A STUDY OF THE DAR ES SALAAM CITY COMMISSION FINANCES

for the

CONFEDERATION OF TANZANIA INDUSTRIES (CTI)
(Final Report)

Prepared By

ECONOMIC AND SOCIAL RESEARCH FOUNDATION (ESRF)
51 UPOROTO STREET (Ursino Estate)
DAR ES SALAAM

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The Foundation would like to thank the team of experts who were engaged in this study. The team of experts who carried out this study comprised three practitioners and three academicians all with a background of finance or tax issues. The team of experts consisted of Mr. Richard Kapella, Team Leader (former Assistant Commissioner of Income Tax), Mr Masoud Mvuma (former Commissioner of Customs), Mr. Y. A. B. Katunzi (former Commissioner of Customs), Dr. Nehemia Osoro (Senior Lecturer and Head of Department of Economics at University of Dar-es-Salaam), Dr. Phillip Mpango (Lecturer in Economics at University of Dar-es-Salaam) and Dr. Hamisi Mwinyimvua (Lecturer in Economics at University of Dar-es-Salaam). The overall coordination of the study was the responsibility of Prof. S.M. Wangwe, Executive Director, ESRF.

EXECUTIVE SUMMARY

1. This study was commissioned to the Foundation by the Confederation of Tanzania Industries.

   The objective of the study is to examine the structure of finances, sources of revenue and pattern of expenditures of DCC finances, with the view to suggesting solutions to these problems. More specifically this study has covered the following:

   1.1. Structure of Finances
   Examining the financial problems of the DCC and establishing trends in the funding gap.

   1.2. Revenue Sources and Administration
   Examining the available and potential sources of revenue and studying the tax structure (tax rates, tax laws/statutes) of the City in terms of the administrative and equity considerations, and suggested ways of improving it.

   1.3. Expenditure Pattern and Effectiveness:
   Examining the recurrent and development expenditure pattern of DCC, identifying any areas of excess and suggesting options for enhancing cost effectiveness in financing various activities.

   1.4. Relationship between Central Government and DCC:
   Examining and reviewing the power relations and divisions of responsibilities between the Central Government and DCC in the areas of revenue generation and expenditure with a view to minimizing conflict and duplication of effort. Indications have been given as to which areas action may be needed. Where necessary, areas for further work have been identified.

2. The analysis presented in this study is based mainly on records and files of the now dissolved Dar-Es-Salaam City Council. Useful information was obtained from various government documents and publications including the relevant legislative Acts, and the broad guidelines of intent by the Dar-Es-Salaam City Commission in the form of the 1997 budget proposals. Very useful information was also solicited from the DCC commissioners, the former councillors, representatives of the business community, the Tanzania Revenue Authority (TRA), the Local Governments department in the Prime Minister's office, and the Treasury. In response to invitation of views through the newspapers the study team received written comments from several individuals and institutions. These are listed in Appendix 1.

3. The structure of Finances of the DCC was found to bear the following main characteristies:

   3.1. DCC is over 70 percent dependent on the Central Government in terms of revenue to finance its expenditure.

3.2. DCC depends on very few significant sources to raise its own revenue - mainly from few "major." Revenue collection resources are spread thinly over many revenue sources, some of which yield negative or very insignificant amount of net revenue.

3.3. Non-tax revenues have been an insignificant contributor to revenue generation in DCC.

3.4. Generally, there is marked volatility in various revenue sources. Revenue flow is not stable for any revenue source, be it individual taxes, non-tax revenues, or subsidies/grants.

3.5. Recurrent expenditure form the bulk of expenditure of DCC. On average, during 1990-95 recurrent expenditure consumed 96.66 percent of all DCC resources.

3.6. Of the *recurrent* expenditure, three-quarters is absorbed by personal emoluments. Personal emoluments as percentage of recurrent expenditure were 76.3 percent, on average, during the 1990-95 period, while as percentage of *total* expenditure, they averaged 73.8 percent during the same period.

3.7. The structure of DCC's finances, and especially composition of tax revenue, various revenue collection is embedded with problems which have, quite often, made DCC unable to fully realize its budgeted objectives mainly due to shortfalls in realized revenues over actual requirements. Under-expenditure co-existed with widespread failure to carry out many of the functions which are under the jurisdiction of the DCC.

3.8. Like all Local Urban/District Authorities' the DCC's fiscal years runs from January to December (i.e., calendar year) whilst the Central Government's fiscal years run from July 1st to June 30th of the following year, thus straddling two calendar years.

4. Recommendations

4.1. *Taxbase Expansion*: DCC need to brace itself for planning for expansion of its tax bases by evolving sound revenue collection measures like providing proper identification, research on base potentials and installation of sound machinery to tap taxes.

4.2. *Improve Administration and Capacity:* DCC must build its capacity by recruiting high quality staff, training and investing in equipment and methods that enhance better performance.

4.3. *Shift of the Budget Timing*: It is recommended that local authorities and DCC should shift their budget timing to make it coincide with that of the Central Government. It has been noted that difference in time has contributed to funding gaps.

compared to the industrial cess which is herein recommended for abolition on the grounds that it lacks a well defined rate structure, has a narrow base and is

inequitable. While the business community proposed a rate of 0.3 percent to be levied on turnover net of other central government taxes on the same base, this study is of the opinion that implementing this proposal would be administratively cumbersome. It would, inter alia, delay the determination and collection of the city service levy. To avoid such obvious operational problems, this study recommends an alternative rate of 0.25 percent on the gross turnover to be adopted by both the DCC and the business community. On average, the incidence of 0.25 per cent on gross turnover is about the same as that of 0.3 per cent on net turnover (i.e. net of other taxes except sales tax on the final product). The rate of 0.25 per cent should be levied on turnover value net of local taxes (sales tax, excise tax) on the final product but gross of income tax and taxes on inputs. The levy should be calculated on the basis of audited accounts of the prior year.

Considering that the industrial cess in the past was narrow, arbitrary and inequitable the DCC should consider seriously the recommendation by CTI that all past claims for industrial cess be dropped and court cases be withdrawn.

4.14. The property tax current rate of 0.1 percent is acceptable to most taxpayers. Any attempt by the DCC to raise this rate could spark resistance or evasion.. This study recommends to the DCC to maintain this rate. To solve the problem of expensive valuation costs and the contesting possibilities, we recommend that the approach proposal by the Mtei Commission be adopted. The Mtei Commission recommended an approach which requires all owners of property to submit to DCC, the value of their buildings, certified by an architect or quantity surveyor. This recommendation should be implemented.

The submitted costs of any building/property owned should then constitute a basis for setting the taxable values of properties after taking into account the use in which the property is made.

4.15. Considering the limited administrative and managerial capacity of DCC it is recommended that its investment projects be privatized or at least seek joint ventures.

4.16. With the introduction of the new city service levy, this study has found that the hotel industry sector which currently pays 20 percent hotel levy would be double-taxed. To avoid this, the Central Government through TRA should continue collecting the levy, but, it should remit to DCC each following month or as soon thereafter, a share of hotel levy equivalent to the new city service levy of 0.25 of turnover. This sharing arrangement would sort out double taxation and duplication of effort while at the same time effectively removing any ensuing conflict. In the meantime DCC should take the responsibility for collecting tax from guest houses at the rate of 10 per cent down from 20 per cent.

4.17. The levels of some taxes are outdated and need to be reviewed. Taxes which should be reviewed upwards include market dues / stalls rent, advertisement billboards, building plans fees, bus stand fees, entertainment / cultural levy, abattoir fee and city buildings rate.

4.18. To improve administration and avoid double-taxation of certain services the study recommends merging of several taxes.

4.19. The taxes which cause inconvenience and are too costly to collect have been recommended for abolition e.g. fire service fees, human resources licences, ambulance fees and hunting licences.

4.20. The various measures that have been suggested in this report are projected to generate over T.shs. 11 billion for the DCC. If subsidies of T.shs. 5 billion from the central government are included the DCC finances amount to over T.shs. 16 billion. This amount of resources would enable DCC to demonstrate improved performance. With continued widening of the tax base it should be possible to generate even more revenue in the coming year.

1. INTRODUCTION

1.1. Background

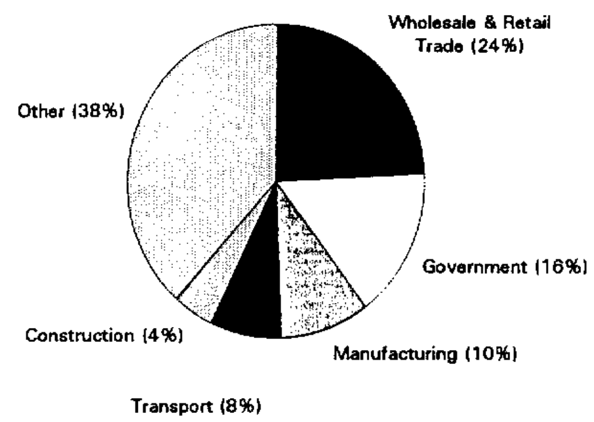
1.1.1. *The Status of Dar Es Salaam and Demographic Characteristics*

Dar-Es-Salaam is the largest city, commercial and industrial centre, the major port and centre of road, rail and air travel of the United Republic of Tanzania. In spite of a plan to transfer national administrative functions to a new capital Dodoma since 1974, Dar-Es-Salaam also remains the de-facto capital city of Tanzania. The population of Dar-Es-Salaam grew rapidly from 78,000 people in 1950 to about 1.4 million in 1988 and 1.7 million by 1995, and is expected to grow to over 2 million by the end of the century (Bureau of Statistics, 1996). In 1995 the number of people residing in Dar-Es-Salaam accounted for about 6 percent of Tanzania's total population. Besides a high birth rate the demographic pressure in Dar-Es-Salaam is also due to rapid rural-urban migration over the recent few years. According to the United Nations World Urbanisation Prospects Report (1995) the average annual rate of change of the population of Dar-Es-Salaam was estimated to be 3.8 percent for the period 1990 to 1995. This implies that the population of Dar-Es-Salaam should have grown to 1.9 million by 1996. However, the infant mortality rate is also high. For example, in 1988 the Dar-Es-Salaam city had an infant mortality rate of 173 per 1,000 live births. However, considering that the growth of Dar-Es-Salaam is influenced not only by the natural growth of population but also by migration an annual growth rate of 6 - 8 % per annum may not be unrealistic for the City of Dar-Es-Salaam. That would suggest an estimated population of 2.2 - 2.6 million in 1996.

1.1.2. *The Economy of Dar-Es-Salaam*

The economy of Dar-Es-Salaam city reflects its status as the main urban conglomeration, industrial and commercial centre, main port and international airport as well as centre of land transport. The distribution of employees by sector (1991) was as shown in figure 1 below and is assumed not to have changed significantly to-date.

Fig. 1: DISTRIBUTION OF EMPLOYEES BY SECTOR IN DAR ES SALAAM 1991



According to the 1993 survey of industries, the city of Dar-Es-Salaam has a total of 268 establishments employing 36,553 people in the manufacturing sector. However, it is likely that the coverage by the Bureau of Statistics is confined to the formal large scale sector leaving out numerous informal sector and small scale industrial and other activities. The main manufacturing sector activities in Dar-Es-Salaam include, the production of food products, alcoholic beverages and soft drinks, textiles, metal ware, glass ware, cigarettes, soap and paint. The Dar-Es-Salaam harbour handles most of the country's Import trade as well as agricultural and mineral exports. The number of ships that loaded or discharged cargo at the Dar-Es-Salaam harbour has increased from 1,079 in 1990 to 3,838 by 1995. Dar-Es-Salaam also houses 51 tourist hotels which account for about 25 percent of the total number of tourist hotels existing in the country.

However, the Dar-Es-Salaam city authorities also face a large and growing number of unemployed youths migrating from the country-side in search of job opportunities and better social services. The most recent wave is reflected in the unprecedented growth of hawker activities ("Machingas"), Masai night security guards, beggars and prostitutes.

1.1.3. *Infrastructure and Social Services*

During the 1980s per capita expenditure on services in Dar-Es-Salaam is estimated to have fallen by 10 percent compared to a decline in GDP of about 2 percent (UN, 1995)[1]. As of 1990 to the present the Dar-Es-Salaam city faces serious difficulties in maintaining urban services mainly as a result of dire financial stress. Unsatisfactory revenues collections by the city council as well as maladministration, the state of infrastructure and social services in the city of Dar-Es-Salaam is to say the least very poor. Examples of insufficient finances are just too numerous. For instance, 14 out of 15 of the city's fire engines remain out of service for lack of spares. Solid waste collection is seriously deficient, with waste accumulating in the streets and no public waste bins are available. Due to lack of appropriate vehicles and inefficient cost recovery mechanisms over 90 percent of the waste of Dar-Es-Salaam is estimated to remain uncollected. A sizeable amount of domestic waste is burnt or buried in private gardens or discarded in river basins. Only limited waste is collected by the Dar Es-Salaam city authorities but unfortunately disposed by open dumping thereby polluting nearby residential areas. Industrial areas also lack

[1]. The challenge of Urbanization: the World's largest cities. UN New York 1995.

sewerage and waste collection services. Consequently hazardous wastes and chemicals are dumped in surrounding areas or rivers.

The supply of water in the city of Dar-Es-Salaam is analogously inadequate, with some parts of the city characterised by chronic water shortages. The total daily water requirement for Dar-Es-Salaam is about 90 million gallons out of which 60 million gallons (or 67%) are currently supplied by NUWA. However, this is most probably an over-estimate considering that less than 25 percent of dwelling units in Dar-Es-Salaam have piped water inside.

Dar-Es-Salaam has a total of 1,146 kilometres of roads. Many roads have potholes and remain unmaintained for long periods of time. Public bus transport is provided mostly by private taxis and bus operators (daladala) - some registered and many others not. This is complemented to a limited extent by services of a public company UDA which used to have a monopoly of public transport in the city prior to the liberalisation of city transport in 1984. Traffic congestion, pollution and shortage of parking facilities are the order of the day.

Over 70 percent of the Dar-Es-Salaam population lives in unplanned settlements, and in over crowded and inadequately serviced houses with very limited access to clean water, sanitation, drainage, roads, electricity and other basic services.

1.1.4. *Institutional set-up*

The Dar Es Salaam City Council was first established in 1962 following the abolition of native authorities created by the British colonial administration. The organization, powers and responsibilities of the Council were laid out in Local Government Ordinance (Cap 105) and included the maintenance of law and order, construction and maintenance of local roads, public health, building inspection and control, natural resources and promotion of urban development in general. Responsibility for primary education was also an important obligation of urban councils and represented a large share of their estimates. Councils were empowered to raise revenue from own sources such as local rate (poll tax), property tax, produce cess, and market fees. They were entitled to government grants and subventions to cover key social services and development programmes.

The Dar Es Salaam City Council (DCC), after being abolished in 1972 and its functions transferred to the regional administration, was re-established following the re-introduction of Local Authorities in 1984 under the Local Government (District Authorities) Act No. 7 of 1982 and the Local Government (Urban Authorities) Act No. 8 of 1982. Like other councils, DCC has its own budget which lists the City's recurrent needs and development plans and means of financing them. DCC, thus, has powers vested in it by the Parliament to raise revenue from own sources such as development levy, property tax, produce cess, business licences, etc. In addition to these revenues, DCC also receives subsidies in the form of grants from the Central Government, essentially for funding the services such as primary education, primary health care, roads, etc., which are of major national interest but which are most effectively administered at the local level. From purely own sources of revenue DCC funds services such as street cleaning and refuse disposal, street lighting, sanitation, etc.

Prior to 1972 the planning and provision of the basic social services were the responsibilities of the local authorities. After the abolition of local governments in 1972 these responsibilities were transferred to the regional administration. However, following severe resource constraints local and urban councils were reinstated in 1983 to provide for opportunities for raising revenues locally and achieving a greater degree of community participation in the provision of social services. Local authorities are responsible for primary education, primary health care, district roads and water supply. The role of the central government is limited to providing subventions to cover basic operating costs as well as a half of the salary costs for key top officials. The local authorities are also responsible for trade, co-operatives, forestry, fisheries and wildlife. These are supposed to be wholly financed by the council's own revenue. Right from the beginning, government supplementary transfers rose sharply due to the slow take-off in revenue generation by local governments. The situation has not changed much after a decade and most urban authorities still depend on grants from the central government to bridge their budget deficits.

1.2. The Problem

Despite having the powers to raise its own revenues, DCC has not been able to raise revenues sufficient to fulfil its obligations efficiently. Budget deficits and under-funding of most services have, as a result, become a common phenomenon. Certainly there must be some reasons for such a performance - for example, either the tax handles available to DCC are too few and mediocre in nature, or DCC's revenue collection is poor due to non-compliance and weak tax administration, or DCC's expenditure is excessive such that it cannot be easily matched with revenue even if the revenue collection was to improve.

While tax handles may have been few and of very low yield because of the competition for them with the Central Government, non-compliance seems to have been motivated by factors such as arbitrary and discriminatory levying of certain taxes, (e.g., industrial cess and development levy); poor tax administrative machinery of the City; poor services offered by the City to the city residents (taxpayers), etc. These are problems that have been voiced both by taxpayers and DCC alike, but have never been investigated thoroughly.

1.3. Objectives and Terms of Reference of the study

The main objective of this study is to examine the structure of finances, sources of revenue and pattern of expenditures of DCC finances, with the view to suggesting solutions to these problems. More specifically this study has covered the following:

1. Structure of Finances
   Examining the financial problems of the DCC and establishing trends in the funding gap.

2. Revenue Sources and Administration
   Examining the available and potential sources of revenue and studying the tax structure (tax rates, tax laws/statutes) of the City in terms of the administrative and equity considerations, and suggested ways of improving it - e.g., by revisiting some taxes such as produce cess as suggesting by the business community; rationalizing and simplifying the tax structure so as to improve compliance and tax administration; and reducing leakages in tax revenue. Options for enhancing simplification of revenue collection, co-ordination and collaboration with TRA and cost effectiveness in revenue collection have also been explored.

3. Expenditure Pattern and Effectiveness:
   Examining the recurrent and development expenditure pattern of DCC, identifying any areas of excess and suggesting options for enhancing cost effectiveness in financing various activities

4. Relationship between Central Government and DCC:
Examining and reviewing the power relations and divisions of responsibilities between the Central Government and DCC in the areas of revenue generation and expenditure with a view to minimizing conflict and duplication of effort. Indications have been given as to which areas action may be needed. Where necessary, areas for further work have been identified.

1.4. Data Sources and Methodology

The analysis presented in this study is based mainly on records and files of the now dissolved Dar-Es-Salaam City Council. Useful information was obtained from various government documents and publications including the relevant legislative Acts, and the broad guidelines of intent by the Dar-Es-Salaam City Commission in the form of the 1997 budget proposals. Very useful information was also solicited from the DCC commissioners, the former councillors, representatives of the business community, the Tanzania Revenue Authority (TRA), the Local Governments department in the Prime Minister's office, and the Treasury. In response to invitation of views through the newspapers the study team received written comments from several individuals and institutions. These are listed in Appendix 1.

The study has employed both qualitative (interviews, observations, etc.) and quantitative/statistical (tables, charts, computations, etc.) analyses utilizing both primary and secondary data from sources mentioned above. Data analysis and word processing has been carried out using statistical and other computer packages.

1.5. Scope and Organisation of the study

This study is structured as follows. This introduction is followed by an overview of the structure of DCC finances in Section two focusing on DCC's revenue and expenditure compositions, funding gaps and the budgeting process. Section three examines the composition of expenditure, sectoral allocation and trends over time of both recurrent and development expenditure. The section also compares actual to estimated expenditure. The main idea here is to highlight the mismatch between expenditure demands and the requisite financial resources (i.e. the financing gap). This section also identifies the main expenditure items and areas of excess. Section four dwells on existing and potential revenue sources for DCC. It examines yields and potentialities of various revenue sources, and suggests measures that can be taken to improve overall revenue collection. The section also addresses DCC's tax administration locating weaknesses and suggesting remedies. Section five examines the relationship between the Central Government and DCC operations and identifies some areas of conflict and duplication of effort, and suggests various ways of getting rid of these conflicts. This is followed by Section six, which summarises various recommendations and concludes the study.

2. OVERALL STRUCTURE OF FINANCES

This section examines DCC's financial problems and funding gaps. It highlights the composition of revenue and expenditure, and problems arising from this composition, including the funding gaps. It also examines the budgeting process at DCC.

2.1. Composition of Revenue

In financing its expenditure, DCC obtains its funds from various sources including: taxation, subsidy/grant from the Central Government, donations from various sources, and revenue from investment projects. Tables A1 and A3 detail various types of revenue sources, including their contribution to DCC's total revenue. As it can be noted, there are about 48 different types of taxes, only a few of which are contributing over 1 percent of total revenue to DCC (Table A3). Taxes whose contribution has exceeded 1 percent of total revenue on average during the 1990-95 period are summarized in Table 1. These include: development levy, business licences, property tax, road licence fees (before they were abolished in 1995), industrial cess, hotel levy, taxi, pick-up and lorry fees, and petrol levy. About 40 other taxes have each contributed a fraction of 1 percent of DCC's total revenue.

As for non-tax revenue sources, the major contributor to DCC's total revenue has been subsidies/grants from the Central Government. During 1990-95, for example, subsidies contributed an annual average of 70.4 percent of DCC's total revenue (Tables 1 and A3). Obviously this is a substantial amount.

Table 1: Summary of Contributions of DCC's Major Taxes, Other Revenues and Subsidies to Total DCC Revenue (%), 1990-95*.

Revenue Source	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1990-95*
(Tax/Levy/Fee/etc.)	*(%)of Total Revenue*	*(%)of Total Revenue*	*(%)of Total Revenue*	*(%)of Total Revenue*	*(%)of Total Revenue*	*(%)of Total Revenue*	*Average*
A. Taxes	***29.13***	***36.37***	***28.87***	***32.76***	***29.84***	***16.71***	***28.95***
Development Levy	6.99	7.73	4.90	4.70	3.90	2.31	***5.09***
Business Licences	6.68	5.17	4.40	5.49	3.59	2.26	***4.60***
Property Tax	3.51	1.81	2.26	4.19	3.73	0.99	***2.75***
Road Licence Fees	7.73	8.32	4.52	7.20	8.13		***7.18***
Industrial Cess				0.92	2.62	3.15	***2.23***
Hotel Levy		1.27	2.87	2.50	2.29	1.32	***2.05***
Taxi/Pick-up/Lorry Fees	0.14	4.87	0.41	0.75	0.30	0.46	***1.16***
Petrol Levy			2.46	0.09	0.00	1.65	***1.05***
B. Other Revenues	***0.78***	***0.57***	***0.20***	***0.73***	***0.24***	***1.45***	***0.66***
C. Subsidies	***70.09***	***63.06***	***70.93***	***66.51***	***69.93***	***81.83***	***70.39***

* For details see the source, Table A3.

Other DCC's non-tax revenue sources have included bank interest, sale of assets, hire of plants and vehicles, sale of plants and seeds, and other incomes comprising, among others, donations and revenue from investment projects. The contribution to total revenue of these non-tax revenue sources has, however, been very insignificant. None of them contributed close to 0.5 percent of DCC's total revenue, on average, during the 1990-95 period (Table A3). As a group, for example these sources contributed a mere 0.66 percent of DCC's total revenue, on average, during this period (Table 1).

2.2.1. *Negative Attributes (Problems) of DCC's Revenue Structure*

Analysis of the structure of revenue has revealed six identifiable attributes which pose a challenge to the DCC finances:

1. DCC is over 70 percent dependent on the Central Government in terms of revenue to finance its expenditure.

2. DCC depends on very few significant sources to raise its own revenue - mainly from few "major" taxes mentioned earlier, whose individual average contribution to total revenue exceed 1 percent. Except for user charges or fees relating to important sectors such as education and health, most other taxes have a potential to raise more revenue if their rates could be adjusted upwards, their bases expanded or their administration strengthened.

3. As in the case of the Central Government revenue budget, non-tax revenues have been an insignificant contributor to revenue generation in DCC. None of non-tax revenue sources has a potential of generating more revenue, given the nature of these sources. They are either "exhaustible" or short-term in nature. They are, thus, not revenue sources to depend upon.

