLG/PO-RALG
19.	Submission of MOF-proposed changes to council for adoption	5	Council director
20.	Individual LGA council adoption of changes (if any) made by MOF	5	Full council
21.	Councils ' (collectively) budget submission to parliament for debate	5	Minister responsible for LGA
22.	Passing of budget by parliament	80	Minister responsible for LGA
23.	Feedback to LGA of approved budget	5	DLG/PO-RALG
24.	Preparation of revised budget to incorporate parliamentary changes	5	Council director
25.	Submission of revised, Parliament approved budget to council for endorsement	5	Council director
26.	Adoption by council of Parliament approved budget	5	Full council

Source: MOF report, (2013).

(c) Implementation of Local government budget

The approved budget by the parliament is adopted by the full council for implementation. The implementation of the local government budget goes hand to hand with the implementation of the national budget. Due to the fact that, local government budget depends much on the intergovernmental transfers, then, they have to wait until such transfers are made by the central government. Such transfers together with local own sources, are channeled to services, goods and development goals as pre-determined in the budget. Local government authorities while implementing budgets need to keep records of the expenditure being made.

4. Discussion and Results (discrepancy between theory and practice)

The study argues observed a discrepancy between the main agenda of the policy for the reform of the local government authorities on the aspect of financial decentralization and what is really implemented today. The policy for the local government reform on financial decentralization provides that, local government councils to have financial discretions including power to levy local taxes, to pass budgets reflecting their own priorities, as well as mandatory expenditure required for the attainment of national standards.

Also it provides that, central government should provide unconditional grants and other forms of grants to local government authorities. The government has been implementing the policy on the local government reform since 2000s. The study debates that the implementation of financial decentralization has taken a snail move. This is because of the existing divergence between what is articulated in the policy and what have been implemented.

The discussion stick on the following parameters; (i) the weakness of the local government own sources of revenue to fund local government budget, (ii) the fusion of local government budget with national budget (iii) extreme dependence of local government budget on intergovernmental transfers and (iv) weaknesses in the implementation of local government budget.

(i) Weaknesses of local government own sources of revenue

Local government authorities are empowered to levy taxes according to Local Government Finance act. No.9 of 1982 and Urban Authorities (Rating) Act of 1883. These provisions stipulate that, local government authorities may collect revenue from different sources, including; local rates, licenses and permits, local fees and charges and other local revenues sources, including the non-tax revenue. Despite the fact that, local government authorities are mandated to collect revenue from their own sources, but the collection has proved to be accompanied with some weaknesses. They have proven to be weak due to the reason that, they still contribute little to the local government budgets.

Local government own sources of revenue contributes about 6% to 15% of the total local government budget. The MOF report (2013) shows that, in the financial year 2010/2011 and 2011/2012, local own sources contributed about 6.6% and 8.0% of the total local government budget respectively. It is contended that, the progress has been almost the same even in recent financial years (PWC, 2016). The result implies that, local governments own sources are not enough to fund the whole budget, and contribute less to the local government budget. For that matter, they are not effective and adequate. The poor contribution can be caused by poor administration of revenue collection and shortage of manpower resulting into outsourcing (National Audit Office, 2018). This proves the hardness in complying with requirements of financial decentralization. Therefore, strengthening the internal controls over own source revenue collection is significant for proper collection of local government revenue.

Also, the poor performance of local government own sources, can be attributed by aspiring revenue targets or poor forecasting (PWC, 2016). For that matter, local government authorities are failing to reach the estimated collection targets. For instance, in the financial year 2016/2017 there was under collection of own sources equivalent to 22% of the total budgeted amount. This implies that management of local government lacks effective strategy for increasing revenue from own sources (National Audit Office, 2018).

Again, the issue of empowering the Tanzania Revenue Authority (TRA), to collect property rates which is an important source for local government own sources of revenue, undermine the capacity, innovation and creativity for local government to collect revenue. The Financial Laws (Miscellaneous amendment) Act of 2008, which amended the Local government Finance Act. No. 9 of 1982 and Urban Authorities (Rating) Act. No. 2 of 1983 empowers the Tanzania Revenue Authority (TRA) in consultation with respective local government authority, to evaluate, assess, collect and account for property rate. Despite the fact that, the Tanzania Revenue Authority (TRA) has to consult the relevant local government council for evaluation, assess, collect and account property rates, and it can be true that, the government aimed at improving state revenue collection capacity, but the action, undermines the power and capacity for local government authorities to collect revenue today and in the future. Arguably, the study provides that, the government must rethink of this law and whenever possible return the chance for local government authorities to collect such type of revenue and build capacity for them to be able to perform well in revenue collection. This will go hand in hand with the policy for local government reform of providing and improving the capacity for local government to levy taxes and achieve the financial decentralization as the reform provides.