4. Generally, there is marked volatility in various revenue sources. Revenue flow is not stable for any revenue source, be it individual taxes, non-tax revenues, or subsidies/grants. Whereas the fluctuation in revenue from taxes may reflect weak or unstable tax base and weak tax administration, fluctuation in non-tax revenues (excluding subsidies) may reflect their exhaustible/short-term nature, and that of subsidies may reflect the *ad hoc* criteria in which these funds are issued, given that DCC's and Central Government's budgets differ in terms of timing. Detailed examination of revenue sources and trends to be undertaken below will definitely reveal the major reasons for such fluctuations.

5. Revenue collection resources are spread thinly over many revenue sources, some of which yield negative or very insignificant amount of net revenue. This is reflected by number of taxes and the amount of revenue that accrues from them all and from each tax category individually (Table A1).

6. *Ad hoc* and inconsistent budgeting suggests that DCC's potential tax bases are not known. Tables A1, 2 and 4 demonstrate this, by showing a great variation between what is budgeted and what is actually collected. While in some cases revenue collected exceeds estimates, in most cases the actual revenue collections fall well below estimates.

2.2. Composition of Expenditure

Composition of expenditure of DCC is summarized in Tables A4 and A5. The following five features are notable:

1. Recurrent expenditure form the bulk of expenditure of DCC. On average, during 1990-95 recurrent expenditure consumed 96.66 percent of all DCC resources (Table A4 and A5). The remainder (3.34 percent) covered development expenditure. In 1995, for example, recurrent expenditure was as high as 99.03 percent of total DCC expenditure, leaving less than 1 percent of resources for development uses. This pattern of expenditure raises concern as to whether DCC is supposed to cater only for recurrent and not development expenditure.

2. Of the *recurrent* expenditure, three-quarters is absorbed by personal emoluments. Personal emoluments as percentage of recurrent expenditure were 76.3 percent, on average, during the 1990-95 period, while as percentage of *total* expenditure, they averaged 73.8 percent during the same period. This is a substantial amount by any standards. However, this amount is not alarming and is not necessarily a reflection of overemployment but rather a reflection of the size of the overall DCC budget. Thus, DCC's overall budget is so small that it almost ends up fulfilling only one major task i.e. paying its staff.

3. Apart from being minimal or insignificant, the share of development to total expenditure has been unstable and fluctuating - actually decreasing continuously from a peak of 7.16 percent in 1991 to 0.97 percent in 1995. This raises the question as to whether DCC is only service oriented or developmental oriented as well.

4. While development expenditure was fluctuating and decreasing over time, recurrent expenditure moved in the opposite direction, that is, it increased over time(Tables A4 and A5). This partly explains why DCC has been facing acute financing gaps during the same period, as detailed in the discussion of DCC financing gaps below.

5. Other items that have used over 1 percent of DCC's total expenditure on average during 1990-95 include: plant, vehicles and crafts; drugs; transport and travelling; Councillors' allowances; and office and general (Table A5).

Detailed analysis of the expenditure patterns of DCC, including sectoral distribution of expenditure will be undertaken later. However, it suffices to sum here that the composition and distribution of expenditure in DCC leans in favour of recurrent expenditure, while being biased against development expenditure.

2.3. DCC's Funding Gaps

The structure of DCC's finances, and especially composition of tax revenue, various revenue collection is embedded with problems which have, quite often, made DCC unable to fully realize its budgeted objectives mainly due to shortfalls in realized revenues over actual requirements (Tables 2 and 4). This outcome has been aggravated by non-compliance, weak tax administration and taxpayer resistance to paying some taxes e.g., industrial cess, which was successfully contested in law courts. Table 2 summarizes the funding gaps (budgeted and actuals) for the 1990-95 period.

Table 2 : Funding Gap - Budgeted and Actual

Year	*Budgeted Revenue*	*Budgeted Expenditure*	*Surplus(+) Gap/Deficit(-)*	*Actual Revenue*	*Actual Expenditure*	*Surplus(+) Gap/Deficit(-)*
1990	1,321,492,066	1,480,579,360	-159,087,294	*1,228,220,272*	*1,229,603,860*	*-1,383,588*
1991	1,741,315,430	2,016,091,125	-274,775,695	*2,124,429,354*	*2,340,413,080*	*-215,983,726*
1992	4,072,601,300	2,693,898,000	1,378,703,300	*2,536,224,538*	*2,561,106,901*	*-24,882,363*
1993	4,638,516,950	3,464,024,600	1,174,492,350	*3,032,245,745*	*3,243,198,318*	*-210,952,573*
1994	4,551,200,600	4,415,895,500	135,305,100	*2,994,744,128*	*4,511,152,174*	*-1,516,408,046*
1995	6,015,410,200	6,595,902,200	-580,492,000	*6,027,306,009*	*5,985,823,747*	*41,482,262*

Clearly, actual funding gaps have been experienced in DCC in all years except 1995. Even during 1995 when revenue collected exceeded actual expenditure the field interviews indicated that DCC did not meet all its obligations. Under-expenditure co-existed with widespread failure to carry out many of the functions which are under the jurisdiction of the DCC. In 1994 the DCC experienced both problems - serious revenue shortfalls and over-expenditure, while 1993 depicts yet another problem - expenditure surplus but revenue shortfall. Unless funded by grants or subsidies or donations, over-expenditure implies borrowing or debt-financing, which ultimately translates in overtaxation of city residents probably for services which they never enjoyed. The only year in which a budget surplus was recorded despite over-expenditure is 1995. This happened mainly because of a relatively good record in revenue collection, although even then the capacity to carry out its functions was not significantly enhanced.

Table 3: DCC's Expenditure Gap, 1990-96

Year	*Budgeted Expenditure*	*Actual Expenditure**	*Expenditure Gap(-) or Surplus (+)*
1990	1,480,579,360	1,229,603,860	250,975,500
1991	2,016,091,125	2,340,413,080	-324,321,955
1992	2,693,898,000	2,561,106,901	132,791,099
1993	3,464,024,600	3,243,198,318	220,826,282
1994	4,415,895,500	4,511,152,174	-95,256,674
1995	6,595,902,200	5,985,823,747	610,078,453

* Recurrent plus development expenditure

Table 4: DCC's Own Revenue Gap, 1990-96

Year	*Budgeted Revenue*	*Actual Revenue*	*Revenue Gap(-) or Surplus (+)*
1990	567,342,900	394,053,116	-173,289,784
1991	882,330,700	750,077,832	-132,252,868
1992	1,242,450,300	733,510,481	-508,939,819
1993	1,420,720,900	1,028,179,675	-392,541,225
1994	1,848,239,000	894,047,976	-954,191,024
1995	1,666,783,000	1,015,617,005	-651,165,995

2.4. DCC's Budgeting Process

In the preceding discussion of DCC's structure of finances it was mentioned that DCC's budgeting process was partly responsible for the existing revenue and expenditure composition and funding gaps. In this subsection we examine in detail this budgeting process.

2.4.1. The DCC sources of finances and the manner in which it is to be accounted for are well defined under the Local Government Finances Act No. 9 of 1982. Equally well defined is the entire Budgeting Process machinery within every City, Municipal, District Urban Authority, and District Local Authority. Unlike in the Central Government there are neither long nor medium term budget plans. Typical budgets found in these local authorities are the "Annual Incremental budgets".

We noted that the DCC budget process covers both the Revenue and Expenditure sides and these are undertaken at the sametime. Statutorily this process should start two months before any current financial year comes to an end. It is stipulated that budgeting should start in late September or early October of each year and must be completed by 31st December. This is intended to ensure that come January of the succeeding year an Urban council, should spend the new year's funds. In practice this is not so.

2.4.2. *Calendar Year*

Like all Local Urban/District Authorities' the DCC's fiscal years runs from January to December (i.e., calendar year) whilst the Central Government's fiscal years run from July 1st to June 30th of the following year, thus straddling two calendar years. No convincing reasons were given on why central government did not match its fiscal year with the fiscal accounting year for all councils. More startling is our finding that DCC's Development Budget actually operates on the Central Government fiscal year. Why this double standard remains unanswered. As a result of this disparity many development projects have suffered, besides causing a lot of inconvenience to the accounting staff.

This ill-timed budgeting process, we observed, has contributed to the difficulties that most Urban Authorities have experienced in meeting the requirement tabling their financial budgets to the Prime Ministers' office for approval by 31st December. The work calendar in the Ministry does not promote timely submission, rather it retards such plan of activities.

2.4.3. *Providing Budget Inputs*

As a rule budget inputs must originate from the ward or unit levels which happen to be centres of operations or deliverer of services. It is at the ward level that the Development Committees outline their prioritised needs. From the Wards the Budget (Development) is sent to the City Councillors' full committee which scrutinises and endorses it as appropriate. By implication this is not a lengthy process if it were not for Councillors' meetings, which often have taken longer time than planned and have, in the process, caused budget overruns and delays in sanctioning of next years' expenditure and revenue collection activities. This has also been one of the reasons for a subsequent financing gap.

2.4.4. *Budget Techniques Within DCC*

To clearly understand DCC's budget concepts we examined quite separately budget techniques in use at the DCC's Revenue and Expenditure budgets.

2.4.4.1. *Budgeting for Revenue*:

It is stipulated that in budgeting for revenue, sources of revenues by type and classification must be examined. The City Commission currently administers 56 various revenue sources - taxes, levies, fees, licences, user charges as well as non-tax revenue sources, some of which yield very insignificant amounts and are therefore costly to administer. We noted the existence of duplicated taxes, levies, licences and user charges and we have made separate observations and recommendations for future action. We also noted that budgeting for a realistic and accurate budget is hampered by lack of records, data and other relevant information. Much of the budget estimates have been based on guess-work and estimation by DCC's Treasury department. This is evidenced by great variation between the budgeted amounts and collections, implying non-existence of data at hand on tax bases or potential tax revenue collection, during budgeting. Again for a long time there was very little or practically no involvement of supporting staff under the then City Treasurer, whose services were terminated last June 1996.

2.4.4.2. *Budgeting for Expenditure*:

As we saw earlier, this falls under two categories. Estimates for Recurrent Expenditure such as Personal Emoluments, Transport and Travelling, Work and Maintenance are made on a calendar year basis. The story is different when the Development budget is prepared as this starts from July to June, thereby coinciding with the Central Government budget practice. Expenditure budgeting starts at the departmental level, with each department outlining its expenditure needs for the coming financial year. These expenditure needs are then co-ordinated and put together at the City Treasurer's office to form an expenditure budget.

2.4.5. *Problems Observed*

Four types of problems have been identified in connection with the budget process:

(i) *Budget Timing*

As Local Authorities are in fact an extension of central government activities, which quite often overlap, the difference in budget timing results in a mismatch at the budgets preparatory stages as well as during release of funds. In addition, this mismatch complicates monitoring of Development projects to the disadvantage of Local Urban Authorities.

(ii) *Effects on Central Government Grants*

Following the existence of the time mismatch between Local Governments and the Central Government, Central Government's Grants/subsidies to DCC are never released on time since the Central Government itself in many instances has to mobilise for such funds.

(iii) *Synchronisation and Co-ordination Difficulties*

Local Government Authorities' accounting personnel face the problems of trying to synchronise and catch up with their fellow accountants in central government especially in the PMO's office and Health and Education Ministries. These Ministries together contribute well over 60% of Local Government Authorities' budgets in the form of subsidies and grants.

(iv) ***Obvious Funding Gaps***

Because of the time mismatch between the two budgets, any budget revision (e.g. Personal Emolument changes upwards), have often caused a budget gap in local government expenditures as new salaries as well as new prices of such items as fuel become operational.

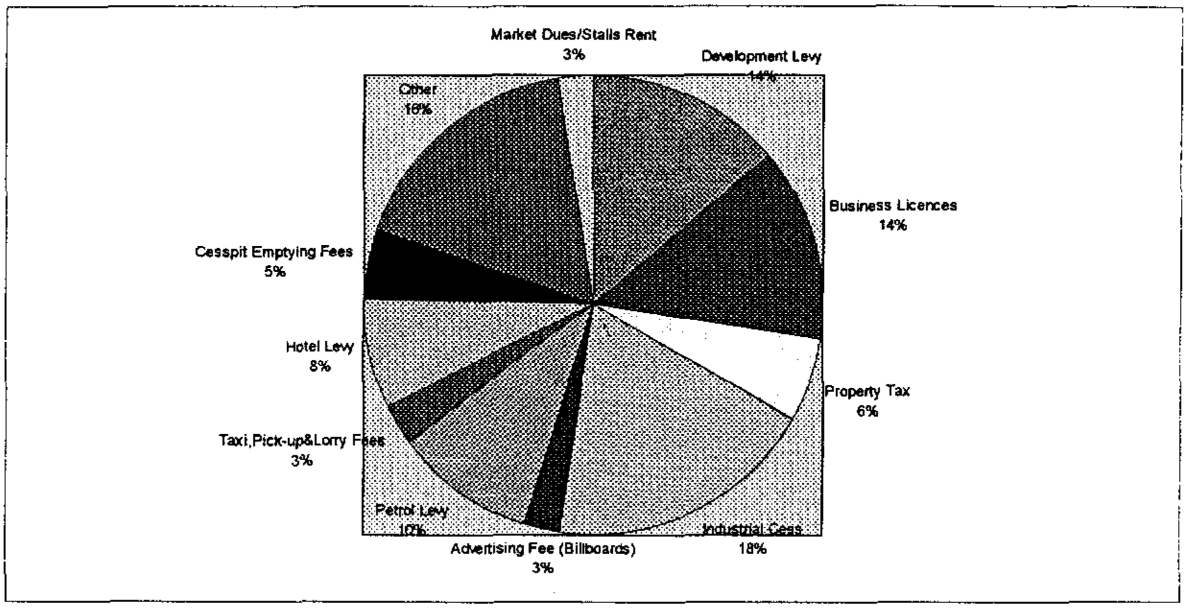
The problems observed in connection with the budget process and the close budgetary relationship suggest that Central Government as well as Local Government Budgets would benefit from commencing simultaneously in the immediate future.

3. EXISTING REVENUE SOURCES, ADMINISTRATION AND POTENTIAL REVENUE SOURCES

3.1. Existing Revenue Sources

Once again it is noted that in financing its expenditure, DCC obtains its funds from various sources, major of which are: taxation, subsidies/grants from the Central Government, donations from various sources and revenue from investment projects.

Chart 1: DCC's Major Tax Revenue Sources, 1995.



The main sources of DCC revenue at present are depicted in Chart 1 and Tables A2 and A3. The DCC has currently 56 different sources of revenue. Out of these, 48 are taxes, levies and fees, a few of which constitute about 83% of total *tax* revenue of DCC. These taxes/levies/fees include: industrial cess (18.8%); development levy (13.8%); business licences (13.5%); petrol levy (9.8%); hotel levy (7.9%);property tax (5.9%); cesspit emptying fees (4.9%); taxi, pick-up and lorry fees (2.73%); and market dues/stalls rent. The remaining 38 taxes, levies and fees account for only 17.2% of tax revenue.

What follows is a discussion of DCC's revenues sources. For each source, focus is given, where possible, to the legislation governing the administration of the tax, the tax base , the tax rate, revenue performance, good and bad attribute of the tax, and recommendations for improvement.

3.1.1. *Taxation*

As indicated in Chart 1, the main tax revenue sources of DCC are development levy, property tax, produce/industrial cess, and business licences. There are other minor taxes, including: hotel levy, petrol levy, taxi/pick-up/lorry fees, entertainment tax, user fees, land rent, etc.

3.1.1.1. *Produce/Industrial Cess*

Produce cess is administered under Local Government Finance Act No. 9 of 1982. The cess has been levied by District Councils on the sale of major crops such as cotton, coffee, tea, sisal, rice, maize, oil seeds, and livestock. In DCC the cess, known as industrial cess instead of produce cess, was introduced in 1993 and it is levied on unit cost of finished goods (turnover) of certain industries, namely: aluminium products, cigarettes, beer, Konyagi, soft drinks, cement and wall tiles. Industrial cess though introduced only recently (1993), is the most important revenue earner for DCC. The cess contributed about 19 percent of total tax revenue in 1995 (Table A2). Between 1993 and 1995 industrial cess collection grew by 85 percentage points. However, this source of revenue is associated with major problems.

In our field work an attempt was made to seek clarification of the rationale for opting for such a narrow tax base. It was found that there is no strong justification for limiting the tax base to only these few industries. Given its nature, the cess obviously increases the tax burden of these industries. Thus a major problem with industrial cess is that it is arbitrary and discriminatory attributes which not only discourage investors who would prefer to do business on a "level playing field" but also violate the fairness principle. Moreover, the cess could be regarded by these tax payers as confiscatory since it has no direct relationship to or association with any particular services rendered by DCC to these specific industries.

3.1.1.2. *Development Levy*

Development levy has its legal foundation in the Local Government Finances Act. No. 9 of 1982, which provides that every person above the age of 18 years and ordinarily resident in the City is liable to be charged development levy - unless such a person is legally exempted from paying such a levy by DCC. Development levy was introduced in DCC following the re-introduction of local governments and re-formation of DCC.

DCC levies a graduated rate of development levy. There is a considerable advantage in a graduated local tax over a flat-rate charge. In the first place, it enables more revenue to be raised. A flat-rate charge is, in effect, limited by what the relatively poor can pay. With a graduated charge, the same minimum can apply, the better off can be required to pay more. Second, graduated local personal taxes, like graduation of income tax, is more equitable.

Although development levy remains the second largest single source of revenue for DCC, its relative contribution has assumed a declining trend. Its share in total tax revenues fell from 24 percent in 1990 to about 14 percent in 1995, while as a percentage of total DCC revenue it declined from about 7 percent in 1990 to about 2.3 percent in 1995 (Chart 1; Tables 1 and A3).

The failure of DCC to reach estimated revenue collection can be attributed to non-compliance due to unpopularity of the "development " levy, lack of taxpayers records, widely varying tax rates and weak tax collection mechanism.

3.1.1.3. *Business Licences*

According to the business Licencing Act No. 25 of 1972 all traders and professionals are required to have a business licence for each year as a precondition for trading. The Minister responsible for Trade has the power under the Act to appoint any authority to issue licences in respect of any class of business. The performance of business licences has not been good. From its highest contribution to total revenue of about 6.70 percent in 1990, the contribution of this tax took a declining trend, and it contributed only 2.26 percent to total revenue in 1995 (Tables 1 and A3). Reasons for this performance include the shrinkage of the tax base because of competition for the same with the Central Government, cumbersome procedures in issuing of licences, non-compliance, and weak tax administration. According to the Mtei Commission, since 1987 the issuance of licences has been divided among three authorities: (i) the Ministry itself in respect to business of a national and international character; (ii) Regional Trade Officers as regards, among others, cooperatives, wholesale and manufacturing business, and building contractors; and (iii) Local Authorities relating to retail business, insurance agents, hotels, restaurants, guest houses, auctioneers, intererant traders, and any business not covered under business licenced by the central government.

The Minister responsible for Trade retains licencing powers over certain classes of business to enforce better regulatory control. Nevertheless, the Mtei Commission recommended, the regulations of business of any kind to be carried out by the Ministry, while licencing of all businesses to be undertaken where they operate, i.e. by local authorities, to whom the relevant fee should accrue. The recommendations of the Mtei Commission are still valid and should be implemented in this respect.

3.1.1.4. *Property Tax*

Property tax is one of the major sources of revenue to urban councils world wide. In Tanzania it is levied on owners of property under the Urban Authorities (Rating) Act No. 2 of 1983, and the Local Government Finance Act. No. 9 of the 1982. The former (Section 7 (1)) provides that all properties within urban areas are taxable, with certain exceptions, including public libraries and museums, places of worship, properties of charitable and educational institutions, aerodromes and building thereon, property and land used for sporting purposes, undeveloped land and agricultural land.

The rate for any council has to be fixed by a resolution supported by not less than two-thirds of its members and approved by the Minister responsible for Local Government. The rate may be fixed either as a percentage applied to the value of the property or it may be based on the location of property.

Revenue performance of this tax has been erratic over the years. It was highest in 1993 when it contributed 4.2 percent of total revenue, and lowest in 1995 when it contributed 1 percent of total revenue (Table A3). Non-compliance, lack of taxpayers record, and difficulties in the administration of this tax have been major reasons behind this performance. Some difficulties related to administration of this tax are discussed briefly below.

First, government owned properties are also subject to this tax. However, they are tax exempt in view of the general principle that the Government does not pay tax. Indeed this principle needs to be reconsidered. If the government does not pay tax, either revenue collection would be foregone or someone else has to pay more if a given level of revenue is to be collected thus raising the tax burden on the existing taxpayers. Although the law empowers the Minister responsible for Local Government to pay to the Urban Authorities the equivalent of the rates that would have been charged, no such payments have ever been made to DCC despite the fact that these properties which are heavily concentrated in the City benefit much from DCC services.

Second, for the purpose of levying rates, DCC is required, under section 8(1) of the Urban Authorities (Rating) Act, 1983 to maintain a valuation roll prepared by a valuation surveyor, listing all taxable properties. The valuation roll should show the area and situation of the property valued, the name and address of the owner, the name of the leaseholder, a brief description of the property, the area of the land comprising of the heredimento and its taxable value. The taxable value is required to be the market value or, if that cannot be ascertained, the replacement cost, taking account of any work needed to restore the property to new condition. The taxable value must, in any case, be not less than 75 percent of the replacement cost and, the list must be updated every five years. DCC should begin to maintain such a roll.

Third, taxable values are supposed to be fixed by government valuers or private valuers contracted by the government, and the charge to property rates is then based on either the value of this property or its location. Although an area or location basis of charge has the advantage of being relatively easy to administer, it is bound to be inequitable since it does not reflect the economic status or ability and hence the taxable capacity of the owner. After all, this practice is rare, if not unknown, in most countries. Unfortunately, this is the method that DCC practices, possibly because no prior valuation of properties has been made so far mainly because of: (i) the shortage of professional skills; (ii) the high cost involved in accomplishing the job. For example, it was estimated in 1989, that valuation of all properties in Dar Es Salaam alone, would cost (at 1989 prices) T.shs. 900 million. This cost was to be born by the DCC; and (iii) the possibility that values put on properties may be contested, leading to a requirement of DCC's substantial resources to sustain the judicial process. The Mtei Commission observed that most councils were levying a property tax at a flat-rate according to the location of the property. This system is unfair and unsatisfactory. However, it is the same system which is used by the Dar Es Salaam City. The Mtei Commission recommendation has not been implemented by the DCC todate.

3.1.1.5. *Petrol Levy (Road Toll)*

This is a type of Levy imposed on fuel supplied in bulk from bonded warehouse (bonded oil installation) or refinery to fueling stations. Petrol levy is administered under the Road Toll Act of 1985. The rate of tax is Shs 60 per litre of fuel. The tax is administered by the Tanzania Revenue Authority. Collection procedure is by gross payment of deposit system covering a period of 10 days and consolidated on a monthly basis. TRA has the capacity to administer the tax efficiently. Out of the total collection of petrol levy, T.shs. 5 per litre goes to DCC.

Petrol levy performance has been erratic, contributing 1.05 percent of total DCC revenue on average during 1992-95 period (Table A3). As it appears, in some years the Central Government transferred very little or no road toll funds at all to DCC.

3.1.1.6. *Hotel Levy*

The Hotel Levy is paid by hotel owners to the Tanzania Revenue Authority (TRA) in respect of accommodation. If the hotel in question has less than ten rooms and does not provide/serve regular meals the levy is payable to respective local authority. Hotel levy is administered by the Hotel Levy Act No. 23 of 1972. The rate of the levy is 20 percent of the cost of hotel accommodation per day.. Dar Es Salaam City alone has an estimated number of 3,300 hotels and guest houses.

In 1995 hotel levy ranked fifth among the sources of revenue. It contributed 7.9 percent of tax revenue in that year. But since 1993 it revenue yield has been more or less constant although the number of hotels and guest houses has been increasing. This is attributable to low tax compliance resulting from weak administration.

3.1.1.7. *Other Taxes*

These include "minor" taxes e.g., taxi/pick-up/lorry fees, entertainment tax, land rent, etc., and user charges e.g., for hospitals, schools, etc. Generally the contribution of each of these taxes has been small. Except for taxi/pick-up/lorry fees, the contribution of each of the remaining taxes to total revenue has been less than 1 percent (Table A5). Weak tax administration and fluctuating tax bases have led to fluctuations in revenue from these taxes, making some of them uneconomic.

3.1.2. *Non-tax Revenue Sources*

Local authorities are Statutorily empowered to secure or to receive aid in cash or in kind from the Central Government and from elsewhere. Some sources of non-tax revenue to DCC are reviewed hereunder.

3.1.2.1. *Subsidy/Grants from the Central Government*

Since DCC administers such services as primary education, primary health care, roads, etc. which are of major national interest but are better administered at local level, DCC has been receiving subsidies in the form of grants from the Central Government.

Tables 1, A4 and A5 show the contribution of subsidies/grants from the Central Government to DCC's financial resources. On average DCC received about 70.4 percent of its funds from the Central Government grant during 1990-95. Although there are fluctuations in disbursements, 1995 recorded the highest contribution of subsidies to total DCC revenue, at 81.83 percent, while the lowest disbursement of 63.06 percent occurred in 1991. Despite the big figures in terms of percentage, the funds for grant aided services have not been enough to meet the budgeted requirements mainly because:

(i) the timing of the two budgets differ, hence making grants untimely as well, and

(ii) the fact that these services are a mix between local and national interest such that their costs are shared between local and central government, i.e., they are grant-aide, how much should each party contribute has been a problem.

3.1.2.2. *Donations from Various Sources*

DCC is empowered by Section 7(1) (n) of the Local Government Finances Act, 1982 to secure or receive aid in cash or in kind. During the period 1990-95 the Commission obtained *donations in the form of plant, vehicles and crafts*, valued at Tshs 4,297,432,677. This is equivalent to Tshs 1,074,358,169 per year during the 1990-93 donation period (Table 5). No donations were issued after 1993 because of unwillingness of donors, mostly European friendly governments, to contribute to an entity with no defined repair approach nor clear developmental oriented objectives.

Table 5: DCC's Revenue from Donations and Investment Projects (T.shs.), 1990-95.

Source of Revenue	1990	1991	1992	1993	1994	1995
Donations	1,371,650,000	1,436,650,000	1,438,511,739	50,620,938		
Investment Projects	9,900,000	2,900,000	42,657,094	2,900,000	2,900,000	2,900,000

3.1.2.3. *Revenue from DCC's Investment Projects*

In order to diversify its revenue sources, DCC has indulged in various economic projects. During the period 1990-96 these projects have included: Kibuku brewery; District Development Corporations' (DDC's) projects such as social halls - in Magomeni Kondoa, Kariakoo and

Keko, a bar - Mlimani Park, and a music band - Mlimani Park Orchestra. Other projects include the Miwani (eye-glass frames) project near Clocktower, horticultural gardening - at Karimjee and Bunju, an equity share in UDA, and others. During the 1990-95 period the total financial contribution of various projects to DCC finances amounted to T.shs. 64,157,094. Table 5 shows yearly distribution of these funds. It seems there was a windfall gain in 1992. The recurrence of figure 2,900,000 suggests that it is likely to be an estimate rather than actual. However, it indicates that the expected magnitude of revenue from this source has been very small. In this connection it was found that the recurrent figure of T.shs. 2,900,000 originated from only one investment project i.e. Kibuku. All other investments did not yield any revenue for DCC. Problems that are related to revenue from investment projects include: poor administration of projects, competition from a more efficient private sector and high overheads. For these reasons many investment projects are operating at a loss.

Considering the limited administrative and managerial capacity of DCC it is recommended that these investments be privatized or at least seek joint ventures.

3.2. Tax Administration and Compliance

In recent years, efficient tax administration and compliance have increasingly been receiving attention. Reform of tax structure if undertaken without corresponding reform in tax administration may fail to achieve the goals of tax policy. To this end, the reform of tax administration should emphasize the need to look for ways of setting up realistic integration between the design of clear and simple tax structure and real administrative capacity in place to implement the relevant tax reforms.

A simple obvious conclusion which the recent tax reform has demonstrated has been the need for a simple and manageable tax system. However, there are three different approaches to reform of tax structures and tax administration:

(i) the reform of tax structure, followed by administrative changes;

(ii) administrative changes followed by reform of tax structure; and

(iii) and considering administrative changes and reform of tax structures as being independent. The third approach is the commonly accepted view at present.

To this end, strengthening of the tax administration is inevitable if DCC wants to be effective in enhancing revenue collection. This exercise needs immediate action by DCC.

3.3. Potential Revenue Sources

3.3.1. *Introduction*

The status of Dar Es Salaam and the poor state of infrastructure and social services outlined in section one of this study implies that DCC has to have more funds to stave off utter disaster. While DCC already spends nearly 50% of its revenue on education, the quality of educational programmes leaves a great deal to be desired and many school administrations are on the brink of collapse. Moreover, while DCC is beset with citizen demands for more or better services, it can presently afford to spend only a small proportion of their total revenues for the combined function of parks and recreation, sewerage, refuse collection, street cleaning, street lights, public buildings, water supply, libraries, housing and urban renewal, airports, parking, and a host of other activities.

Likewise in education, the need for better paid, better trained, and better equipped primary school teachers is quite obvious. Similarly, working conditions of these teachers need to be improved. In the same vein, in health, the need for better paid, better trained, and better equipped nurses and physicians are apparent. Working conditions of these staff also need to improved.

The picture we have painted so far is indeed a gloomy one, and it is likely to get worse unless DCC is able to mobilise more financial resources commensurate with the high demand for social services. In subsequent sections, this study presents the potential revenue sources available at DCC.

3.3.2. *DCC - Central Government Revenue Sharing*

Revenue sharing can be a means through which those at the local level can meet their critical needs without treating business unfairly and inequitably in the process. This is not, in our opinion, an unreasonable suggestion. Fortunately, this is one of the practical solutions out of DCC's dilemma. It is, in our opinion, one of the answers to the tax problem of the local government and local business alike.

In the discussion of potential sources of revenue below, suggestions are made on specific taxes which can generate revenue that can be shared between the Central Government and DCC. The taxes that are recommended for sharing between DCC and the Central Government are related to payment for services rendered by DCC, and hence do not necessarily suggest that the Central Government should reduce its subventions to DCC. In some of these cases, revenue sharing is suggested so as to avoid double-taxing the taxpayers or to avoid duplication of efforts in revenue collection.

It is a fact that local tax policy will not be what we all want it to be until local units of government possess some greater share of the nation's total tax revenues. We thus urge the DCC and the central government to jointly look at revenue sharing as the first step in this direction.

3.3.3. *Potential Tax Revenue Sources*

Apart from suggesting the introduction of new tax(Es), this study discusses other existing tax revenue sources that can be tapped to increase revenue yield either through upward revision of rates or through improvement in tax administration, which is currently quite weak.

3.3.3.1. *Development Levy*

This levy has a great potential to raise a lot of revenue to DCC if properly administered. Currently only salaried employees of the Central Government, parastatals, local authorities, and private companies are paying the development levy.

In the years 1994 and 1995, T.shs. 153,400,000 was estimated to come from the development levy, but the actual collection was T.shs. 116,790,801 and T.shs. 140,499,101, respectively (Table 1). The potential revenue from salaried employees-government, parastatals, and others is T.shs. 3,085,309,750. The actual revenue collection for development levy in 1995 was about 5 per cent of the potential. The challenge is to bring to the net the 95 per cent of the potential that is currently not tapped. The collection procedure and administration required to achieve this quite challenging especially the case of the self employed taxpayers who constitute the majority. Proper administration needs to be established at the Ward (*Kata*) level. The potential revenue from development levy for DCC is shown in Table 5 below.

Table 5 suggests that improved tax collection can enable DCC to collect over Shs. 3 billion compared Shs 0.14 billion it collected in 1995. This collection can be even higher, should the tax rates be rationalised and pegged at Shs 300 per month or Shs 3600 per year for non-salaried individuals as we suggest in our recommendations below.

Recommendations on improving revenue collection from development levy would include:

(a) Broadering this tax as much as possible. With respect to financial considerations, and enhancement of accountability it is important that all residents should pay their dues. It is through the levying of taxes on their residents that DCC can become accountable to them, while residents correspondingly will have interest in seeing that their money is spent to their best advantage.

(b) Improvement in DCC's administrative system by building up new registers.

(c) Ensuring that non-payment of tax continues to be regarded as a criminal offence under the law. Defaulters on conviction should be punished severely.

(d) Enlisting the help of the government in educating the public. As with other taxes, understanding of the need for local revenues is likely to improve compliance.

Table 5: Potential Revenue from Development Levy for DCC (Tshs.)

Year	Salaried employees	Other	Total potential	Budgeted by DCC
1994	1,309,000,000	1,966,500,000	3,272,500,000	153,400,000
1995	1,230,206,500	1,845,309,750	3,075,516,250	153,400,000
1996	1,152,154,311	1,728,231,466	2,880,385,777	-
1997	1,230,000,000	1,845,309,750	3,085,309,750	2,500,000,000

Note: Development Levy

There are two main approached in determining or forecasting Development Levy potential. The first one is as shown in Table 5, which has been supported with figures and statistics compiled by TRA.

The other approach is the use of Information from the Planning Commission as well as Budget Estimates approved by Parliament for 1996/97 which were tabled by the Ministry of Finance.

Government Wagebill 1996/97 approved was T.shs. 184,000,000,000
Development Levy 1% on Wagebill would be T.shs. (1.84 billion)

allocate 60% for DCC	T.shs. 1,104,000,000
Add: Development Levy 1% on Wagebill from 84 sample firms Public/Private Sector	T.shs. 630,000,000
(Note this figure doubles in 30,000 firms)	
Total Development Levy Potential all Employment sectors	T.shs. 1,834,000,000

(Government and Public and Private sector 1996/97)
DCC 1997 Budget on Development Levy is **T.shs. 1,900,000,000**

It is therefore imperative on DCC to evolve aggressive and effective collection methods of the Development Levy from the Individual Businessmen either by combining collection of the levy prior to or during issuance of Business Licences. For businesses whose licence procurement does not go through the DCC, effective controls must first be put in place. The retail trade individual sector was projected to yield T.shs. 1.84 billion. Assuming that compliance to be achieved in 1997/98 would be 50%, then there is revenue potential of T.shs. 927 million. This would translate to Total Development Levy for 1997/98 of T.shs. 2.761 billion. The study suggests that TRA handles the Employment - Sectors whilst DCC trackle retailers individuals.

3.3.3.2. *City Service Levy*

The current industrial cess has several deficiencies which should be addressed. It lacks a well defined structure, has a narrow base and is discriminatory and inequitable. The industrial cess should be replaced by abroad based city service levy. While the business community proposed a rate of 0.3 percent to be levied on turnover net of other central government taxes on the same base, this study is of the opinion that implementing this proposal would be administratively cumbersome. It would, inter alia, delay the determination and collection of the city service levy. Taking into account the need of DCC to raise revenue and the views of the business community, we have recommended a city service levy of 0.25 percent on gross turnover of the preceding year netting out only the sales tax and excise taxes on the final product. The calculations should be based on the audited accounts of the preceding year. With an estimated turnover of over about Shs. 752 billion based on a sample of 84 companies based in Dar Es Salaam for the year 1995, a 0.25 percent city service levy on gross turnover (but net of sales tax / excise tax on the final product) would generate Shs. 1.880 billion, from these companies alone. As a conservative estimate, inclusion of the rest of the companies would at least double this figure to Tshs. 3.76 billion compared with industrial cess of Shs. 191 million actually collected in 1995. With continued tax widening the actual revenue collection is bound to increase.

Table 5a: Scenarios of City Service Levy from 84 Sample Firms

Particulars	DCC Scenario I Rate 0.75%	Business Firms Scenario II Rate 0.30%	Consultants Scenario III Rate 0.25%	Consultants Scenario IV Rate 0.55%	Consultants Scenario V Rate 0.50%	Consultants Scenario VI Rate 0.40%
Turnover	752,106,945,501	752,106,945,501	752,106,945,501	752,106,945,501	752,106,945,501	752,106,945,501
Yield in Levy	5,640,802,091	2,256,320,836	1,880,267,364	4,136,588,200	3,760,534,727	3,008,427,782
Add: Dev. Levy 1%	315,494,878	315,494,878	315,494,878	315,494,878	315,494,878	315,494,878
Total	5,956,296,969	2,571,815,714	2,195,762,242	4,452,083,078	4,076,029,605	3,323,922,660

Note: Table revised - figures per TRA

NB These scenarios are based on data gathered from the Tanzania Revenue Authority(TRA) The data refers to sample of 84 large firms with highest turnover and wage bill between the year 1993 to 1995

Considering that many businesses have not been paying this tax priority should be placed initially on widening the tax net. This can best be done by charging an affordable levy so that its payment can be spread to as many businesses as possible. Once a wide spectrum of businesses are brought into the tax net then negotiations about possible adjustments can be made with each party (DCC and tax payers) benefiting from experience on this matter. Since the new levy would be imposed on all corporate entities, it would be a non-discriminatory tax unlike the industrial cess, would be fair and would enhance the principle of broadening the tax base.

The CTI had proposed to the DCC that all past claims for industrial cess be dropped and court cases be withdrawn. In view of the findings that the industrial cess has in the past been arbitrary, discriminatory, narrow and inequitable it is recommended that the proposal by CTI be considered seriously in the light of these findings.

3.3.3.3. *Hotel Levy*

Dar city alone has an estimated number of about 3,300 hotels and guest houses. Payment of hotel levy has no complications. If payment is made by cheque it must be effected within five days after the last day of the month. The penalty imposed on the nonpayers is 25 percent on unpaid amount. Payment must be accompanied by form HL1 (Daily Occupancy Return) and HL2 (Monthly Occupancy Return).

The potential revenue from hotel levy is very high. It is proposed that revenue from all guest houses should fall under the jurisdiction of DCC. DCC should be responsible for collecting guest houses levy from the guest houses. Considering the need to widen the tax net in the hotel levy (as many guest houses are currently outside the tax net) it is recommended that the tax rate be reviewed downward from 20% to 10%. When the tax net is sufficiently widened then negotiations can be initiated on the possibility of making adjustments in the light of experience. Taking a minimum number of only 2,000 guest houses or a compliance rate of 60% (which fall under the jurisdiction of DCC) in Dar Es salaam. Also take T.shs. 2,000 as lowest daily room charge, the levy collected per day per room would be T.shs. 200 (10% x T.shs. 2,000). Assuming a modest average occupancy rate of 5 rooms per day the DCC would collect a total annual revenue of T.shs. 730,000,000 compared to T.shs. 80,480,103 which was collected in 1995. This is an additional yield of about 9 times the actual collection in 1995

To avoid double-taxing the hotels/guest houses which fall under the jurisdiction of DCC it is recommended that they get exempted from the city service levy. As for the hotels which fall under the jurisdiction of the Central Government, revenue sharing is suggested as detailed in the subsection on recommendations, below.

3.3.3.4. *Taxi Registration Fee*

This tax generated only around T.shs. 1.3 million in 1995. The observed low revenue yield is attributable to low compliance as evidenced by the large number of unregistered illegal taxis (*taxi bubu)* and low rate of charged fee. Thus to increase compliance we recommend DCC to use the state organs to enforce registration of *taxi bubu*. But even with the existing number of registered taxis, DCC could still collect more revenue. The existing rate of registration fee of T.shs. 4,000 per year has outlived its usefulness. We suggest the existing rate to be raised from T.shs. 4,000 to 40,000 per year. This upward revision of rate would generate T.shs. 13.4 million (see Table 6). In separate recommendations below we have actually suggested that this fee should be raised and merged with business licence fee.

3.3.3.5. *Market dues/stalls rent*

This is another potential revenue source to DCC. In 1995 it generated over T.shs. 26 million raking tenth among the major revenue sources in that year. The existing rate of T.shs. 300 per month is not meaningful (see Table 6). Accordingly we suggest the existing rate be raised to Shs. 3,000 per month. The recommended rate would generate Shs. 262.5 million with the tax base which prevailed in 1995. This amount would be ten times what was collected in 1995.

(a) However close examination of this sources revenue potential has established that under the existing arrangements there are a lot of revenue leakages on account of a weak administration as well as the incumbent businessmen's culture of non-compliance or getting services free of charge. Again the study found that DCC had for the past 10 to 15 years not given sufficient attention and financial resources towards construction of as many market stalls as the growing and expanding businesses within the city. Evidence is abundant at all market centers whereby there have developed tendencies of erecting, without DCC prior approval, semi permanent structures under which these businessmen conduct their activities, of course without paying any fees. Had DCC taken the lead to quickly erect permanent decent structures, mushrooming of activities around market centers would have been very minimazed or avoided all together.

Street business is a result of such lapses so much that the situation is now out-of-hand. Specific types of business such as sale of fish, green grocery, etc. restrict movement of sellers, unlike sale of clothing materials, and therefore sellers are encouraged to remain at one place. Even then, the Kigamboni ferry fishing center is testimony of DCC's lack of drive in developing and meeting its residents' needs. The make shift fish market has been there since Independence in 1961 and no decent structure has replaced the ever deteriorating situation at the Kigamboni ferry.

(b) **Revenue forecast:**
Despite market stalls' wide taxbase, revenue forecast is greatly militated by factors listed above i.e. trading outside the market stalls' boundaries coupled by high revenue leakages due to weak financial controls. Current practice lacks existence of contract agreements between market officers on behalf of DCC and the incumbent traders. Payment of rents at month end, encourages default and is open to several excuses on the part of the tenants, who often times claim liquidity problems, whilst others have had the gutts of running away without payment of huge arrears of market stall dues. A conservative estimate by DCC of existing market stalls is 6285 but this figure could be doubled. Thus Revenue potential could rise from T.shs. 262.5 million to T.shs. 515 million per annum. A net figure of T.shs. 400 millions should boost to DCC's revenue coffers.

(c) **Recommendation for Commercialisation of Services:**
The Study Team having fully examined the operations of this kind of services, which in itself generates more garbages than it can pay for, it would be best left to the Businessmen themselves. But for effective performance, it may be necessary for DCC to encourage these individuals to form their own cooperatives or communities to which they would be answerable. Such groups could pick-up leaders amongst themselves but fees determination responsibility would have to be done by DCC i.e. the investor in the buildings or infrastructures. Collecting fees for market stalls, award of contracts should be left to them. DCC should charge fixed monthly fees but payable in advance. Evolving of rules on sanitation would have to be included in the contracts.

3.3.3.6. *Abattoir slaughter fee*

Like market dues /stall rent, this fee is an important potential revenue source that the DCC can utilize to raise additional revenue. The current tax rate is Shs. 300 per slaughtered cow. This is too low a rate and therefore calls for serious revision. We recommend this rate to be replaced by a rate of Shs 1,000 per slaughtered cow. This measure if adopted by DCC is estimated to generate Shs. 7.7 million in accordance with 1995 tax base. However, we are convinced that the tax base is too narrow. It implies that tax is levied on only 20 cows per day. A very conservative estimate would suggest that 500 cows are slaughtered in Dar-Es-Salaam per day. This implies a potential tax to the tune of T.shs. 182,500,000.

3.3.3.7. *Bus stand fees*

Bus stand fee is also the next potential revenue source for DCC. The fee generated about T.shs. 13.6 million. Like the above potential revenue sources, we consider the tax rate of T.shs. 10,000 to Shs. 15,000 low relative to the amount of revenue generated by these buses in a year. We, thus, recommend the tax rate to be raised from the existing rate to the new rates of T.shs. 100,000 to 150,000. The recommended rate would yield Shs. 136 million to DCC.

3.3.3.8. *Petrol Levy (Road Toll)*

(a) Another potential source of revenue is petrol levy. Given the amount of revenue collected by the central government from road toll and applying T.shs. 5 per litre out T.shs. 60 per litre collected by the central government, DCC would receive Shs 2.4 billion from this source. Out of this petrol consumption by activities located in Dar-Es-Salaam in about 75%. This yields Tshs. 1.8 billion.

(b) ***Policy Objectives and Considerations***
The study team, having revisited and conducted in-depth investigations on the Petrol levy issue, commonly referred to as Road Toll found that policy objectives or consideration leading to the introduction of Road Toll were many but creation of a Road Rehabilitation fund was at the center of it all. Other considerations acting as driving force to its creation was a way of raising finances to meet government's spending obligations. It was admitted that while petrol levy/road toll collections should form, in the main the envisaged Road Rehabilitation fund, it was upon government itself to appropriate as deemed necessary to the utmost advantage of all the people. Hence, not all funds derived from road toll were applied on road rehabilitation or construction. It had to be spent on other equally important areas, which then went on either directly or indirectly to improve the overall country's economy. Road Toll collections could be used to import fuel or even import medicines for the general welfare of the entire public.

(c) ***Past Revenue Performance and Sharing Arrangements***
By an Act of Parliament, Road Toll became collectible effective from 14th June, 1985. Since then, collections which remain pegged to a litre, have varying rates of T.shs. 0.15 to as high as T.shs. 60 per litre. Collections made by the Customs Department and its successors were being fully remitted to the Ministry of Finance who undertook to budget it, paying some towards the Road Rehabilitation fund currently administered by the Ministry of Works. The fund also receives collections made by the Tanzania Licensing Board for procurement of various licenses by commercial vehicles and Lorry owners.

It was established also that the Ministry of Finance, by the way of RESOLUTION approved by Parliament in 1992/93, distributes as circumstances permit, collections in the ratio of 80% being paid to the Road fund under the Ministry of Works. The other 20% was being paid to the Prime Minister Office to specifically argument Local Government Road Repairs and Construction. Further distribution of the 20% at the Prime Minister's Office took into account yet another elaborate formula. Each city, municipality and district/urban council had a grade and did receive its share of the Road Rehabilitation fund for maintenance purposes in accordance with its grade of classification.

However, due to the overall meagre resources, as against a host of many priorities, not all the terms of the resolution were implemented. The responsible Minister always gave an account of how Road Toll levies had been spent. Legislators did endorse such actions. In future, sharing arrangements would be 70/30 in favour of local authorities, a move which recognises the growing importance of urban road maintenance. DCC being no exception, but obviously by status receives more.

Table Road Toll Projections and Potentials

			Sharing	Arrangements
Year	Volume in Litres (all)	Road Toll Levy Collected T.shs.	Road Toll Fund (80%)	Payable to Local Government (20%)
1993/94	219,950,900	15,413,132,278	12,330,505,823	3,082,626,455
1994/95	353,308,826	22,173,822,952	17,739,058,362	4,434,764,590
1995/96	472,145,906	28,328,754,414	22,663,003,532	5,665,750,882

Note: The sharing arrangement could not be fully implemented due to other pressing national needs.
Distribution of Local Government Rehabilitation / Maintenance funds is a matter of details.

3.3.3.9. *Motor vehicle parking fees*

This fee if introduced and properly enforced would become a potential revenue source. However, if the management of this activity is to be under DCC then it will require investment in purchase installation of parking meters. In addition, its administration will be quite demanding. These burdens relating to required investments and administrative capacities can be avoided by DCC contracting private firms to run the parking business at a fee negotiated and agreed between DCC and the private operators.

3.3.3.10. *Property Tax*

Although property tax ranks sixth in terms of revenue performance, this tax has great tax potential at the current rate of 0.1% which has been in force since the first valuation roll undertaken in 1994 to date (1996). The study team has established that the 0.1% rate is reasonably pegged and readily acceptable by payers. However, the present low compliance on property tax is attributable to a weak tax administration particularly the apparent insufficient initial preparations towards launching this tax.

A number of issues which have been voiced by Property owners require an in-depth study before abating an apparent likely resistance. The property tax law needs revision to take note of current economic development, which in the early eighties were non-existent. Specific areas which call for review or clarity in the law are:

1) *Policy conflict*
Whether the government should pay this tax on its buildings. Currently the law is silent. Both DCC and Municipal Authorities are justified in demanding for payment.

2) *Building constructed under the self help scheme*
A number of buildings have been erected through involvement of local people. Majority of such buildings are used as schools and hospitals. Exemption in the law should explicitly include such buildings so that efforts by people (raia) hitherto recognised by government, are not thwarted. Government cannot afford to build more hospitals and schools now.