The study concur with the central government through the Tanzania Revenue Authority (TRA) efforts to encourage the use of Electronic Fiscal Devices (EFD) machines for the aim of ensuring that revenue paid reaches the respective authority and overcome tax avoidance. However, it debate that, this program must also be encouraged even at the local government level. It will help local government authorities to collect their own sources of revenue with confidence. Moreover, it will end the tendency of unfaithful tax payers deviating from paying revenue and local government officials who are conspiring to misuse the collected revenue.

(ii) Fusion of Local Government budget on the National budget

The policy on the local government reform, stipulates that, local government councils should have their own budget reflecting their own priorities. However, the framework for the preparation and implementation of local government budget reflect how the local government budget is fused within the national budget as the framework adopted from MOF (2013) provides.

Before implementation, local government budgets need to be cross checked by the ministry responsible for local government (PO-RALG) and the Ministry of Finance (MOF), and then it is submitted to the parliament for discussion. The aspect of the parliament to discuss the local government budget through the respective ministry, undermine the independence of councils to formulate their own budgets reflecting their own priorities. For that matter, when local government budget is discussed by the parliament there is a possibility of being subject to change and therefore, reflecting the parliament priorities. In this scenario, the paper provides that, the issue of discussing local government budgets by the parliament through respective ministry for local government bound the independence of local government budgets and capacity for local government councils to formulate their own budgets.

Again, the local government budgets are approved by the national assembly. For that matter, they have to wait until the national budget is approved. The aspect of waiting for the parliament to approve the budget reduces the focus of local government councils for their budgets. The study discusses that; the council should be the only organ responsible for approving the local government budget. The central government and respective ministries should play the policy role of advising on how to formulate and implement the local government budget. This will expand the implementation financial decentralization for local government authorities.

Moreover, the study argues that, if councilors and other administrative officials are trained vividly, councils will be in a good position of implementing their budget reflecting their own priorities. Also, the central government will be in a good position of monitoring and overseeing the activities within local government.

(iii) Local government dependence on intergovernmental transfers

Local government authorities budgets, depends much on the intergovernmental transfers. The transfer's funds local government budget for more than 80%. Intergovernmental transfers are dispersed in form of grants and are channeled through development programs, line ministries or sectors. They are also distributed through the services funded by the central government but devolving at the local government (education both primary and secondary, health, rural water, agriculture and local roads. Albeit, policy for local government reform provides that, the central government should supply unconditional grants and other forms of grants, it has been far from reaching that purpose.

Local government still receives conditional grants from the central government. Those grants are already planned what they are going to cover by the central government at the time they reaches local government. They are channeled to local government by the central government to cover several development programs and services. The study provides that, the fact that, intergovernmental transfers at the local government are conditioned by the central government; undermine the financial independence of the local government authorities. For the aim of proper implementation of financial decentralization to the local government, intergovernmental transfers need to be unconditional and provide the chance for local government councils to be able to plan on how they must utilize such funds.

It is for the facts that, each local council have its own priorities that, they would wish to implement in a particular time and there is divergence of such priorities from one council to another. This must be taken with consideration by the central government that providing conditional grant in one way or another undermines the priorities of local councils and therefore, failure to implement their pre-determined plans.

Again, grants received by the local government which take the lion share of the local government annual budget are mostly sourced from development partners in forms of aid or loan as it is on Health Basket Fund (HBF) and Agricultural Sector Development Programme (ASDP), and from central government revenue collection. Grant depends on the capacity on the one side, the central government revenue collection and on the other, development partner's provision of funds on time. In this view, if development partners do not provide funds on time or failure to provide the expected, services and development projects initiated at the local government will stuck. In this look, local government services and development projects become vulnerable to such delays resulting into financial failures at the local the local government.