3) *Valuation Approach*
It has been pointed out that the 1994/95 valuations made lacked standards. This could perhaps be the case behind the many disputes lodged. In some cases, it is alleged that even soakpits, etc. area were included in the valuations.

4) *Absence of Valuation Tribunal*
Complaints are abound for the absence of a Valuation Tribunal which could expeditiously preside over the pending disputes lodged by property owners since 1994 to date. There are currently 3015 objections pending whilst 5000 more cases lack proper identification of owners due to incorrect names, addresses (some properties had been sold but transfer ownership were not effected apparently to evade paying Capital Gains Tax).

5) *Removal of Double Taxation*
Property tax is levied on already developed or for developing land. Land rent is a fee for leased land. Since development takes place on leased land, and since property tax attracts more revenue to government (whether local or central), and since urban development plan initiatives and keeping of land records are well articulated at the local municipalities, land rent should then be abolished or merged with the property tax. There appears to be no convincing reasons for retention of land rent collection by the Ministry of Lands, whose main functions include the formulation of land policies and issuance of guidance to local/district authorities and the public in general. The study recommends that Prime Minister's Office under whose Local Government Administrative portfolio currently falls, redefines functions between the Ministry of Lands on one hand and Local Government Ministry/Department by confining the former to Land Policy formulation, etc. whilst urban/district authorities which are close to people and are service delivery oriented deal with land development, allocation and lerying of taxes and fees thereof. Double land allocations, Double taxation of subjects would be avoided. Both the administration and reporting machinery would be streamlined. Compliance by payers of the property tax would be greatly improved or increased.

The current Position on Property Tax

Property taxation gained momentum in 1994 after enactment of the by-laws to institutenalise its operation although the substantive law has been in force since 1983. Since then effective valuation of properties falling within the prime area known as Zone 'A' has been done. This exercise, has todate recorded in the Valuation Roll a total of 13,000 properties. After issue of notice to require payments of taxes from owners, some 5,000 notices were returned under R.T.S. The Valuation office is taking appropriate corrective actions. Another 3,015 owners had filled objections disputing valuations as being too high, untransparent valuation methods and lack of proper identity or identification of owners.

However, as yet no Valuation Tribunal to arbitrate on these disputes (now nearing 2 years) has been appointed. DCC further retairated that reminders on this important issue are constantly made and followed up. It would be to DCC's advantage if appointment of the Valuation Tribunal is effected much sooner than hitherto. Already some communities in the business sector, who solely relly on rental income, are feeling the burden with the attendant - move by DCC to raise the present rate of 0.1% to 0.15%. To elevate a possible High Court injunction (as was the case with industrial cess) it is suggested that the Valuation Tribunal be in place.

Valuation of properties is indeed, an expensive affair and time consuming. With DCC's current limited funds, once again this study underscores the need to adopt and implement the Mtei Commissions recommendations. Had its adoption been implemented since 1990, no doubt, compliance rate would have been much higher now (1997) than the current situation actually is. The remaining part of the Dar-Es-Salaam city consisting of zones B and C, have not yet been divided into blocks in preparation for valuation commencement which could take two to three years to complete.

Property tax, if properly administered has a wider coverage and taxbase. However, this same tax has a high sensitivity politically, socially and economically if it is hastily implemented. Thus, there is therefore need to take it gradually until it is fully accepted by payers and its fruits have been tested and appreciated. Advanced countries particularly in the West had taken centuries to develop the efficient administration of such a tax.

Tanzania is the first country in Africa to introduce the tax as neighbouring Zambia shelved their legislation 1993.

Table : The DSM City Property Tax Potential (rate 0.1%)

Particulars	Zone 'A' Prime	Zone 'B' Medium	Zone 'C' Low
Properties Potential Valuation	T.shs. 800.98 billion	T.shs. 400 billion	T.shs. 200 billion
Total Units of Properties	29,515	unknown	unknown
Revenue Potential	T.shs. 800.98 billion	T.shs. 400 billion	T.shs. 200 billion

Table : Zone A Prime Property Tax Revenue Potential

Particulars by Sector	Rolls Valuation	Under Discussion 1997 Rate 0.15%	Current Rate 0.1% (1996 and prior)
Government Units 941	T.shs. 55.89 billion	T.shs. 83,835,000	T.shs. 55,890,000
Non-Government Units 28,574	T.shs. 745.09 billion	T.shs. 1,117,635,000	T.shs. 745,090,000
Total 29,515	T.shs. 800.98 billion	T.shs. 1,201.470,000	T.shs. 800,980.000

To solve the problem of expensive valuation costs and the contesting possibilities, the Mtei Commission recommended the amendment to require all owners of property to submit to DCC, the cost of any building owned, certified by an architect or quantity surveyor. This recommendation should be implemented. The submitted costs of any building/property owned should then constitute a basis for setting the taxable values of properties after taking into account the use in which the property is made. These costs should be adjusted according to the inflation/change in the value of money between the last valuation and the current period.

3.3.3.11 *Land rent and service charges*

Land rent and service charges, investigations has shown was an amalgamation of rental fees and user charges which were being levied on all persons who had secured leased land from the Government. Past practice was that the Ministry of Lands, besides formulating land policies and giving general guidelines, sometimes received and entertained by way of allocations, land applications from potential developers. It was noted that, the Ministry could rightly so entertain applications for land whose objectives or primary use was for commercial purposes e.g. Agricultural use, Mining venture, etc. However through lapse of practice and habit, the Ministry too had engaged in allocating plots for residential purposes. Since then this had been a cause of many complaints, duplication or double allocations of plots beside other malpractices.

Residential plot allocation was, and still is the responsibility of urban municipal authorities. The registration of Land Titles was effected at the Ministerial level, centrally as the law directs and in line with the Presidential delegation of powers.

Service charges were and still are user charge related to the delivery of service collected by municipalities, i.e. the service providers. This has since developed to the present day Property Tax and is rightly now collected by Municipal Authorities. Land rent has just been, apparently wrongly or improperly upgraded to the status of a revenue spinner by the Ministry. Land development and planning including its allocation remain the responsibility of urban municipal / district authorities. Logically Property Tax could absorb Land rent and for efficient administration, property tax so collected by urban councils could be proportionately split such that a certain percent is remitted to the Ministry of Lands. However, in order to lessen the burden on the leasee and bearing in mind that the Ministry of Lands receives a full budget through Parliament, total abolition would seem to be the proper step. Burdening citizens with land rents while property tax seems to work well is unnecessary. Let the urban authorities raise their own revenue sources sufficient to meet their own requirements. Thus they would become independent of the Central Government funding.

3.3.4. Revenue Implications of the Proposals

Table 6 below summarizes revenue implications of the tax measures that we have recommended. It shows that the measures presented if efficiently implemented would generate around Shs. 11 billion.

Table 6: Revenue Implications of Suggested Tax measures

Tax/levy/fee	*Old rate*	*New rate*	*Old revenue yield*	*New revenue yield*
Development levy		1% of gross income	140,499,101	3,085,309,750
Taxi registration fee	4,000 per year	40,000 per year	1.340,850	13,408,500
Market dues/stall rent	300 per month	3,000 per month	26,247,615	262,476,150
Abattoir slaughter fee	300 per cow	1,000 per cow	2,306,800	182,500,000
Bus stand fee	10,000 - 15,000	100,000 - 150,000	13,580,000	135,800,000
City service levy		0.25% on turnover	191,407,718	3,254,000,000
Guest house levy		10% on turnover		730,000,000.
Property tax	-	0.1%		1,600,000,000
Petrol levy (Road toll)		Shs. 5 per litre		1,800,000,000
Total				**11,063,484,400**

* Adopted from DCC estimates for 1997.

* These estimates, for lack of data, do not include other measures such as increasing of rates of various "small" taxes, strengthening the administration of property tax, transferring of business licensing from central government to DCC and hotel levy revenue sharing. All the same, DCC has a potential of raising more than Tshs. 11 billion from its own sources of revenue. With subsidies of about Tshs. 5 billion from the Central Government, DCC can generate over Tshs. 16 billion in a year.

3.3.5 Observations of Sharing Arrangements and Mechanism of Remittances

(a) *Factors Necessitating a Sharing Scheme*

By their nature, local government authorities are an extension of the central government arm whereby essential social services e.g. Education, Health and Sanitation are provided to the local urban communities. Because of a number of reasons which include logistics, the need for people participation through community based activities, central government only meets its obligations by paying out grants and subsidies to the urban councils - service providers.

However, common revenue sources such as road toll, hotel levy and any user charge related taxes, which in fact stand to gain from services or facilities provided by municipalities are often called upon to contribute in form of levies, fees or user charges. Further central government administration itself may be located within an urban authority e.g. the City of Dar-Es-Salaam thus enjoying direct benefits. All these do justify the need for sharing of revenues for example from Road Toll (currently shared at 80/20). Hotel levy where sharing has yet to start.

(b) *Remittance Mechanism*

The most practical and effective remittance system is by direct payments say by TRA to the Regional Development Offices, which themselves fall under the PMO office. The RDD's offices could in turn pay to respective City, Municipal as well as District Authorities each month or as soon as funds reach from TRA.

Reasons for proposing channelling of remittances through the Regional Administration are two fold:

First, Regional Directorates as well as Local Authorities all fall under the Prime Minister's Office. This means that coordination and reporting mechanism becomes easy on the part of both parties.

Secondly, it would be very involving for revenue collectors such as Tanzania Revenue Authority (TRA) to issue cheques to more than one recipient: Municipalities and District Councils.

In summary, TRA or other collecting agents: TLB would simultaneously submit monthly reports to the Regional Directorates whilst sending periodic reports either to Prime Minister's Office or the Local Government Department.

3.3.6 *Future Long Term Other Revenue Potentials*

Having outlined the DCC, immediate and medium term revenue potentials, the study team wishes to point out that after effective mobilisation of revenues on the outlined sources, further efforts could be directed towards raising of finances directly or by way of sharing of the (stamp duty/future VAT) user charges on street lighting and water supply.

These three potential revenue sources have been omitted from the current study for two main reasons i.e.

(a) The study has focused its attention towards revival of hitherto existing revenue sources suggesting abolition of the costly to administer types of revenue whilst merging several of them for better management and administration cost savings.

(b) Secondly the study believes that with the introduction of Value Added Taxation (VAT), shortly to be launched, it is obvious that VAT would cover such sources as Power and Lighting, as well as Water Supply. Raising revenues from these sources could be better tackled either through the Sharing Scheme or by collecting directly but without overlap, duplication and double taxation of targeted groups. Stamp Duty, Power and Lighting as well as Water Supply would definitely be revisited.

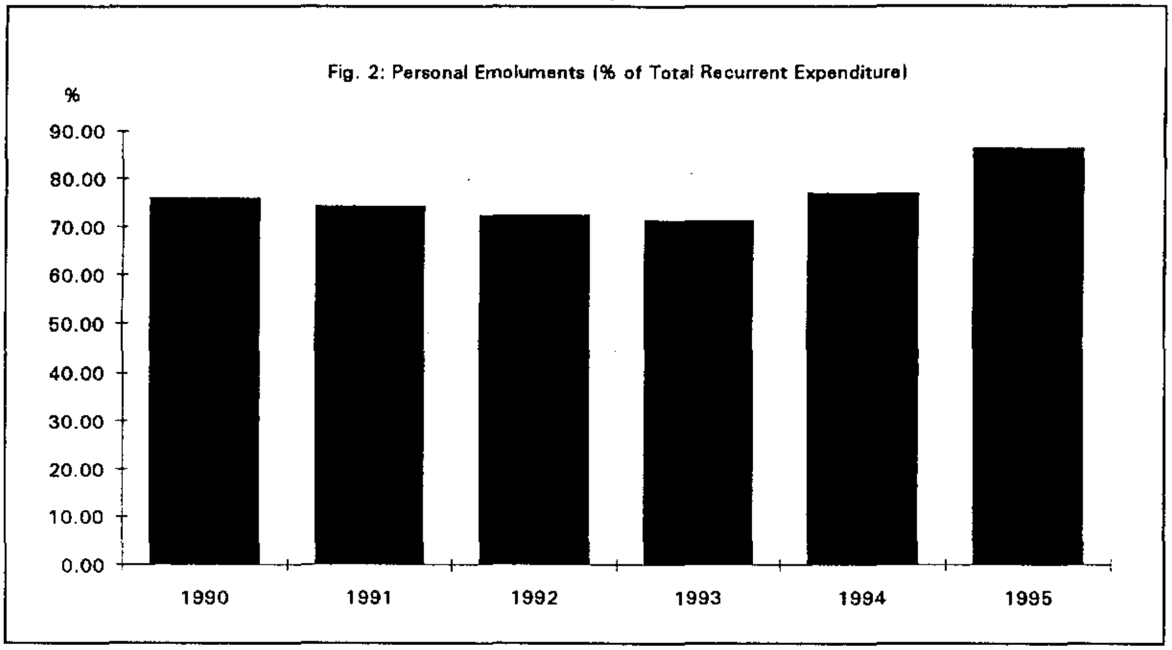
4. EXPENDITURE PATTERN AND EFFECTIVENESS

4.1. The Importance of the DCC Expenditure

Health, education and water supply are crucial community services in addition to other city related services. Thus, the satisfactory provision of these services and rehabilitation of related facilities should receive priority considering the national importance of the city of Dar-Es-Salaam. The main concern however is how to fund the provision of these services. There are four possible explanations for the observed underfunding of basic social services provided by the Dar-Es-Salaam City Commission. The first obvious cause is simply inadequate and inefficient revenue collection by the City Authority. Second, it could be that the city expenditure is overgrown such that the limited revenues have to be allocated over a very broad expenditure base which in turn leads to the observed lack of maintenance of physical infrastructure and poor quality of social services provided. The third possible explanation could be that what we see is a reflection of serious problems in expenditure planning in the Dar-Es-Salaam City Commission and its predecessor the Dar City Council. This requires an examination of the problems inherent in the current expenditure planning and division of responsibilities between the central and the local government. The fourth possibility is obviously a combination of the factors cited above. Since the first view has been addressed at length in the previous sections, this section examines how such finances are expended and how to improve the cost effectiveness of expenditure and then draws collorally policy recommendations.

4.2. Composition, Sectoral Allocation and Trends in Actual Recurrent Expenditure

The composition of actual recurrent expenditure is presented in Appendix Tables 1A and 1B. Three main features characterise the structure of expenditure of the defunct Dar-Es-Salaam City Council. One is that personal emoluments account for the lion's share of total recurrent expenditure (75 - 80 percent). As shown in Figure 2, this share remained almost undiminished for the period 1990 to 1993 but rose subsequently to almost 80 percent by 1995.



A closer look at the composition of the personal emoluments expenditure item shows as expected that this reflects mainly wages and salaries of the city authority employees. More specifically, an examination of sectoral allocation of actual recurrent expenditure data (see Figures 3 to 5) shows that 50 to 55 percent of the city's expenditure on personal emoluments goes to pay salaries of primary school teachers (education & culture Committee) and generally exhibited an upward trend from T.shs. 0.44 billion in 1990 to T.shs. 1.1 billion in 1993 and more than doubled to T.shs. 2.7 billion by 1995. The other sector which absorbs a significant share (i.e. 1/4 to 1/3) of the city's expenditure on personal emoluments is the health and social welfare sector. However, unlike the case of personal emoluments for the education and culture sector where both the absolute amount as well as its share in the total expenditure on personal emoluments have been increasing, the share of personal emoluments going to the health and social welfare sector showed a declining trend from 32% in 1990 to 24 percent by 1995.

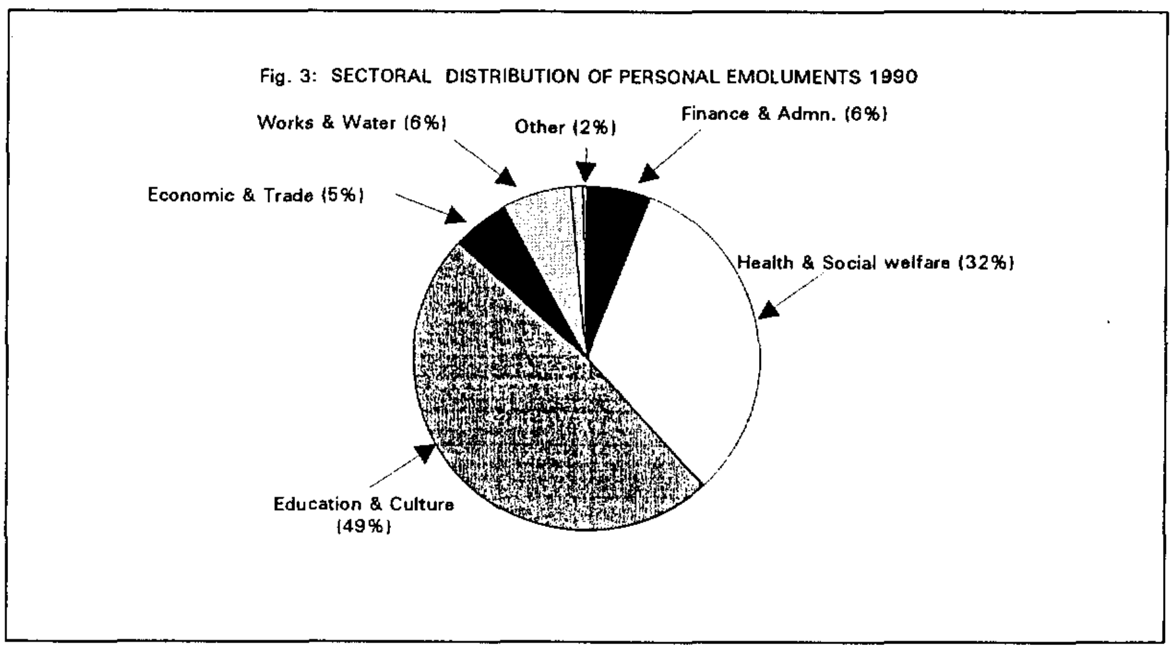
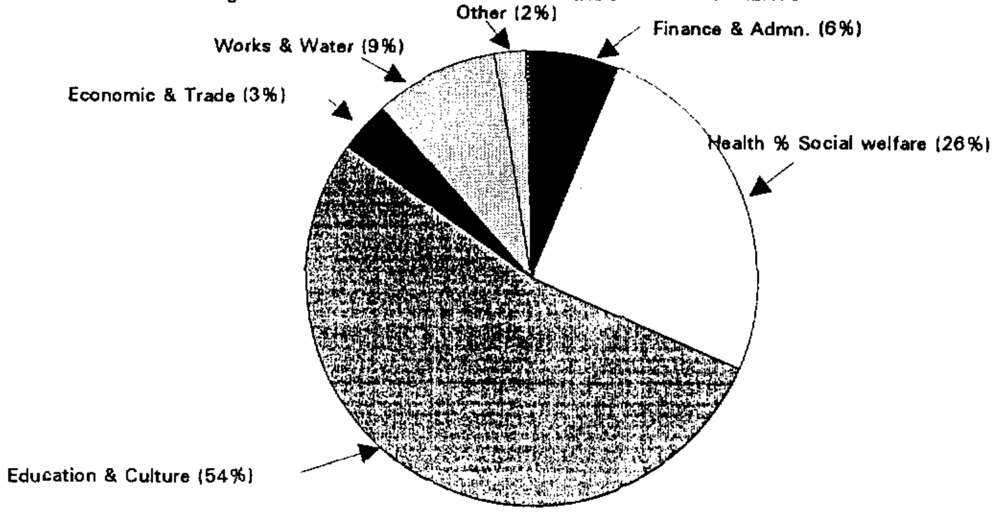
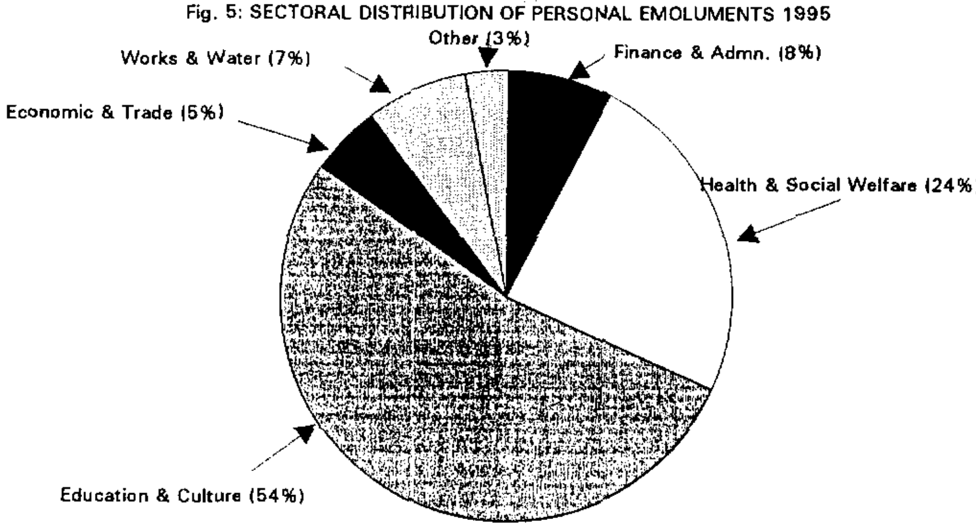


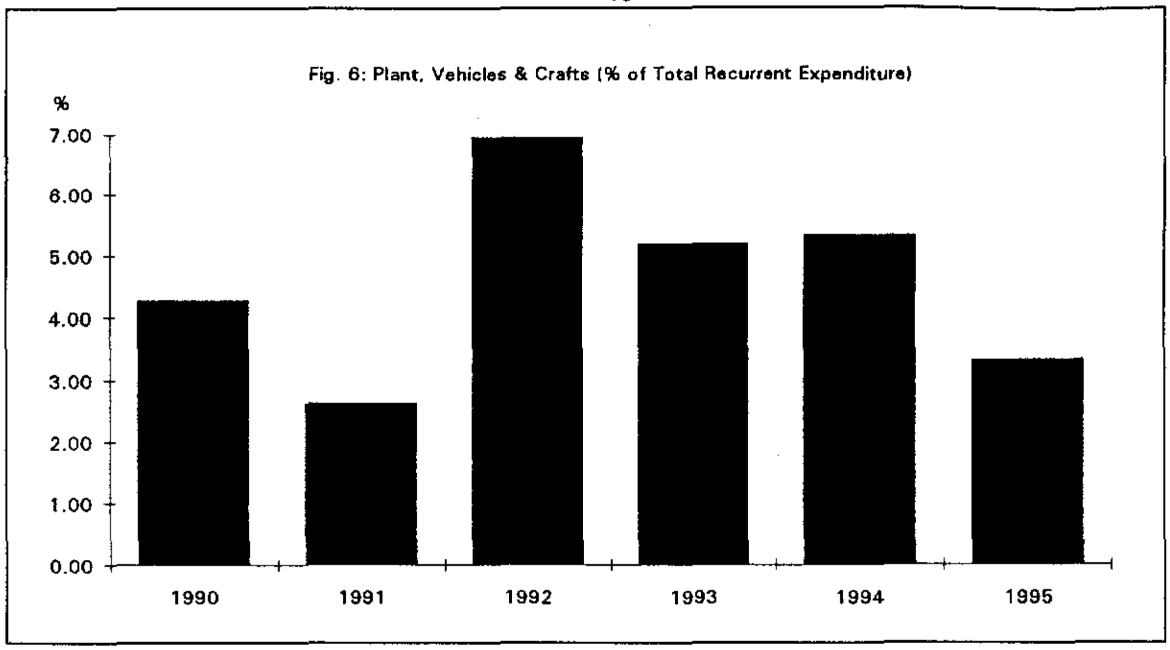
Fig. 4: SECTORAL DISTRIBUTION OF PERSONAL EMOLUMENTS 1992



Other sectors with a relatively significant proportion of expenditure on personal emoluments include works & water (6 to 11 percent), finance & administration (5 to 8 percent), and Economic & trade (3 to 5 percent).

Fig. 5: SECTORAL DISTRIBUTION OF PERSONAL EMOLUMENTS 1995





The second largest recurrent expenditure item is plant, vehicles & crafts. On average this expenditure item accounts for between 2.5 and 7 percent of total recurrent expenditure. However, the interesting feature is that expenditure on this item as a proportion of the total has tended to fluctuate annually (see Figure 6). This generally reflects the availability of subventions from the central government.

The volume of other overhead costs (i.e. transport & travelling; office & general supplies; uniforms; insurance; advertisements & publications; and councillor allowances) together accounted for an average of 5.4 percent of total recurrent expenditure for the period 1990 to 1995. Nevertheless, the proportion of these expenditure items in total recurrent expenditure exhibits very wide fluctuations as per figures 7 to 9 below. This probably suggests that the items are more or less accommodating items and can be decreased or increased in accordance with available financial resources.

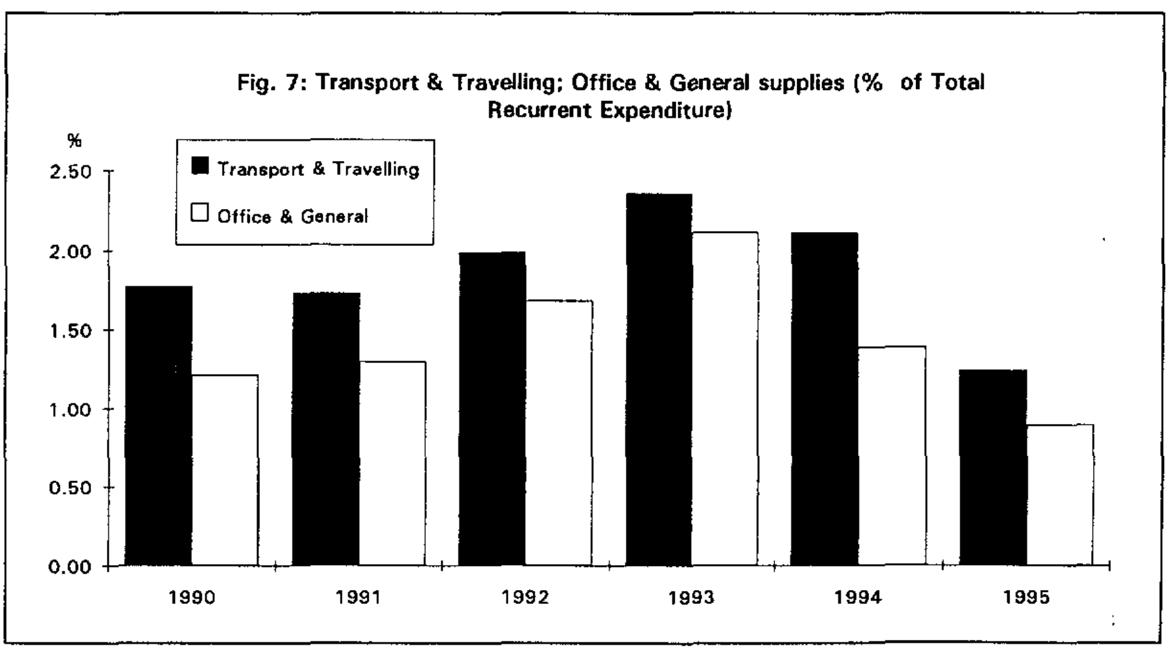


Fig. 8: Uniforms; Insurance; and Advertisements & publications (% of Total Recurrent Expenditure)

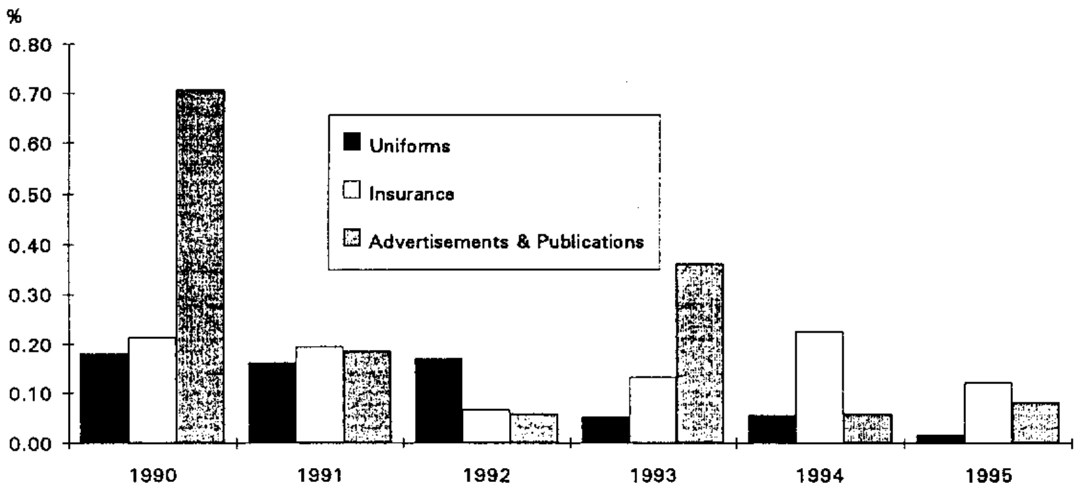
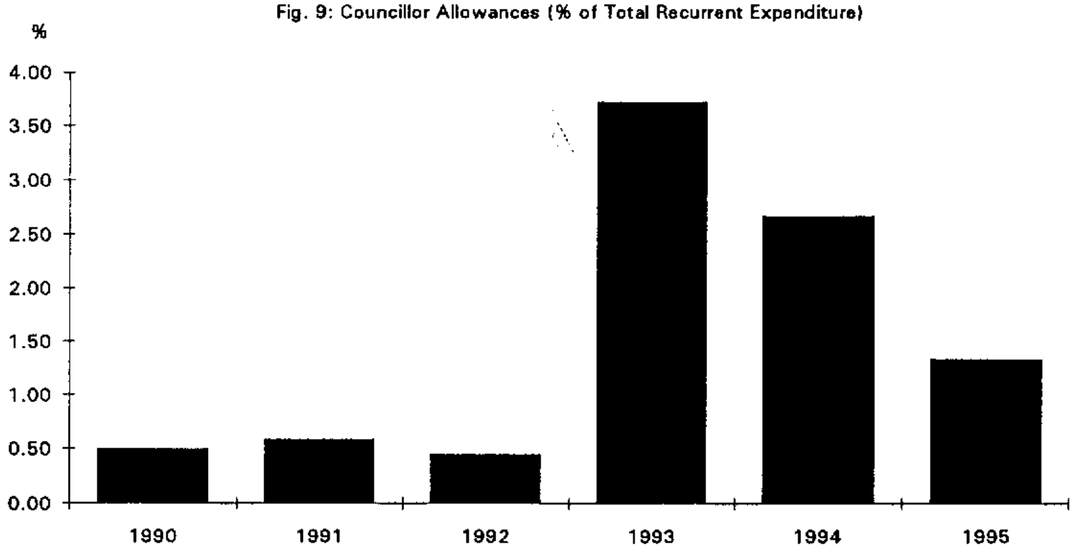


Fig. 9: Councillor Allowances (% of Total Recurrent Expenditure)



The second main feature of the expenditure budget is that generally expenditures of a recurrent nature on the basic social services other than personal emoluments are very negligible (see Figures 10 to 12). For example, over the period 1990 to 1995, expenditure on hospital services, vaccinations and diet as a proportion of total recurrent expenditure of the city have each consistently been below 1 percent. Expenditure on drugs remain below 3 percent. Analogously, all recurrent expenditure items on education (other than personal emoluments) have been below 1.5 percent. The same is also true in the case of sanitation; parks & gardens; road maintenance & resurfacing; and maintenance of water supply. Thus indeed the pathetic state of these services in Dar-Es-Salaam mirrors the very meagre budgetary allotments to their recurrent requirements.

Fig. 10: Hospital Services, Drugs and Vaccinations (% of Total Recurrent Expenditure)

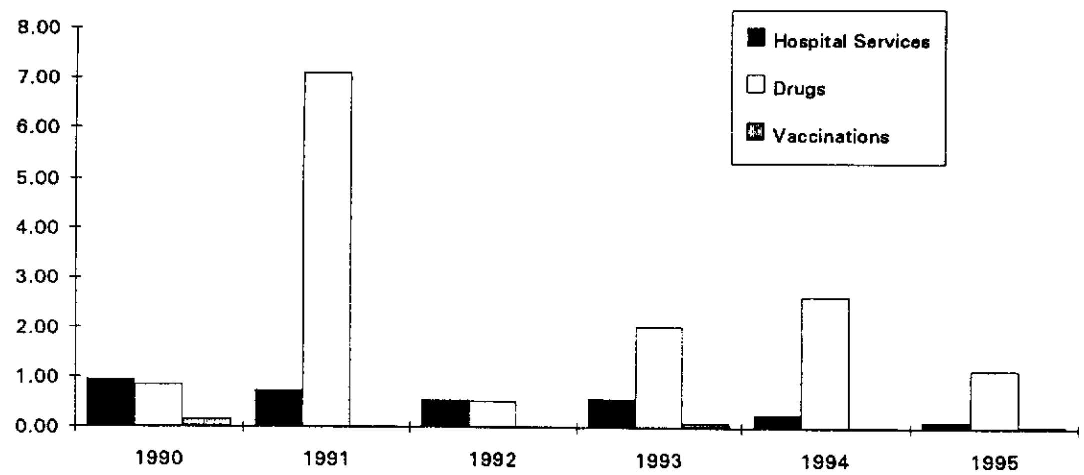


Fig. 11A: Road Maintainance; Road Resurfacing and Maintainance of Water Suupply (% of Total Recurrent Expenditure)

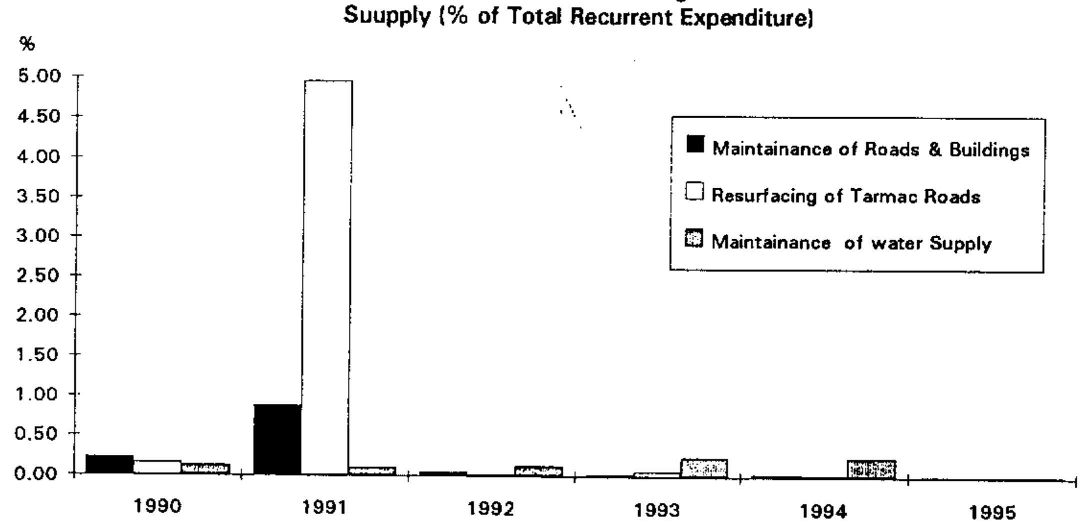


Fig. 11B: Sanitation and Parks & Gardens (% of Total Recurrent Expenditure)

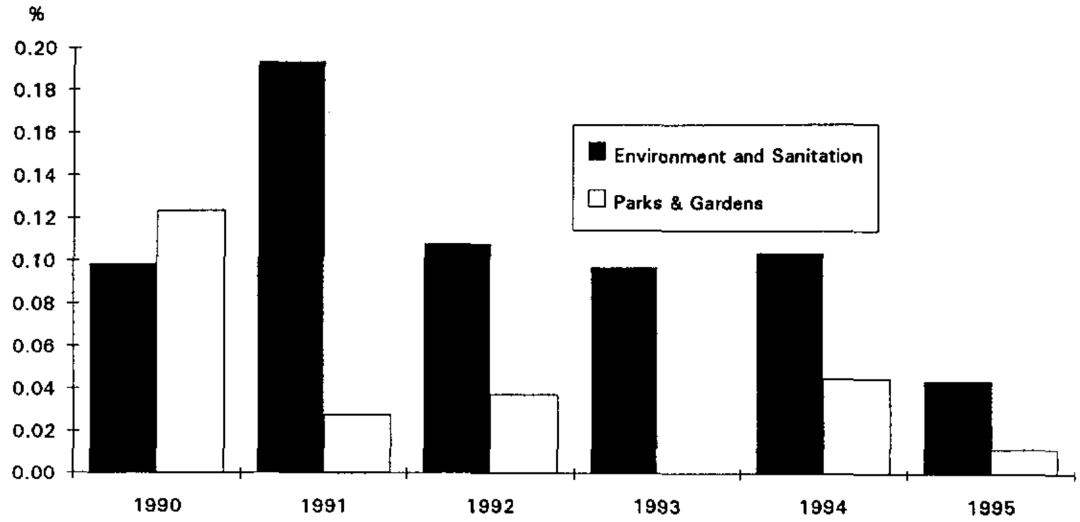
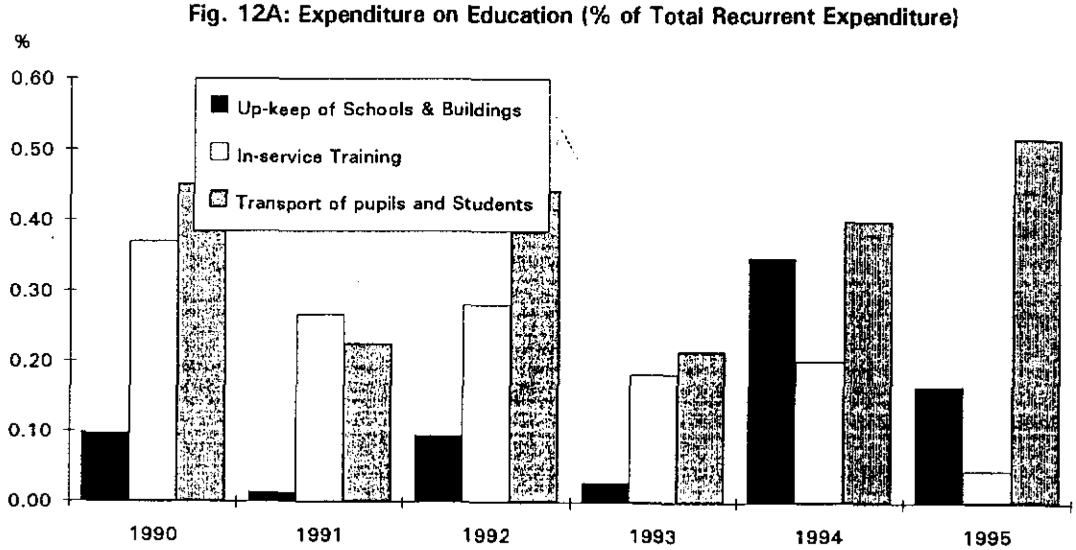
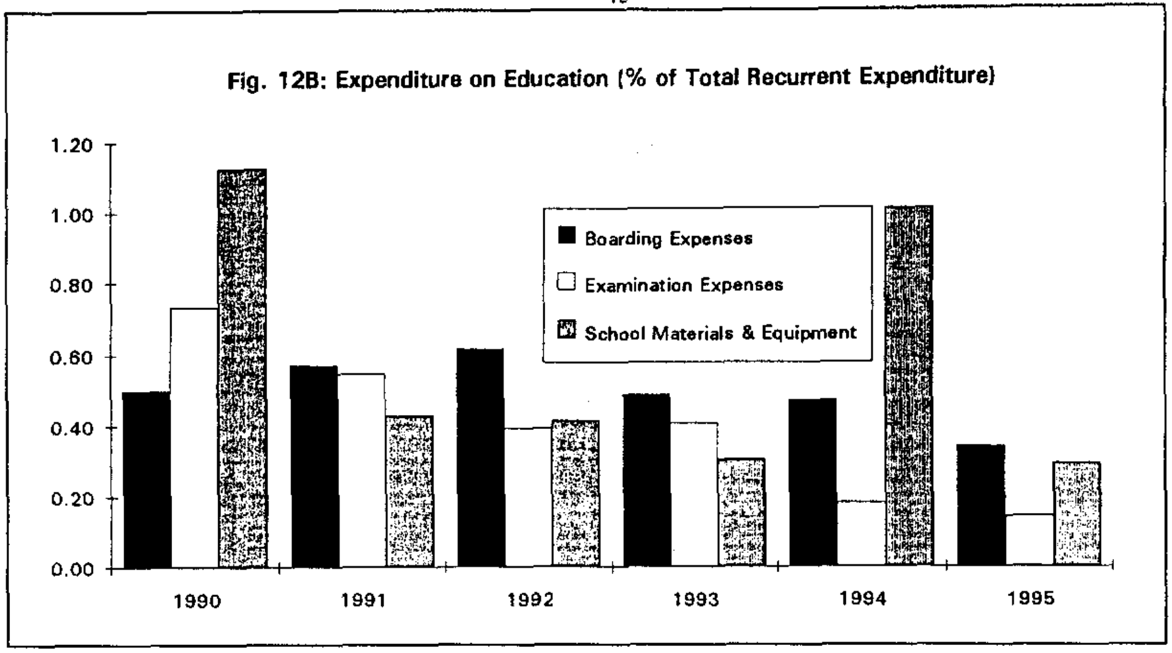


Fig. 12A: Expenditure on Education (% of Total Recurrent Expenditure)





As regards the overall sectoral allocation of recurrent expenditure (Figures 13 to 15), the main feature which emerges is that it largely reflects the relative size of the personal emoluments in that sector. In general education & culture dominates and claims 43 to 50 percent of total recurrent expenditure. When looked at over time, one notices that this share has tended to increase from 39 percent in 1993 to 49 percent in 1995. The second largest share goes to the health and social welfare sector which claims between 25 and 32 percent. This share has averaged about 25 percent since 1992. The other major consumers of recurrent expenditure are finance & administration (8 to 18 percent), and works & water (6 to 12 percent). However, it is quite apparent that these sectors were the target of retrenchment and cut-backs in spending and more so for the former. The share of Finance & administration declined from almost 19 percent in 1993 to 13 percent by 1995.

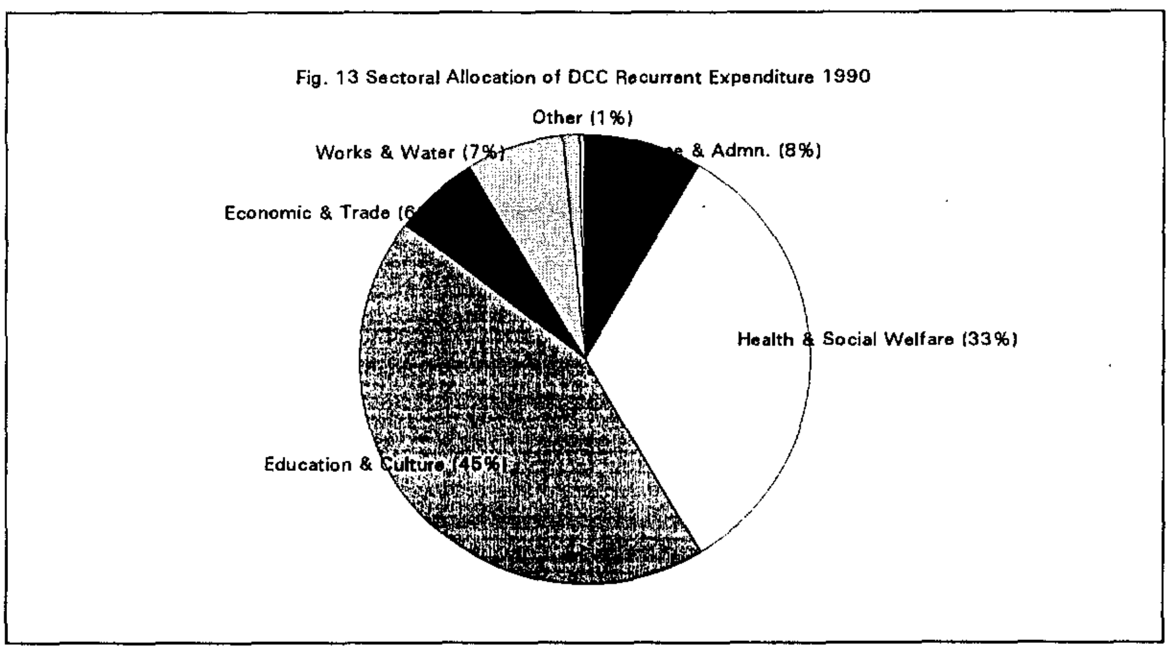


Fig. 14: Sectoral Allocation of Recurrent Expenditure 1992

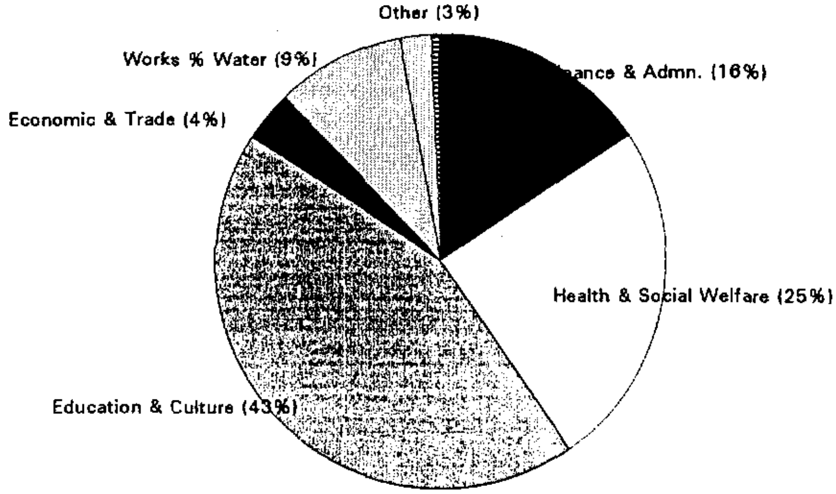
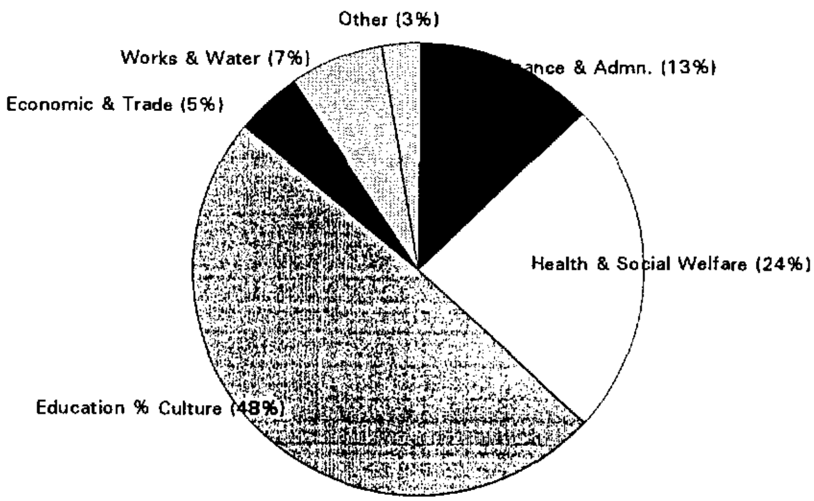


Fig. 15: Sectoral Allocation of Recurrent Expenditure 1995



4.3. Actual Versus Estimated Expenditure

The other main characteristic of the recurrent budget is that generally budgeted amounts exceed the actual amounts spent except for 1991 and 1994 (see Appendix Table 4). Apparently it is also quite common that the actual amounts spent exceed the budgeted amounts. Examples include finance & administration in 1991; health & social welfare for 1990,1991 and 1994; education & culture for 1991, 1992 and 1994; and economic & trade sector for 1990 and 1993. This either reflects expenditure over-runs or availability of extra funding.

4.4. Development Expenditure Pattern

The composition and pattern of the DCC actual development expenditures is presented in Appendix Tables 6A and 6B. The main expenditure items are those of a long-term nature notably on roads; plant, vehicles & crafts; and buildings. These categories of capital expenditures consume over 90 percent of the total development budget of the city council. The overriding feature of the capital budget is extreme volatility of both the absolute amounts spent on different items each year as well as the relative shares of each item in total development expenditure. There are two factors this feature: first, apparently the expenditure on development activities hinges on the magnitude of flows of subventions from the central government. Secondly, the volatility most likely reflects the possibility that funds originally intended for the development budget are switched to cater for deficits in the recurrent budget. The volatility characteristic is also reflected in the wide divergence between the budgeted amounts *vis-à-vis* the actuals.