Du reste, conditional intergovernmental transfers, creates vigorous financial dependence of local government to the central government. Intergovernmental transfers are significant for the survival of local government authorities, but the fact of transferring them with conditions catalyzes dependence to the central governments. Local governments need to be empowered in revenue generation so that, they may be in a position of receiving little of the intergovernmental transfers. When this is achieved, the central government can be in a position of funding other projects for development and services entitled to provide. Also, local government finance sector will be strong enough to fund important services and development projects. The study opines that, the fifth government efforts to protect national resources and end dependence on donors are a good move towards the local government financial decentralization.

(iv)Weaknesses on the implementation of Local Government budget

The implementation of local government budget in Tanzania depends on two important aspects, one, is the capability of the central government to provide grants and two, depends on the capacity of the local government authorities to collect revenue from own sources.

Focusing on the capacity of central government to provide grants to local government authorities, it is still a challenge. As it has been outlined earlier, the provision of intergovernmental transfers depends on the capacity of development partners to fund and central government capability to collect revenue. For example, in the year ended in June 30, 2016 the controller and auditor general report (2016) provided that, there were 6,769 outstanding audit recommendations from all development projects during the financial year ended 30th June 2016. Out of which, 1,489 equivalents to 22 percent were implemented; 1,527 equivalents to 23 percent were under implementation; 2,688 equivalents to 40 percent were not implemented, and 1,065 equivalents to 16 percent were overtaken by events (CAG, 2016). This was attributed by the fact that, some projects received fewer funds from donors. Part of such projects was being implemented at the local government level. This imply that, there is much dependence of national budget with the implementation of local government budget, if the national budget is not implemented effectively, affects even the implementation of the local government budgets.

On the side local of local government own sources of revenue, also the story is not interesting. Local governments authorities collect from 6% to 15% of own sources of revenue to fund the local government budget. The percentage is subject to variation from one financial year to another depending on the capacity of local government to levy taxes. This performance is not interesting and affects the implementation of local government budget. Local government authorities are responsible for administration of local domains according to the United Republic of Tanzania constitution of 1977, Articles 145 and 146. They are responsible for the wellbeing of citizens devolving around such areas including service delivery, and they need to be capable of levying tax to fund services and other development programs. The fact that, they collect less and depend much on intergovernmental transfer to fund their budget put their responsibilities into question. Local government budget have been failing to reach their targets because of poor mechanism of levying tax at the local level (National Audit Office, 2018). The study argues that, local government authorities need to re-evaluate and come with good suggestion that will improve the situation and become capable of funding their own budgets.

5. Conclusion

Local government financial decentralization still is passing in the hard time of its implementation. Local government authorities continue to depend much on the conditional intergovernmental transfers and its own sources not being self sufficient to fund the whole budget. The essence of financial decentralization still has not been realized. In this aspect the line between policy on decentralization and its practice continue to be maintained. Effort and willingness are required towards ending this discrepancy for better achievement of financial performances in the local government authorities.

6. Further Recommendations

(i) The fifth government regime efforts to end donors dependence is of great and require supports from the country development stakeholders including the local government. it is a good move towards self-dependence and achieve of the local government financial decentralization aims.

(ii) Local government authorities need to rethink of their role in their annual budget. They are responsible for their own budgets; they need to develop the proper and effective mechanism of improving revenue collection at the local level. This will help local government authorities to generate revenue and reduce their dependence on intergovernmental transfers.

(iii)In order for local government authorities to plan and implement their budget reflecting their own priorities, central government have to provide grants that are unconditional to local authorities. Central government grants need to be vested to local authorities so that they can plan on how to use such funds depending on their priorities in a particular time.

(iv) In order to achieve financial decentralization, central government as a capacity builder of local government, have to emphasize much on providing training to local government officials responsible for levying tax, financial discipline and the proper use of revenue for service provision and implementation of initiated development projects.

(vi) Property rates is an important source of local government own revenue, empowering the Tanzania Revenue Authority (TRA) to collect such revenue even though in consultation with relevant local council, for our opinion, not only that it reduce the generation of local government revenue but also undermine the capacity for local government to levy tax. The paper debate that, the financial laws (Miscellaneous amendment) Act of 2008 which empower TRA to levy property rates need a second eye for better empowerment of local government in revenue collection.

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