4.5. Main Expenditure Items and Areas of Excess

In summary, DCC has two main recurrent expenditure items. These are personal emoluments and plant, vehicles & crafts while the principal development expenditure items include roads, buildings, and plant, vehicles & crafts. Given the scope of this study it has not been possible as yet to establish areas of excess. Whether the expenditure on personal emoluments is excessive or not can be established only through close scrutiny of the organizational structure and functions actually performed by the DCC. During the field work it was revealed that a separate study on the structure and functions of DCC was being initiated. The results of that study should throw further light on this issue. On the basis of the thrust of the findings of the present study it is recommended that priority in the new structure should be given to facilitation of revenue mobilization.

5. RELATIONSHIP BETWEEN THE CENTRAL GOVERNMENT AND DCC

In this study the relationship between the central government and the local government authorities was examined in general, but more specifically in connection with DCC. The study focused on three main areas of:

(a) Power sharing and relations on policy formulation and the legislative matters

(b) Sharing of revenues and fiscal sources

(c) Civic and administrative relationships.

5.1. Power Sharing, Policy Formulation and Legislative Matters

An in-depth examination has revealed that policy formulation and legislative relations were defined about twenty years ago when Tanzania's population was a mere 12.5 million people. With more than double the population and a changed political framework, a review of the local government act seems to be imperative if it is to meet present as well as the immediate future needs. Indeed, the first problem experienced by those entrusted to administer local authorities such as the Dar-Es-Salaam City Commission (DCC) is the glaring legislation overlaps and absence of policy co-ordination. The DCC admitted that there are national and sectoral policies such as those affecting governance at district, municipal, as well as regional levels which have, with the passage of time, become outmoded, often conflicting and confusing the residents of Dar-Es-Salaam. Sectoral policies on health, education, law and order, land utility and management as well as urban planning, have not been updated in recent years such that overlap is well pronounced, while the lack of accountability for unclearly defined responsibilities, especially in education and other social service sectors, has contributed to the observed poor social service provision by the DCC. As discussed in greater detail later in this chapter the distribution and sharing of financial resources is key to the sustainance of civic and social services. However, there is a lot to be done in this regard to enable the DCC to meet its responsibilities and minimise the current excessive dependency on subventions from the central government.

5.2. Distribution of Responsibilities and Equitable Sharing of Fiscal Resources

In the course of this study the current practice was found to be characterized by narrow bases of the revenue sources allocated to the urban councils with very limited yield potential and often do not match the ever growing responsibilities resulting from the fast growing urban population.

The decision to distribute responsibilities between the central government and the local authorities ought logically to recognise the need for a fair and proportionate distribution of finances, and especially adequate revenue sources. Ideally, allocating certain types of revenue sources to local authorities should of necessity be sources which grow and whose potential tax bases may be tapped to the optimal level.

This study advocates an equitable distribution of fiscal resources commensurate with the responsibilities entrusted and shouldered by the DCC and other councils. Where the central government is responsible for the provision of grants and subsidies, there should be a clearly defined formula as regards amounts of finances and the time within which the funds should be released by the central government. It is the view of the study team that local authorities should, upon assuming their responsibilities, raise their own revenues through taxation, investments, donor funds solicited etc. such that they become independent of the central government subventions.

5.3. Duplication of Effort in Administration

This study has established that there are many areas in the administrative set-up where similar functions are performed by both the central government and the local authorities and hence unnecessarily duplicating effort and wasting resources. Negotiations should be initiated between DCC and Central government departments with a view to reducing or removing the duplication of efforts.

5.3.1. *Regional Administration Versus the DCC*

The problem starts with the legislation establishing the local authorities in 1982. The demarcations between the urban / district councils and the regional office is not unambiguous. Conflicts exist especially between the role, duties and jurisdiction of the regional administrative office and those of the DCC down to the ward level. Thus there is an urgent need to revisit and up-date the responsibilities of the central government *vis-à-vis* those of the DCC. For instance, the law needs to be changed to reflect the transformation of the country into political party pluralism and hence revise sections of the law which still make reference to the single party era.

5.3.2. *Role of Central Government Ministries*

The question addressed here is: When should different ministries get involved in the delivery of services which are local in character such as allocation of plots and collection of land rents etc.? This study suggests that the role of the central government ministries should be confined to policy formulation and only providing guidance to the local governments. The local governments should in turn assume a more active role to promote democracy and peoples' participation at the local level as well as enhance accountability in line with the spirit of self-reliance policy.

5.3.3. *Closer working relationship with TRA*

The DCC and TRA are both engaged in tax collection efforts but these efforts are not sufficiently coordinated. This results in duplication of efforts often to the detriment of the tax payer. There is need to coordinate these efforts with a view to reducing inconvenience to the tax payers while enhancing the effectiveness of tax collection efforts.

First, recognizing that TRA has files of all registered businesses and has greater capacity and experience in matters of tax collection. It is recommended that the DCC should negotiate with

TRA with a view to tapping the experience and capacity of TRA in tax collection. Under specific agreements TRA could collect some taxes on behalf of DCC. In order to simply its administration (e.g. balancing accounts between TRA and DCC) it may be possible to agree that *cheques for DCC revenues be made payable to DCC.*

Second, the tax burdens arising from TRA's and DCC's tax efforts should be recognized and coordinated by both parties. For instance, it should be agreed that once one of the two institutions has collected its taxes the other institution should grant tax relief in recognition of the taxes which have been collected by the other.

6. OBSERVATIONS AND RECOMMENDATIONS

This study has examined the DCC's structure of finances (revenue and expenditure), its funding gap, budgeting process, and DCC - Central Government relationship. To reiterate, the following observations and recommendations have emerged:

6.1. Observations

6.1.1. *Revenue:*

The following observations on revenue bases, revenue sharing or division, rates and collectability by Local Authorities are submitted for consideration.

6.1.1.1. ***Narrow Tax base*** - Practically all local authorities command narrow tax bases in contrast with the Central Government's bases which are broader and of higher potential. As a consequence effectiveness of DCC and other councils' revenue mobilisation efforts has greatly been reduced.

6.1.1.2. ***Share of Revenue Take*** - As described above, it would appear that the Central Government did not properly match up the burden born by DCC or councils generally in provision of various services *vis-à-vis* the revenue sources. If this was reasonably balanced even at 45:55, the extent of dependence of councils on the Central Government would have been reduced. For example, most licences come under central government though operationally, it is the Local Authorities which render services to residents in the commercial sectors.

6.1.1.3. ***Rates and Rate Structure*** - It has been observed that some of the rates are low, have been static for many years hence leading to low revenue yield. Such rates need to be increased to take care of inflation and associated operational costs. Market stalls fee of T.shs. 300/= per month, for instance is too low to cover costs of maintaining the stalls. A daily rate of Tshs 100/= would probably have been a little near the compensation for the cost of service rendered to traders by the City.

6.1.1.4. ***Numerous Number of Taxes*** - DCC has over 40 types of taxes, of which less than 10 are major. We have recommended various approaches towards tapping their potential.

6.1.2. *Expenditure:*

This study observed numerous issues and problems ranging from uncertain release of grants and subsidies, unproportionate contribution of expenditure funds (especially development expenditure) by the Central Government, unproportionate indirect cost of budget related to direct costs e.g. travel on leave, motor vehicle running costs, etc.

6.1.2.1. *Grants and Subsidies* - These account for an average of 70% of DCC's annual expenditure. However, the Central Government contributes, with a degree of delays, grants for remuneration of education and health staff, leaving travel costs for leave for a total labour force of 7500 (Education and Health) to DCC. Definitely, DCC's narrow revenue base cannot meet the demands of this labour force. We observed also that untimely release of grants have caused operational problems to DCC and has also affected the budgeting process since any salary/wage increase have had disturbing impact on DCC whose budget lags behind by six months. New salaries, if any, have usually been implemented at the beginning of the Central Government's new financial year in July. This has brought about a budget disparity since DCC and other local and urban authorities' financial year begins in January.

6.1.2.2. *Uneven Match of Revenue Vs Workload Burden:* It has been observed that for several years the Central Government had not fully released sufficient funds that could match workload transferred upon DCC's. This has in turn caused DCC's projects to either perform poorly, lag behind, or get abandoned.

6.1.2.3. *Budgets which Overlap* - Development budget expenditure has suffered a lot. It could not be established why central government uphold Local Government calendar year accounting system since it has been proved that tasks e.g. projects funding can not be matched up for the full use resources for the benefit of residents.

6.1.3. *Funding Gap:*

We observed that there are various factors which give rise to funding gaps, e.g.:

6.1.3.1. *Different Budget Timing*: Central Government's revenue and expenditure budgets both run from July/June. But, Local Government's recurrent budget runs from January/December, meaning that there is a six month gap, which with any administrative or operational delays could cause a funding gap.

6.1.3.2. *Weak Revenue Collection* - Poor Revenue collection capacity as opposed to expenditure activities gives rise to huge funding gaps in most Councils. We observed that DCC and presumably other Local Government authorities are expenditure-oriented as they appeared to have less revenue collection discipline than that largely pronounced in the expenditure arm. It is often true to say that many people spend less time and efforts on earnings as against time allocated to spending needs.

6.2. Recommendations

These recommendations are put forward for consideration, adoption and implementation. Some of the recommendations may be for short-,medium-, or long-term adoption and implementation.

6.2.1. *Recommendations on Revenue:*

6.2.1.1. *Clear Demarcation and Share of Sources* between central and local government. We recommend that all licensing in urban be administered by councils for it is these councils which host residents and incoming investors. Ministries should be left with policy formulation responsibilities only. If need be, urban councils could pay a small fee to Ministries to off set any administrative costs.

6.2.1.2. *Taxbase Expansion*: DCC need to brace itself for planning for expansion of its tax bases by evolving sound revenue collection measures like providing proper identification, research on base potentials and installation of sound machinery to tap taxes.

6.2.1.3. *Improve Administration and Capacity:* DCC must build its capacity by recruiting high quality staff, training and investing in equipment and methods that enhance better performance.

6.2.1.4. *Conflict Removal:* DCC should remove all conflict areas by enacting clear legislations which ensure that taxpayers are not unduly double-taxed or subjected to numerous taxes.

6.2.1.5. *New Taxes Introduced*: Whilst DCC should merge, abolish some old out-moded taxes, new buoyant taxes such as the City service levy and property tax (without land rent which has to be abolished) must be thought of. Revision of rates of other taxes, e.g. fees on billboards, market stalls, etc. should be effected if they are to be economical.

6.2.2. *Recommendations on Expenditure*

6.2.2.1. *Grants Release:* It is recommended that grants received from the Central Government (for Teachers and Medical Staff) should include their travel and other leave expenses rather than leaving the burden to DCC which is mere facilitator.

6.2.2.2. *Recurrent Expenditure and Development:* Recurrent expenditure must be pegged or aligned to the Central Government's July/June financial year.

6.2.2.3. *Restricting Expenditure Budget to Revenue:* It is recommended that Expenditure budget must be restricted to available revenues so as to maintain a balanced budget. Again it is unwise to budget on and peg the expenditure on unpredictable sources of revenue such as donations and investment projects.

6.2.3. *Recommendations on the Funding Gap*

6.2.3.1. *Shift of the Budget Timing*: It is recommended that local authorities and DCC should shift their budget timing to make it coincide with that of the Central Government. It has been noted that difference in time has contributed to funding gaps.

6.2.3.2. *Release of funds*: Timely release of funds must be observed by the Central Government if plans and normal operations of the DCC are to be unaffected.

6.2.4. *Specific Recommendations to Enhance Cost Effectiveness*

6.2.4.1. Adjust the Dar-Es-Salaam city Commission budget to levels consistent with the growth of the region's economy (GDP). This translates into constraining the growth in recurrent expenditure within 5 percent.

6.2.4.2. Curtail the overall Dar-Es-Salaam city expenditure budget. The priorities for cutbacks should include:

(i) Trimming administrative overheads through further labour shedding to the minimum possible labour requirement.

(ii) Limiting expenditure over-runs. That is, agreed spending priorities and limits should be enforced.

(iii) Stricter control on use of fuel for DCC vehicles and other equipment as well as travel and leave allowances.

6.2.4.3. Improve expenditure planning and control systems through more effective budgeting, monitoring and evaluation. The following points should be contemplated:

(i) Dispatch of budget guidelines from the Ministry of Local Governments to the DCC and subsequently to the implementing agencies or heads of departments should be timely.

(ii) The use of approved expenditure of the previous year plus an incremental adjustment ratio as the basis of expenditure budgeting should be abandoned in favour of zero budgeting where each expenditure item has to be justified each year.

(iii) Co-ordination of expenditure within and across sectors and districts with regular inspection of projects.

6.2.4.4. Health, education and water supply are crucial community services. Thus the recurrent expenditure requirements of these services (medicines and medical equipments, teaching materials, laboratory equipment and chemicals as well as facility rehabilitation should receive first priority.

6.2.5. *Recommendations Towards a Better Central Government - DCC Relationship*

In order to improve the image and future relationship between the DCC and the central government, the following recommendations are proposed.

6.2.5.1. The power relations between the central government and local authorities should be redefined to minimise duplication of effort. DCC should have a monopoly to raise financial resources from activities or services of a local nature so as to be able to provide the services required to attract investor to take-up certain services from (or on behalf of) DCC such as the construction of high-rise car parking buildings, refuse collection and/or recycling etc.

6.2.5.2. Since urban planning and land management are the responsibilities of the local authorities and indeed do render services to any one putting-up permanent premises or buildings, then charges for land rent should be collected by the local authorities. Alternatively land rents could be abolished in the urban authorities as this levy is well absorbed by the property tax. Land rents should only apply in the case of rural plantations. The levy could be collected by the Tanzania Revenue Authority (TRA) and an appropriate share be subsequently transferred to the local authorities.

6.2.5.3. The legislative matters should be redefined so that the central government courts effectively help the local authorities in the enforcement of the local government by-laws. At the same time the single Dar-Es-Salaam city council court available with city askaris whose formal recognition, training, and discipline has been an eyesore to many city residents should be upgraded. This requires that a well publicised law is enacted, advocating the existence and status of the DCC askaris as well as the DCC court. These should be at par with the regular police force and secular courts. The training and expected discipline of the DCC askaris when executing their duties should also be spelled out clearly. All in all, the DCC and other urban councils should in general be availed a better trained brand of law enforcers and traffic police perhaps on secondment basis from the central government.

6.2.5.4. The 21st century thinking is focused towards commercialisation of public services and utilities which consume a lot of financial and human resources. This study has come to the conclusion that given sufficient autonomy and correspondingly enough revenue sources to meet both recurrent and development outlays, the central government should as soon as it is practicable surrender some revenue sources to the local authorities. Such sources should include licenses, fees on land, user charges for city services and avail some proportion of the road toll fund to DCC. The government should also start paying taxes on its buildings to the urban authorities.

6.2.5.5. This study has established that there are many areas in the administrative set-up where similar functions are performed by both the central government and the local authorities and hence unnecessarily duplicating effort and wasting resources. Negotiations should be initiated between DCC and Central government departments with a view to reducing or removing the duplication of efforts

6.2.5.6. First, the DCC should negotiate with TRA with a view to tapping the experience and capacity of TRA in tax collection. Under specific agreements TRA could collect some taxes on behalf of DCC.

6.2.5.7. Second, the tax burdens arising from TRA's and DCC's tax efforts should be recognized and coordinated by both parties. For instance, it should be agreed that once one of the two institutions has collected its taxes the other institution should grant tax relief in recognition of the taxes which have been collected by the other.

6.2.6. *Recommendations to Improve the DCC Overall Performance*

This study has come-up with a set of recommendations both of a general and specific nature

6.2.6.1. *General Recommendations on Tax Administration*

In order to achieve revenue buoyancy, the DCC must put in place and as soon as it is practicable the following pillars of a successful and efficient tax administration:

6.2.6.1.2. *Taxpayer Identification*

Broaden the tax base through the identification of taxpayers as well as other revenue sources which currently remain untapped.

6.2.6.1.3. *Training of Staff (Revenue Collectors)*

Recruit and train competent and aggressive staff for efficient collection of taxes, levies, user charges etc.

6.2.6.1.4. *Revise Tax Rates and Rate Structure*

DCC is well advised to review its rates of taxes and levies which for many years have been static and failed to keep pace with the changing economic situation. A review of the rates across the board would be appropriate although specific suggestions on certain taxes and levies has been mentioned.

6.2.6.1.5. *Modernisation of Accounting Activities*

In order to effectively maintain a good data base and other relevant information on such taxes as property tax, the proposed city service levy, and development levy, it is crucial that the DCC modernises its accounting activities through the introduction of modern information technology and use of more computers instead of the single PC available at present at the DCC headquarters.

6.2.6.1.6. *Introduction of New Taxes and Levies*

The DCC is advised to introduce new taxes which have a wider tax base and a higher revenue potential. The city service levy is a typical and timely new tax which is both equitable and has a wider coverage (base).

6.2.6.1.7. *Abolition of Old and Outdated Taxes and Levies*

The DCC should abolish all types of taxes and levies which are uneconomical to administer. This has the advantage that it permits the re-deployment of resources to the collection of new high yielding revenue sources.

6.2.6.1.8. *Recovery of Revenue Through Legal Action*

The DCC should strengthen (evolve) revenue collector-squads, complemented by aggressively taking legal action against big tax defaulters. More resources and efforts should be redirected to prosecute large scale defaulters rather than hawkers ("machingas").

6.2.7. *Specific Recommendations for Raising Revenue*

The taxes, levies, fees, and user charges specified below carry recommendations which if effected could improve compliance, result into increased revenues, simplify tax administration. They can also enable the DCC to redeploy its meagre resources to sources with a higher revenue potential as well as reduce the DCC dependency on subventions from the central government.

6.2.7.1. *Development Levy*

Streamline the rate structure such that those residents of the city who have more ability to pay, contribute more using the graduated system. It is proposed that the minimum levy for Dar-Es-Salaam city should be pegged at T.shs. 300 per month or T.shs. 3,600 per annum for non-salaried individuals. This is equivalent to only 1 per cent of the minimum wage. Note that those who are self employed usually pay other taxes, levies and fees upon procurement of licenses. Employees would have to pay development levy of 1 percent of their monthly salary or annual earnings. The 1 percent rate is seen to be affordable and may easily be collected from employers.

6.2.7.2. *City Service Levy*

This study proposes the introduction of a city service levy which could, if adopted, raise a substantial amount of revenue. The city service levy is a broad based tax compared to the industrial cess which is herein recommended for abolition on the grounds that it lacks a well defined rate structure, has a narrow base and is inequitable. While the business community proposed a rate of 0.3 percent to be levied on turnover net of other central government taxes on the same base, this study is of the opinion that implementing this proposal would be administratively cumbersome. It would, inter alia, delay the determination and collection of the city service levy. To avoid such obvious operational problems, this study recommends an alternative rate of 0.25 percent on the gross turnover to be adopted by both the DCC and the business community.

Furthermore, the study recommends that for assessment purposes, the appropriate turnover be that of the preceding year. For example, the city service levy of 0.25 percent would be levied on a corporate firm's 1996 turnover and collected in 1997. Thus if the proposal is adopted this year, the assessment will have to be made on the 1996 turnover for which data is available by now.

6.2.7.3. *Property Tax:*

DCC has not made much progress in instituting property tax. DCC is still collecting records while the valuation exercise has just covered one third of the potential base. Legislation on property tax needs improvement and a sensitivity test remains to be done. The advantage of the property tax is that it has a wide revenue base and cannot be easily evaded considering that buildings are immovable.

(a) Rate:

This study found that the current rate of 0.1 percent is acceptable to most taxpayers. Any attempt by the DCC to raise this rate would be futile and spark resistance. This study recommends to the DCC to maintain this rate.

(b) Appeal and Resolution of Disputes:

The DCC has not appointed the tribunals and the appeal procedures remain unoperational. Considering that appeals have been launched for over 60 percent of property valuations for 1996, if this remains unresolved the collection of the 1997 property tax stand to hit a snag.

To solve the problem of expensive valuation costs and the contesting possibilities, the Mtei Commission recommended the amendment to require all owners of property to submit to DCC, the cost of any building owned, certified by an architect or quantity surveyor. This recommendation should be implemented. The submitted costs of any building/property owned should then constitute a basis for setting the taxable values of properties after taking into account the use in which the property is made.

(c) Legal Framework:

The present law is vague and encourages disputes. Exemptions of commercial properties owned by religious bodies is a grey area which calls for clarification. Although the current law is silent on this, the study team feels that while churches and mosques should continue to be exempted from the property tax, other buildings and premises used by religious denominations for commercial purposes should be subjected to the property tax. This study also recommends that while the current registration, valuation, and collection of property taxes should continue there is a need for a follow-up study to re-examine the most efficient way of administering this tax.

6.2.7.4. ***Commercization of DCC Investment Projects:***

Considering the limited administrative and managerial capacity of DCC it is recommended that its investment projects be privatized or at least seek joint ventures.

6.2.8. *Recommendations on the Need to Share Revenue*

There is another area which calls for impartiality and proper understanding on the part of both central and local government administrators such that any strive or deviation to previous revenue sharing arrangements do not result in the suffering of the city residents on account of poor or absence of essential services.

6.2.8.1. *Sharing Road toll Earnings*

Until now, there is a standing arrangement for central government to pay monthly or quarterly T.shs. 5 per litre out of T.shs. 60 per litre collected by the Central Government through the TRA. However, remittance has been inconsistent, irregular to the detriment of service provision by DCC. If the arrangement is strictly followed, it is believed that DCC need not duplicate efforts or collection activities rendered by TRA. However, how can one enforce such gentlemanly agreement which seem to lack legal enforcement. Conflict between central and local authorities is undesirable as this would be between father and child. For the moment and until there is irrevocable assurance from center of power, DCC's desire to collect the T.shs. 5 per litre may be justified.

6.2.8.2. *Sharing of Hotel Levy to Avoid Double Charge on Hotelliers of New City Service Levy*

With the introduction of the new city service levy, this study has found that the hotel industry sector which currently pays 20 percent hotel levy would be double-taxed. To avoid this, the Central Government through TRA should continue collecting the levy, but, it should remit to DCC each following month or as soon thereafter, a share of hotel levy equivalent to the new city service levy of 0.25 of turnover. This sharing arrangement would sort out double taxation and duplication of effort while at the same time effectively removing any ensuing conflict. In the meantime DCC should take the responsibility for collecting tax from guest houses at the rate of 10 per cent down from 20 per cent.

6.2.9. *Recommendations on Rationalization or Streamlining of Certain Taxes*

This study sets here below a list of DCC's existing taxes, fees, levies and user charges, which are to be merged, abolished, their administration improved or their rates adjusted upwards for economic (cost recovery) reasons.

6.2.9.1. *Taxes whose Rates Should be Adjusted Upwards*

Market Dues/Stalls Rent: Raise rate from T.shs. 300/= to 3000/= per month.
Advertisement Billboards: Increase rate.
Building Plans Fees: Increase rate
Bus Stand Fees: Raise rate from T.shs. 10,000/= to 15,000/= per annum to T.shs. 100,000/= to 150,000/= per annum, to reflect the damage that these vehicles cause on roads and these stands.
Entertainment levy/Cultural levy: Merge and increase rate
Abattoir Slaughter/Blood Drying Activities Fee: Merge and increase rate.
City Buildings Rent: Increase rent to reflect inflation and maintenance costs.

6.2.9.2. *Taxes Recommended for Merging for Administrative and Economic reasons*

To improve administration and avoid double-taxation of certain services the study recommends merging of the following taxes:

Taxes to be embodied in Business Licences Fee:

(i) Taxi, pick-up and lorry fees
(ii) Taxi registration fees
(iii) Forestry fees
(iv) Intoxicating liquor licence fees
(v) Sale of fish
(vi) Fisheries licence - should have prior approval of the Fisheries Dept. before licence is issued.

Other Taxes to be Merged:

(i) Entertainment levy and Cultural levy
(ii) Abattoir and Blood Drying activities
(iii) Cesspit emptying and Storm water drainage.

6.2.9.3. *Taxes Recommended for Abolition*

The new city service levy which is broad would replace the industrial cess and refuse collection fee. Other taxes recommended for abolition are: fire service fees, human resources licences, ambulance fees and hunting licences.

6.2.9.4. *Taxes Which Require Urgent Improvement in Administration*

Motor vehicle parking fees: The study suggests privatization of this service whereby DCC would deal with fewer agents. Work out modalities for revenue sharing between agents and DCC.

School Fees (English Medium) and UPE Contribution Fees: The study noted the desire to allow schools to continue collecting fees. However, checking/control mechanism would need to be improved to check possible abuse or misuse of these funds.

Road Toll and Machinery for revenue sharing between the Central Government and Local Authorities need to be put in place to avoid implementation problems. Alternatively, DCC should collect the Shs 5 per litre at same TRA collection points.

BUSINESS LICENCES COLLECTED BY :

DSM CITY COMMISSION	CENTRAL GOVERNMENT THROUGH TRA
1. DSM Business Licences item s analysis	1. Business Licence Clearances
2. Road Licence (abolished 1994)	2. Mineral Dealer Licences
3. Taxi, Pickups, Lorry Fees (plying)	3. Driving License
4. Intoxicating Liquor Licences	4. Cort broker / bailliff licences
5. Motor Vehicle Park Fees - meters	5. Traders Livestock Movement Licence
6. Taxi Registration Fees / Licence	6. Livestock Market Fees*
7. Local Liquor Licences	7. Weights and Measures fees*
8. Livestock Licenses*	8. Industrial Licences
9. Fisheries Licences	9. Companies Registration fees
10. Human Resources Licences	10. Film Censorship Fees
11. Hunting Licences	11. Video Licences
12. Weighs and Measures fees*	12. Air service Licences
13.	13. Wiremen license
14.	14. Cinema Operator Licences
15.	15. Electrical Contractors Licences
16.	16. Private Hospital Licences
17.	17. Private Doctors Licences
18.	18. Firearm Licence (collected by Police)

* identical services

ALL MOTOR VEHICLE REGISTRATION AND TRANSFER FEES COLLECTED BY

TANZANIA LICENCING BOARD	TANZANIA REVENUE AUTHORITY
1. Commerical Vehicle Licenses	1. Motor Vehicle Registration
2. Road Haulage Licences	2. Motor Vehicle Transfer (change ownership)
3. Passenger Vehicle Carrier Licences	3. Business Licence Clearance (Income Tax)
4.	4. Drivers Licence
5.	5.
6.	6.
7.	7.

Appendix 1 : Written comments and submission

The study team received and took in account written comments from the following:

1. Dar es Salaam City Commission
2. Confederation of Tanzania Industries
3. Dar es Salaam Merchants Chamber
4. Tanzania Breweries Ltd.
5. Paul Clem and Associates
6. The Textile Manufacturers Association of Tanzania
7. G.A.K. Patel and Co. Ltd.
8. A.J. Shah
9. Calico Textile Industries Ltd.

	TABLE A1: DOCUMENTS STRUCTURE OF ESTIMATED AND ACTUAL REVENUES (1990 - 1995)						
	Revenue Source	Financial/Calendar Year 1990		Financial/Calendar Year 1991		Financial/Calendar Year 1992	
	(Tax/Levy/Fee/etc.	Estimated (Tshs.)	*Actual (Tshs.)*	Estimated (Tshs.)	*Actual (Tshs.)*	Estimated (Tshs.)	*Actual (Tshs.)*
	A. Taxes						
1	Development Levy	150,000,000	*90,443,465*	150,000,000	*164,456,413*	150,000,000	*124,335,026.75*
2	Business Licences	120,000,000	*86,444,013*	120,000,000	*110,027,442*	125,000,000	*111,777,174*
3	Property Tax	6,000,000	*45,357,415*	70,000,000	*38,532,431*	73,000,000	*57,294,148*
4	Industrial Cess						
5	Road Licence Fees	85,000,000	*99,934,300*	120,000,000	*176,832,373*	130,000,000	*114,889,995*
6	Petrol Levy			250,000,000		300,000,000	*62,553,171*
7	Hotel Levy				*26,972,600*	95,000,000	*72,838,421*
8	Cesspit Emptying Fees	3,500,000	*2,610,190*	3,600,000	*2,921,450*	3,600,000	*5,077,620*
9	Taxi, Pick-up & Lorry Fees	85,000,000	*1,849,670*	120,000,000	*103,660,800*	150,000,000	*10,501,640*
0	Advertising Fee (Billboards)						*6,982,802*
1	Market Dues/Stalls Rent	10,000,000	*11,997,911*	11,700,000	*11,931,450*	23,620,000	*18,972,124*
2	Building Plans Fees	4,300,000	*8,145,223*	6,000,000	*7,777,017*	6,500,000	*6,263,845*
3	School Fees-English Medium	14,283,500	*20,300*	32,500,000	*7,338,685*	32,500,000	*16,108,531.50*
4	Intoxicating Liquor Licences		*2,645,801*		*22,547,145*		
5	Scaffolding Fees	1,500,000	*165,750*	2,500,000	*47,680*	3,000,000	*1,688,165*
6	Bus Stand Fees	500,000		600,000		700,000	*6,406,000*
7	*Forestry Products Fee*	500,000	*14,412*	100,000	*60,642*	100,000	*92,160*
8	UPE Contributions/Fees	32,765,600	*89,000*	38,500,000	*7,925,923*	38,500,000	*11,625,572*
9	Weights & Measures Fees	5,000,000		9,000,000	*4,268,815*	10,000,000	*4,340,980*
0	Sale of Fish (5% Commission)	500,000		2,500,000	*1,701,580*	3,000,000	*2,325,800*
1	Refuse Collection Charges	800,000	*476,000*	2,000,000	*722,500*	2,400,000	*2,317,550*
2	Motor Vehicle Parking Fees	1,320,000	*1,005,442*	2,000,000	*17,256,232*	3,500,000	*4,421,302*
3	By-Law Fines	200,000		300,000	*898,400*	1,000,000	*4,836,450*
4	Entertainment Levy	100,000	*237,000*	100,000	*7,905,810*	45,000,000	*15,774,110*
5	By-Law Permits Charges	2,000,000	*2,575,917*	2,000,000	*3,044,620*	2,500,000	*17,391,714*
6	Medical Examination Fees					5,000,000	*3,790,550*
7	Abbatoir Slaughter Fees	4,500,000	*4,260,785*	4,800,000	*3,900,850*	5,000,000	*4,320,390*
8	Water Pipe Installation Fees	5,000,000		3,000,000		3,000,000	*479,300*
9	Storm Water Drainage Fee	1,800,000	*621,799*	1,900,000		2,300,000	*29,800*
0	Cattle Market Charges	5,880,000		6,600,000		7,000,000	*2,924,100*
1	Innoculation/Vaccination Fees	2,000,000	*1,566,800*	2,500,000	*814,800*	2,500,000	*1,465,750*

Revenue Source	Financial/Calendar Year 1990		Financial/Calendar Year 1991		Financial/Calendar Year 1992	
(Tax/Levy/Fee/etc.	Estimated (Tshs.)	*Actual (Tshs.)*	Estimated	*Actual (Tshs.)*	Estimated (Tshs.)	*Actual (Tshs.)*
City Buildings Rent	600,000	*182,461.95*	650,000	*223,218.85*	650,000	*609,671.10*
NHC Rent	250,000	*1,047.50*	250,000	*40,513*	300,000	*3,783,685.15*
Taxi Registration Fees	565,000	*1,849,670*	224,730	*17,256,232*	2,000,000	*247,275*
Burial Fees	80,000	*149,050*	300,000	*168,500*	400,000	*104,300*
Fire Service Fees	960,000	*563,770*	300,000	*1,583,500*	400,000	*366,240*
Stray Animals Fine	100,000		100,000		100,000	*10,500*
Local Liquor Licences	1,397,000		2,000,000		2,500,000	*1,600,500*
Livestock Licence	445,000		760,000		800,000	
Valuation Fees			3,000,000	*253,414*	3,500,000	*467,426*
Cultural Games Fees			100,000		100,000	*136,462*
Fisheries Licences	600,000		400,000	*255,810*	500,000	*18,139,176*
Foreign Liquor Licences	6,990,000		4,000,000	*22,547,145*	22,000,000	
Playing Grounds Fees	100,000		100,000		100,000	*258,060*
Blood Drying Activity Fees	96,000	*3,642,242*	120,000	*876,655*	150,000	*44,000*
Human Resource Licences	10,600,000	*9,707,560*		*8,749,232*		*15,601,819*
Ambulance Fees	100,000	*226,500*	100,000		100,000	*15,600*
Hunting Licences	100,000		100,000		100,000	
Sub-Total (Total Taxes)	***565,432,100***	***376,783,494***	***974,704,730***	***773,499,878***	***1,257,420,000***	***733,208,905.50***
B.Other Revenue Sources						
Bank Interest	100,000	*80*	100,000		100,000	
Sale of Assets		*5,689,232*	5,000,000	*5,999,867*	6,000,000	
Hire of Plants and Vehicles	1,000,000	*459,000*	1,500,000	*917,261*	2,000,000	*718,500*
Sale of Plants and Seeds	500,000	*255,005*	300,000	*303,200*	400,000	*295,360*
Repayment for Lost asset			100,000		100,000	
Sale of Identity Cards	2,000,000	*60,745*	600,000	*3,839,185*	200,000	*154,594*
Recovery of Public Fund	100,000		100,000	*371,262.05*		*133,504.45*
Other Income	1,200,000	*3,592,380*	1,200,000	*585,472*	100,000	*3,692,356*
Sub-Total (Total Other Rev.)	***4,900,000***	***10056442***	***8,900,000***	***12016247.05***	***8,900,000***	***4994314.45***
Subsidies	***913,239,966***	***906,666,412***	***882,330,700***	***1,341,114,831***	***646,386,400***	***1,801,622,242***
GRAND-TOTAL	**1,483,572,066**	***1,293,506,348***	**1,865,935,430**	***2,126,630,956***	**1,912,706,400**	***2,539,825,461.95***

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	Revenue Source	Financial/Calendar Year 1993		Financial/Calendar Year 1994		Financial/Calendar Year 1995	
	(Tax/Levy/Fee/etc.)	Estimated (Tshs.)	*Actual (Tshs.)*	Estimated (Tshs.)	*Actual (Tshs.)*	Estimated (Tshs.)	*Actual (Tshs.)*
	A. Taxes						
1	Development Levy	153,400,000	*143,794,144.05*	153,400,000	*116,790,801.50*	153,400,000	*140,499,101.90*
2	Business Licences	130,965,000	*167,926,450*	170,000,000	*107,465,203*	170,000,000	*137,493,974*
3	Property Tax	180,000,000	*128,107,934*	190,000,000	*111,900,361*	250,000,000	*60,122,294*
4	Industrial Cess	300,000,000	*27,992,979*	700,000,000	*78,607,561*	700,000,000	*191,407,718*
5	Road Licence Fees	160,000,000	*220,113,788*	200,000,000	*243,662,144*		
6	Petrol Levy		*2,790,660*			3,000,000	*100,000,000*
7	Hotel Levy	82,620,000	*76,464,434*	82,620,000	*68,679,251*	82,620,000	*80,480,103*
8	Cesspit Emptying Fees	10,000,000	*2,704,704*	5,000,000	*2,846,340*	5,000,000	*49,656,000*
9	Taxi, Pick-up & Lorry Fees	300,000	*22,907,700*	120,000,000	*9,027,360*	24,000,000	*27,720,860*
0	Advertising Fee (Billboards)	8,000,000	*8,697,225*	8,000,000	*7,360,255*	9,000,000	*27,649,121*
1	Market Dues/Stalls Rent	27,183,000	*36,788,036*	40,000	*29,783,326*	40,000,000	*26,247,615*
2	Building Plans Fees	900,000	*16,699,431*	16,135,800	*11,322,300*	18,000,000	*18,914,145*
3	School Fees-English Medium	18,000,000	*16,214,392*	18,000,000	*15,096,920*	18,000,000	*15,908,355*
4	Intoxicating Liquor Licences		*12,706,352*	17,000,000	*13,968,222*	17,000,000	*15,166,350*
5	Scaffolding Fees	3,600,000	*5,827,943*	6,000,000	*12,956,155*	10,000,000	*14,217,084*
6	Bus Stand Fees	25,000,000	*5,033,000*	15,000,000	*407,225*	3,000,000	*13,580,000*
7	Forestry Products Fee	200,000	*1,549,342*	10,000,000	*10,362,773*	10,000,000	*11,914,030*
8	UPE Contributions/Fees	20,000,000	*12,333,755*	15,000,000	*6,862,565*	15,000,000	*11,266,176*
9	Weights & Measures Fees	6,703,000	*6,568,000*	9,300,000	*12,210,530*	12,000,000	*11,231,145*
0	Sale of Fish (5% Commission)	3,000,000	*3,653,700*	3,600,000	*5,072,678*	3,700,000	*9,469,943*
1	Refuse Collection Charges	4,000,000	*495,100*	2,880,000	*1,745,200*	30,000,000	*8,213,928*
2	Motor Vehicle Parking Fees	4,393,000	*6,153,380*	6,500,000	*797,750*	6,500,000	*6,547,960*
3	By-Law Fines	5,000,000	*5,335,395*	6,000,000	*1,454,950*	6,000,000	*6,193,240*
4	Entertainment Levy	44,000,000	*13,310,135*	29,376,000	*7,928,246*	29,376,000	*5,016,942*
5	By-Law Permits Charges	2,463,000	*2,417,850*	5,000,000	*2,700,005*	5,000,000	*3,827,834*
6	Medical Examination Fees	4,000,000	*2,739,920*	4,000,000	*1,682,985*	5,000,000	*2,918,050*
7	Abbatoir Slaughter Fees	7,000,000	*2,777,250*	4,500,000	*1,847,500*	4,500,000	*2,306,800*
8	Water Pipe Installation Fees	1,500,000	*2,710,660*	3,000,000	*1,737,250*	3,000,000	*2,252,000*
9	Storm Water Drainage Fee	1,000,000		200,000		100,000	*2,207,000*
0	Cattle Market Charges		*2,166,250*	3,000,000	*1,573,850*	3,000,000	*2,140,050*
1	Innoculation/Vaccination Fees	2,500,000	*2,284,200*	3,000,000	*2,384,850*	3,000,000	*1,896,950*

Revenue Source	Financial/Calendar Year 1993		Financial/Calendar Year 1994		Financial/Calendar Year 1995	
(Tax/Levy/Fee/etc.	Estimated (Tshs.)	*Actual (Tshs.)*	Estimated (Tshs.)	*Actual (Tshs.)*	Estimated (Tshs.)	*Actual (Tshs.)*
City Buildings Rent	1,000,000	*885,842.25*	1,000,000	*1,453,331.95*	1,300,000	*1,291,597.45*
NHC Rent	7,574,400	*3,078,519*	3,787,200	*249,607*	3,787,200	*1,686,641*
Taxi Registration Fees	300,000	*336,450*	400,000	*972,069*	400,000	*1,340,850*
Burial Fees	300,000	*116,400*	150,000	*109,500*	150,000	*1,896,950*
Fire Service Fees	3,378,000	*667,200*	700,000	*547,000*	700,000	*747,000*
Stray Animals Fine	100,000	*5,917,000*	100,000	*43,000*	100,000	*560,000*
Local Liquor Licences	1,600,000	*1,356,550*	1,300,000	*681,900*	1,300,000	*531,400*
Livestock Licence	7,160,000	*150,950*	1,000,000	*805,500*	1,000,000	*369,480*
Valuation Fees	2,000,000	*386,039*	500,000	*279,738*	500,000	*283,100*
Cultural Games Fees	262,850	*262,850*	300,000	*328,918*	300,000	*274,100*
Fisheries Licences	400,000	*16,616,745*	15,000,000	*209,056*	500,000	*140,618*
Foreign Liquor Licences	33,158,000	*12,706,352*	17,000,000		17,000,000	
Playing Grounds Fees	290,000	*50,000*	250,000		250,000	*30,500*
Blood Drying Activity Fees	120,000	*18,500*		*133,800*	100,000	
Human Resource Licences						
Ambulance Fees	100,000		100,000		100,000	
Hunting Licences	100,000		100,000		100,000	
Sub-Total (Total Taxes)	***1,263,570,250***	***1,001,813,506.30***	***1,848,239,000***	***894,047,976.45***	***1,666,783,200***	***1,015,617,005.35***
B.Other Revenue Sources						
Bank Interest			100,000		100,000	*4,422,536*
Sale of Assets	100,000	*11,052,000*	100,000	*1,152,000*	100,000	*1,602,800*
Hire of Plants and Vehicles	812,600	*507,725*	500,000	*416,000*	500,000	*1,124,500*
Sale of Plants and Seeds	500,000	*900,000*	1,500,000	*1,447,900*	1,500,000	*514,779*
Repayment for Lost asset	100,000		100,000	*20,000*		*62,334.80*
Sale of Identity Cards	100,000	*253,100*	200,000	*258,220*	200,000	*28,000.00*
Recovery of Public Fund	100,000			*45,000*		
Other Income	100,000	*9,620,147*	300,000	*3,712,164*	100,000	*80,488,103*
Sub-Total (Total Other Rev.)	***1812600***	***22332972***	***2,800,000***	***7051284***	***2,500,000***	***88,243,053***
Subsidies	***2,102,051,200***	***2,034,115,582***	***2,706,961,300***	***2,095,370,868***	***4,572,622,900***	***4,972,309,853***
GRAND-TOTAL	3,367,434,050	*3,058,262,060.30*	4,558,000,300	*2,996,470,128.45*	6,241,906,100	*6,076,169,911.15*

TABLE A2 : VARIOUS TAXES AND OTHER REVENUES (ACTUAL) AS % OF TOTAL TAX REVENUE AND TOTAL OTHER OTHER REVENUES, RESPECTIVELY (1990 - 1995)

	Revenue Source	1990	1991	1992	1993	1994	1995
	(Tax/Levy/Fee/etc.)	(%)of Total Taxes	(%)of Total Taxes	(%)of Total Taxes	(%)of Total Taxes	(%)of Total Taxes	(%)of Total Taxes
	A. Taxes						
1	Development Levy	24.00	21.26	16.96	14.35	13.06	13.83
2	Business Licences	22.94	14.22	15.24	16.76	12.02	13.54
3	Property Tax	12.04	4.98	7.81	12.79	12.52	5.92
4	Industrial Cess				2.79	8.79	18.85
5	Road Licence Fees	26.52	22.86	15.67	21.97	27.25	
6	Petrol Levy			8.53	0.28	0.00	9.85
7	Hotel Levy		3.49	9.93	7.63	7.68	7.92
8	Cesspit Emptying Fees	0.69	0.38	0.69	0.27	0.32	4.89
9	Taxi, Pick-up & Lorry Fees	0.49	13.40	1.43	2.29	1.01	2.73
0	Advertising Fee (Billboards)			0.95	0.87	0.82	2.72
1	Market Dues/Stalls Rent	3.18	1.54	2.59	3.67	3.33	2.58
2	Building Plans Fees	2.16	1.01	0.85	1.67	1.27	1.86
3	School Fees-English Medium	0.01	0.95	2.20	1.62	1.69	1.57
4	Intoxicating Liquor Licences	0.70	2.91	0.00	1.27	1.56	1.49
5	Scaffolding Fees	0.04	0.01	0.23	0.58	1.45	1.40
6	Bus Stand Fees			0.87	0.50	0.05	1.34
7	Forestry Products Fee	0.00	0.01	0.01	0.15	1.16	1.17
8	UPE Contributions/Fees	0.02	1.02	1.59	1.23	0.77	1.11
9	Weights & Measures Fees		0.55	0.59	0.66	1.37	1.11
0	Sale of Fish (5% Commission)		0.22	0.32	0.36	0.57	0.93
1	Refuse Collection Charges	0.13	0.09	0.32	0.05	0.20	0.81
2	Motor Vehicle Parking Fees	0.27	2.23	0.60	0.61	0.09	0.64
3	By-Law Fines		0.12	0.66	0.53	0.16	0.61
4	Entertainment Levy	0.06	1.02	2.15	1.33	0.89	0.49
5	By-Law Permits Charges	0.68	0.39	2.37	0.24	0.30	0.38
6	Medical Examination Fees			0.52	0.27	0.19	0.29
7	Abbatoir Slaughter Fees	1.13	0.50	0.59	0.28	0.21	0.23
8	Water Pipe Installation Fees	0.00	0.00	0.07	0.27	0.19	0.22
9	Storm Water Drainage Fee	0.17	0.00	0.00	0.00	0.00	0.22
0	Cattle Market Charges			0.40	0.22	0.18	0.21

Revenue Source	1990	1991	1992	1993	1994	1995
(Tax/Levy/Fee/etc.	(%)of Total Taxes	(%)of Total Taxes	(%)of Total Taxes	(%)of Total Taxes	(%)of Total Taxes	(%)of Total Taxes
Innoculation/Vaccination Fees	0.42	0.11	0.20	0.23	0.27	0.19
City Buildings Rent	0.05	0.03	0.08	0.09	0.16	0.13
NHC Rent	0.00	0.01	0.52	0.31	0.03	0.17
Taxi Registration Fees	0.49	2.23	0.03	0.03	0.11	0.13
Burial Fees	0.04	0.02	0.01	0.01	0.01	0.19
Fire Service Fees	0.15	0.20	0.05	0.07	0.06	0.07
Stray Animals Fine			0.00	0.59	0.00	0.06
Local Liquor Licences			0.22	0.14	0.08	0.05
Livestock Licence				0.02	0.09	0.04
Valuation Fees	0.00	0.03	0.06	0.04	0.03	0.03
Cultural Games Fees			0.02	0.03	0.04	0.03
Fisheries Licences		0.03	2.47	1.66	0.02	0.01
Foreign Liquor Licences		2.91	0.00	1.27	0.00	0.00
Playing Grounds Fees			0.04	0.00	0.00	0.00
Blood Drying Activity Fees	0.97	0.11	0.01	0.00	0.01	0.00
Human Resource Licences	2.58	1.13	2.13	0.00	0.00	0.00
Ambulance Fees	0.06	0.00	0.00	0.00	0.00	0.00
Hunting Licences	0.00	0.00	0.00	0.00	0.00	0.00
B.Other Revenue Sources	(% of Other Rev.)	(% of Other Rev.)	(% of Other Rev.)	(% of Other Rev.)	(% of Other Rev.)	(% of Other Rev.)
Bank Interest	0.00	0.00	0.00	0.00	0.00	5.01
Sale of Assets	56.57	49.93	0.00	49.49	16.34	1.82
Hire of Plants and Vehicles	4.56	7.63	14.39	2.27	5.90	1.27
Sale of Plants and Seeds	2.54	2.52	5.91	4.03	20.53	0.58
Repayment for Lost asset	0.00	0.00	0.00	0.00	0.28	0.07
Sale of Identity Cards	0.60	31.95	3.10	1.13	3.66	0.03
Recovery of Public Fund	0.00	3.09	2.67	0.00	0.64	0.00
Other Income	35.72	4.87	73.93	43.08	52.65	91.21

TABLE A3 : CONTRIBUTION OF VARIOUS REVENUE SOURCES TO TOTAL DCC REVENUE 1990 - 1995 %

	Revenue Source	1990	1991	1992	1993	1994	1995	1990-95
	(Tax/Levy/Fee/etc.)	*(%)of Total Rev.*	*(%)of Total Rev.*	*(%)of Total Rev.*	*(%)of Total Rev.*	*(%)of Total Rev.*	*(%)of Total Rev.*	*Average*
	A. Taxes							
1	Development Levy	6.99	7.73	4.90	4.70	3.90	2.31	***5.09***
2	Business Licences	6.68	5.17	4.40	5.49	3.59	2.26	***4.60***
3	Property Tax	3.51	1.81	2.26	4.19	3.73	0.99	***2.75***
4	Industrial Cess				0.92	2.62	3.15	***2.23***
5	Road Licence Fees	7.73	8.32	4.52	7.20	8.13		***7.18***
6	Petrol Levy			2.46	0.09	0.00	1.65	***1.05***
7	Hotel Levy		1.27	2.87	2.50	2.29	1.32	***2.05***
8	Cesspit Emptying Fees	0.20	0.14	0.20	0.09	0.09	0.82	***0.26***
9	Taxi, Pick-up & Lorry Fees	0.14	4.87	0.41	0.75	0.30	0.46	***1.16***
0	Advertising Fee (Billboards)			0.27	0.28	0.25	0.46	***0.31***
1	Market Dues/Stalls Rent	0.93	0.56	0.75	1.20	0.99	0.43	***0.81***
2	Building Plans Fees	0.63	0.37	0.25	0.55	0.38	0.31	***0.41***
3	School Fees-English Medium	0.00	0.35	0.63	0.53	0.50	0.26	***0.38***
4	Intoxicating Liquor Licences	0.20	1.06	0.00	0.42	0.47	0.25	***0.40***
5	Scaffolding Fees	0.01	0.00	0.07	0.19	0.43	0.23	***0.16***
6	Bus Stand Fees			0.25	0.16	0.01	0.22	***0.16***
7	Forestry Products Fee	0.00	0.00	0.00	0.05	0.35	0.20	***0.10***
8	UPE Contributions/Fees	0.01	0.37	0.46	0.40	0.23	0.19	***0.28***
9	Weights & Measures Fees		0.20	0.17	0.21	0.41	0.18	***0.24***
0	Sale of Fish (5% Commission)		0.08	0.09	0.12	0.17	0.16	***0.12***
1	Refuse Collection Charges	0.04	0.03	0.09	0.02	0.06	0.14	***0.06***
2	Motor Vehicle Parking Fees	0.08	0.81	0.17	0.20	0.03	0.11	***0.23***
3	By-Law Fines		0.04	0.19	0.17	0.05	0.10	***0.11***
4	Entertainment Levy	0.02	0.37	0.62	0.44	0.26	0.08	***0.30***
5	By-Law Permits Charges	0.20	0.14	0.68	0.08	0.09	0.06	***0.21***
6	Medical Examination Fees			0.15	0.09	0.06	0.05	***0.09***
7	Abbatoir Slaughter Fees	0.33	0.18	0.17	0.09	0.06	0.04	***0.15***
8	Water Pipe Installation Fees	0.00	0.00	0.02	0.09	0.06	0.04	***0.03***
9	Storm Water Drainage Fee	0.05	0.00	0.00	0.00	0.00	0.04	***0.01***
0	Cattle Market Charges			0.12	0.07	0.05	0.04	***0.07***
1	Innoculation/Vaccination Fees	0.12	0.04	0.06	0.07	0.08	0.03	***0.07***

	Revenue Source	1990	1991	1992	1993	1994	1995	1990-95
	(Tax/Levy/Fee/etc.	(%)of Total Rev.	(%)of Total Rev.	(%)of Total Rev.	(%)of Total Rev.	(%)of Total Rev.	(%)of Total Rev.	Average
								0
2	City Buildings Rent	0.01	0.01	0.02	0.03	0.05	0.02	***0.02***
3	NHC Rent	0.00	0.00	0.15	0.10	0.01	0.03	***0.05***
4	Taxi Registration Fees	0.14	0.81	0.01	0.01	0.03	0.02	***0.21***
5	Burial Fees	0.01	0.01	0.00	0.00	0.00	0.03	***0.01***
6	Fire Service Fees	0.04	0.07	0.01	0.02	0.02	0.01	***0.03***
7	Stray Animals Fine			0.00	0.19	0.00	0.01	***0.05***
8	Local Liquor Licences			0.06	0.04	0.02	0.01	***0.03***
9	Livestock Licence				0.00	0.03	0.01	***0.01***
0	Valuation Fees		0.01	0.02	0.01	0.01	0.00	***0.01***
1	Cultural Games Fees			0.01	0.01	0.01	0.00	***0.01***
2	Fisheries Licences		0.01	0.71	0.54	0.01	0.00	***0.26***
3	Foreign Liquor Licences		1.06	0.00	0.42	0.00	0.00	***0.30***
4	Playing Grounds Fees			0.01	0.00	0.00	0.00	***0.00***
5	Blood Drying Activity Fees	0.28	0.04	0.00	0.00	0.00	0.00	***0.05***
6	Human Resource Licences	0.75	0.41	0.61	0.00	0.00	0.00	***0.30***
7	Ambulance Fees	0.02	0.00	0.00	0.00	0.00	0.00	***0.00***
8	Hunting Licences	0.00	0.00	0.00	0.00	0.00	0.00	***0.00***
	Sub-Total (Total Taxes)	***29.13***	***36.37***	***28.87***	***32.76***	***29.84***	***16.71***	***28.95***
	B.Other Revenue Sources							
9	Bank Interest	0.00	0.00	0.00	0.00	0.00	0.07	***0.01***
0	Sale of Assets	0.44	0.28	0.00	0.36	0.04	0.03	***0.19***
1	Hire of Plants and Vehicles	0.04	0.04	0.03	0.02	0.01	0.02	***0.03***
2	Sale of Plants and Seeds	0.02	0.01	0.01	0.03	0.05	0.01	***0.02***
3	Repayment for Lost asset	0.00	0.00	0.00	0.00	0.00	0.00	***0.00***
4	Sale of Identity Cards	0.00	0.18	0.01	0.01	0.01	0.00	***0.03***
5	Recovery of Public Fund	0.00	0.02	0.01	0.00	0.00	0.00	***0.00***
6	Other Income	0.28	0.03	0.15	0.31	0.12	1.32	***0.37***
	Sub-Total (Total Other Rev.)	***0.78***	***0.57***	***0.20***	***0.73***	***0.24***	***1.45***	***0.66***
	Subsidies	***70.09***	***63.06***	***70.93***	***66.51***	***69.93***	***81.83***	***70.39***
	GRAND-TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	***100.00***

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	TABLE A4 : DCC'S TOTAL EXPENDITURE BY ITEM, 1990 - 1995 (Tshs)						
	Item	1990	1991	1992	1993	1994	1995
	A. Reccurent Expenditure						
1	Personal Emolument	925,218,837.35	1,612,863,085.00	1,751,717,409.80	2,219,412,062.70	3,431,604,165.95	5,136,426,668.95
2	Transport and Travelling	21,566,698.20	37,656,475.30	48,159,120.15	73,353,788.10	94,197,376.70	73,996,662.15
3	Office and General	14,826,096.00	28,230,822.65	40,791,317.60	65,768,632.75	62,042,567.00	53,129,450.40
4	Uniforms	2,175,991.00	3,456,892.00	4,077,185.00	1,603,147.00	2,455,700.00	1,047,560.00
5	Insurances	2,612,275.30	4,230,000.00	1,634,420.00	4,105,512.70	10,029,777.35	7,158,079.00
6	Plant,Vehicles and Crafts	52,125,784.70	57,155,538.50	167,893,560.65	161,467,256.85	238,054,409.00	196,758,927.80
7	Advertisement and Publication	8,609,376.00	4,049,100.00	3,362,570.00	11,323,660.00	255,803.00	4,751,474.00
8	Councillor Allowances	5,983,632.65	12,680,638.00	10,763,447.00	115,708,669.50	118,671,404.50	79,143,490.00
9	Minor Works	13,849,778.85	9,445,697.85	10,691,479.95	7,825,533.95	15,299,797.00	9,970,407.50
0	Hospital Services	11,562,867.30	15,967,600.00	12,984,457.20	17,497,140.00	11,586,116.50	7,905,881.00
1	Diet	10,906,038.00	11,649,603.60	8,627,322.50	10,106,255.60	12,739,570.00	4,767,550.00
2	Drugs	10,273,389.45	154,005,136.00	12,522,087.80	62,741,355.60	116,640,000.00	68,841,395.00
3	Vaccination	1,926,000.00	340,550.00	207,800.00	2,933,841.00	333,516.60	2,164,413.50
4	Environment Sanitation	1,187,169.50	4,201,253.90	2,645,394.70	2,970,529.85	4,551,732.00	2,610,170.90
5	Maintenance-Roads,Buildings	2,660,385.05	19,129,790.00	1,146,700.00	726,184.00	1,451,450.00	197,850.00
6	Resurfacing Tarmac Roads	1,955,646.20	107,567.00	440,000.00	1,915,276.50	1,070,437.40	150,220.00
7	Parks and Gardens	1,542,931.60	642,050.00	933,375.00		2,009,389.55	716,000.00
8	Maintenance & Water Supply	1,550,062.25	2,239,158.35	3,110,846.55	7,563,565.10	10,892,387.40	757,853.75
9	Upkeep of School & Buildings	1,230,512.25	321,700.00	2,313,720.75	859,418.15	15,460,531.75	9,920,401.55
0	In-service Training - L/course	4,470,201.75	5,825,977.80	6,829,830.00	5,744,806.55	8,992,933.00	2,704,090.00
1	Transport of Pupils & Students	5,456,057.00	4,879,742.00	10,652,286.00	6,715,114.00	17,847,023.00	30,631,089.00
2	Boarding Expenses	6,158,313.90	12,457,554.45	14,947,007.20	15,054,295.00	20,913,351.20	20,115,159.55
3	Examination Expenses	8,925,523.00	11,904,253.60	9,505,863.20	12,561,010.60	7,993,227.00	84,851,159.00
4	School Materials & Equipment	13,738,650.75	9,322,689.00	10,003,661.00	9,359,198.00	44,923,505.00	17,253,420.00
5	Other	99,091,641.95	317,650,205.00	425,146,038.95	425,882,064.50	261,136,003.10	169,854,373.95
6	***Sub-Total Rec. Expenditure***	***1,217,112,522.00***	***2,172,797,676.00***	***2,421,637,731.00***	***3,109,376,585.00***	***4,451,414,096.00***	***5,927,999,361.00***
7	**B. Development Expenditure**	***12,491,338.00***	***167,615,404.00***	***139,469,170.00***	***133,821,733.00***	***59,738,078.00***	***57,824,386.00***
8	GRAND TOTAL	**1,229,603,860.00**	**2,340,413,080.00**	**2,561,106,901.00**	**3,243,198,318.00**	**4,511,152,174.00**	**5,985,823,747.00**

TABLE A5 : DCC'S EXPENDITURE BY ITEM 1990 - 1995 (%)

Item	1990	1991	1992	1993	1994	1995	Average 1990-95
A. Recurrent Expenditure							
Personal Emolument	75.25	68.91	68.40	68.43	76.07	85.81	***73.81***
Transport and Travelling	1.75	1.61	1.88	2.26	2.09	1.24	***1.80***
Office and General	1.21	1.21	1.59	2.03	1.38	0.89	***1.38***
Uniforms	0.18	0.15	0.16	0.05	0.05	0.02	***0.10***
Insurances	0.21	0.18	0.06	0.13	0.22	0.12	***0.15***
Plant,Vehicles and Crafts	4.24	2.44	6.56	4.98	5.28	3.29	***4.46***
Advertisement and Publication	0.70	0.17	0.13	0.35	0.01	0.08	***0.24***
Councillor Allowances	0.49	0.54	0.42	3.57	2.63	1.32	***1.49***
Minor Works	1.13	0.40	0.42	0.24	0.34	0.17	***0.45***
Hospital Services	0.94	0.68	0.51	0.54	0.26	0.13	***0.51***
Diet	0.89	0.50	0.34	0.31	0.28	0.08	***0.40***
Drugs	0.84	6.58	0.49	1.93	2.59	1.15	***2.26***
Vaccination	0.16	0.01	0.01	0.09	0.01	0.04	***0.05***
Environment Sanitation	0.10	0.18	0.10	0.09	0.10	0.04	***0.10***
Maintenance-Roads,Buildings	0.22	0.82	0.04	0.02	0.03	0.00	***0.19***
Resurfacing Tarmac Roads	0.16	0.00	0.02	0.06	0.02	0.00	***0.04***
Parks and Gardens	0.13	0.03	0.04	0.00	0.04	0.01	***0.04***
Maintenance & Water Supply	0.13	0.10	0.12	0.23	0.24	0.01	***0.14***
Upkeep of School & Buildings	0.10	0.01	0.09	0.03	0.34	0.17	***0.12***
In-service Training - L/course	0.36	0.25	0.27	0.18	0.20	0.05	***0.22***
Transport of Pupils & Students	0.44	0.21	0.42	0.21	0.40	0.51	***0.36***
Boarding Expenses	0.50	0.53	0.58	0.46	0.46	0.34	***0.48***
Examination Expenses	0.73	0.51	0.37	0.39	0.18	1.42	***0.60***
School Materials & Equipment	1.12	0.40	0.39	0.29	1.00	0.29	***0.58***
Other	7.04	6.41	11.15	9.01	4.46	1.87	***6.66***
Sub-total Rec. Expenditure	***98.98***	***92.84***	***94.55***	***95.87***	***98.68***	***99.03***	**96.66**
B. Development Expenditure	***1.02***	***7.16***	***5.45***	***4.13***	***1.32***	***0.97***	**3.34**
GRAND TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

APPENDIX TABLE 1B: COMPOSITION OF THE DAR CITY COUNCIL ACTUAL RECURRENT EXPENDITURE (Percent)

EXPENDITURE ITEM	1990	1991	1992	1993	1994	1995
Personal Emoluments	76.02	74.23	72.34	71.38	77.09	86.65
Transport & Travelling	1.77	1.74	1.99	2.36	2.12	1.25
Office & General	1.22	1.30	1.68	2.12	1.39	0.90
Uniforms	0.18	0.16	0.17	0.05	0.06	0.02
Insurance	0.21	0.19	0.07	0.13	0.22	0.12
Plant, Vehicles & Crafts	4.28	2.63	6.93	5.19	5.35	3.32
Advertisements & Publications	0.71	0.18	0.06	0.36	0.06	0.08
Councillor Allowances	0.49	0.58	0.45	3.72	2.67	1.33
Minor works	1.13	0.43	0.44	0.25	0.34	0.17
Hospital Services	0.95	0.74	0.54	0.56	0.26	0.13
Diet	0.90	0.53	0.36	0.32	0.29	0.08
Drugs	0.85	7.09	0.52	2.02	2.62	1.16
Vaccinations	0.16	0.01	0.01	0.09	0.01	0.04
Environment and Sanitation	0.10	0.19	0.11	0.10	0.10	0.04
Maintenance of Roads & Buildings	0.22	0.88	0.05	0.02	0.03	0.00
Resurfacing of Tarmac Roads	0.16	4.95	0.02	0.06	0.02	0.00
Parks & Gardens	0.12	0.03	0.04	0.00	0.04	0.01
Maintenance of water Supply	0.13	0.10	0.13	0.24	0.24	0.01
Up-keep of Schools & Buildings	0.10	0.01	0.09	0.03	0.35	0.17
In-service Training	0.37	0.27	0.28	0.18	0.20	0.05
Transport of pupils and Students	0.45	0.23	0.44	0.22	0.40	0.52
Boarding Expenses	0.50	0.57	0.62	0.49	0.47	0.34
Examination Expenses	0.73	0.55	0.39	0.41	0.18	0.14
School Materials & Equipment	1.13	0.43	0.41	0.30	1.01	0.29
Sub-Total	92.88	98.03	88.12	90.61	95.53	96.82
Other	7.12	1.97	11.88	9.39	4.47	3.18
Grand Total	100.00	100.00	100.00	100.00	100.00	100.00

APPENDIX TABLE 1A: COMPOSITION OF THE DAR CITY COUNCIL ACTUAL RECURRENT EXPENDITURE (Million Tshs)

EXPENDITURE ITEM	1990	1991	1992	1993	1994	1995
Personal Emoluments	925.2	1612.9	1751.7	2219.4	3431.6	5136.4
Transport & Travelling	21.6	37.7	48.2	73.4	94.2	74
Office & General	14.8	28.2	40.8	65.8	62	53.1
Uniforms	2.2	3.5	4.1	1.6	2.5	1
Insurance	2.6	4.2	1.6	4.1	10	7.2
Plant, Vehicles & Crafts	52.1	57.2	167.9	161.5	238.1	196.8
Advertisements & Publications	8.6	4	1.4	11.2	2.6	4.8
Councillor Allowances	6	12.7	10.8	115.7	118.7	79.1
Minor works	13.8	9.4	10.7	7.8	15.3	10
Hospital Services	11.6	16	13	17.5	11.6	7.9
Diet	10.9	11.6	8.6	10.1	12.7	4.8
Drugs	10.3	154	12.5	62.7	116.6	68.8
Vaccinations	1.9	0.3	0.2	2.9	0.3	2.2
Environment and Sanitation	1.2	4.2	2.6	3	4.6	2.6
Maintenance of Roads & Buildings	2.7	19.1	1.1	0.7	1.5	0.2
Resurfacing of Tarmac Roads	2	107.6	0.4	1.9	1.1	0.2
Parks & Gardens	1.5	0.6	0.9		2	0.7
Maintenance of water Supply	1.6	2.2	3.1	7.6	10.9	0.8
Up-keep of Schools & Buildings	1.2	0.3	2.3	0.9	15.5	9.9
In-service Training	4.5	5.8	6.8	5.7	9	2.7
Transport of pupils and Students	5.5	4.9	10.7	6.7	17.8	30.6
Boarding Expenses	6.1	12.4	14.9	15.1	20.9	20.1
Examination Expenses	8.9	11.9	9.5	12.6	8	8.5
School Materials & Equipment	13.7	9.3	10	9.4	44.9	17.2
Sub-Total	1130.5	2130	2133.8	2817.3	4252.4	5739.6
Other	86.6	42.8	287.8	292.1	199	188.3
Grand Total	1217.1	2172.8	2421.6	3109.4	4451.4	5927.9

APPENDIX TABLE 5A: SECTORAL ALLOCATION OF THE DCC EXPENDITURE ON PERSONAL EMOLUMENTS (Tshs. Million)

SECTOR	1990	1991	1992	1993	1994	1995
Finance & Administration	53.80	71.20	111.40	155.20	251.70	391.90
Health & Social Welfare	298.20	466.80	448.00	597.30	823.30	1242.60
Education & Culture	448.80	824.40	946.40	1098.60	1846.70	2727.00
Economic & Trade	47.60	47.60	61.90	91.50	181.70	254.10
Works & Water	59.00	192.00	156.80	244.90	229.80	368.10
Land, Nat. Resources & Environment.	12.20	10.80	37.40	0.00	98.40	152.70
Agriculture & Livestock Development.	0.00	0.00	7.40	31.90	0.00	0.00
Human Resources	2.60	0.06	2.30	0.00	0.00	0.00
Grand Total	922.20	1612.86	1771.60	2219.40	3431.60	5136.40

APPENDIX TABLE 5B: SECTORAL ALLOCATION OF THE DCC EXPENDITURE ON PERSONAL EMOLUMENTS (Percent)

SECTOR	1990	1991	1992	1993	1994	1995
Finance & Administration	5.83	4.41	6.29	6.99	7.33	7.63
Health & Social Welfare	32.34	28.94	25.29	26.91	23.99	24.19
Education & Culture	48.67	51.11	53.42	49.50	53.81	53.09
Economic & Trade	5.16	2.95	3.49	4.12	5.29	4.95
Works & Water	6.40	11.90	8.85	11.03	6.70	7.17
Land, Nat. Resources & Environment.	1.32	0.67	2.11	0.00	2.87	2.97
Agriculture & Livestock Development.	0.00	0.00	0.42	1.44	0.00	0.00
Human Resources	0.28	0.00	0.13	0.00	0.00	0.00
Grand Total	100.00	100.00	100.00	100.00	100.00	100.00

APPENDIX TABLE 6A: COMPOSITION OF THE DDC ACTUAL DEVELOPMENT EXPENDITURE (Tshs. Million)

EXPENDITURE ITEM	1990	1991	1992	1993	1994	1995
Buildings	4.3	6.3	42.2	36.4	27.6	3.8
Furniture	5.8	0	0	0.6	2.9	1.3
Plant, Vehicles & Craft	20.8	16.4	15	82.3	16.2	1.5
Other Long Term Assets	94.1	40.1	42.6	11.3	13.1	51.2
Other Service Capital Expenditure	0	104.3	39.7	0	0	0
Grand Total	124.9	167	139.5	133.3	59.7	57.8

APPENDIX TABLE 6B: COMPOSITION OF THE DDC ACTUAL DEVELOPMENT EXPENDITURE (Percent)

EXPENDITURE ITEM	1990	1991	1992	1993	1994	1995
Buildings	3.44	3.77	30.25	27.31	46.23	6.57
Furniture	4.64	0.00	0.00	0.45	4.86	2.25
Plant, Vehicles & Craft	16.65	9.82	10.75	61.74	27.14	2.60
Other Long Term Assets	75.34	24.01	30.54	8.48	21.94	88.58
Other Service Capital Expenditure	0.00	62.46	28.46	0.00	0.00	0.00
Grand Total	100.00	100.00	100.00	100.00	100.00	100.00

APPENDIX TABLE 7A: COMPOSITION OF THE DDC BUDGETED DEVELOPMENT EXPENDITURE (Tshs. Million)

EXPENDITURE ITEM	1990	1991	1992	1993	1994	1995
Buildings	51.1	63.4	52.9	26.5	15	31
Furniture	8	67.3	33.6	0	0	0
Plant, Vehicles & Craft	0	22.7	22.7	0	0	0
Other Long Term Assets	243.1	465.3	260.5	260.5	15	5
Other Service Capital Expenditure	89.4	221.5	219.8	219.8	94.3	54
Grand Total	345.6	840.2	796.1	506.8	124.3	90

APPENDIX TABLE 7B: COMPOSITION OF THE DDC BUDGETED DEVELOPMENT EXPENDITURE (Percent)

EXPENDITURE ITEM	1990	1991	1992	1993	1994	1995
Buildings	14.79	7.55	6.64	5.23	12.07	34.44
Furniture	2.31	8.01	4.22	0.00	0.00	0.00
Plant, Vehicles & Craft	0.00	2.70	2.85	0.00	0.00	0.00
Other Long Term Assets	70.34	55.38	32.72	51.40	12.07	5.56
Other Service Capital Expenditure	25.87	26.36	27.61	43.37	75.86	60.00
Grand Total	100.00	100.00	100.00	100.00	100.00	100.00

APPENDIX TABLE 3: SECTORAL ALLOCATION OF THE DAR CITY COUNCIL BUDGETED RECURRENT EXPENDITURE (Million Tshs)

SECTOR	1990	1991	1992	1993	1994	1995
Finance & Administration	145.5	191.3	487.1	598.5	807.9	1018.1
Health & Social Welfare	310.1	507.8	716.1	798.2	1030.7	1451.5
Education & Culture	634.8	788.3	959.9	1449.5	1727.9	2988.8
Economic & Trade	64.1	82.8	107.7	67.4	245.3	370.7
Works & Water	184.1	306.7	313.4	321.5	397.4	492.5
Land, Nat. Resources & Environment.	44.5	87.3	92.6	142.1	206.6	274.3
Agriculture & Livestock Development.	12.5	23.1	17.2	49.5	0	0
Human Resources	10.1	18.8	0	0	0	0
Adjustment Or Service Capital Exp.	0	0	0	37.4	0	0
Grand Total	1480.6	2016.1	2693.9	3464	4415.9	6595.9

APPENDIX TABLE 4: RATIO OF BUDGETED TO ACTUAL RECURRENT EXPENDITURE OF DAR CITY COUNCIL (Percent)

SECTOR	1990	1991	1992	1993	1994	1995
Finance & Administration	142.09	99.58	129.14	103.03	122.39	131.32
Health & Social Welfare	77.14	70.65	121.72	103.66	93.99	102.20
Education & Culture	119.26	86.35	91.91	119.02	84.28	102.68
Economic & Trade	90.03	125.45	128.21	46.64	102.68	132.11
Works & Water	213.82	115.17	142.26	140.45	142.80	124.06
Land, Nat. Resources & Environment.	309.03	593.88	172.76	155.81	181.07	167.36
Agriculture & Livestock Development.			140.98	103.99		
Human Resources	265.79	895.24	0.00			
Adjustment Or Service Capital Exp.	0.00		0.00	131.23	0.00	
Grand Total	121.65	92.79	111.24	111.40	99.20	111.27