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Special Paper 09.29

Maybe We Should Pay Tax After All?

Citizens' Changing
Views on Taxation in
Tanzania

By Odd-Helge Fjeldstad,
Lucas Katera and
Erasto Ngalewa

RESEARCH ON POVERTY
ALLEVIATION

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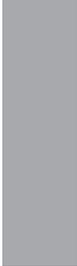
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Abbreviations

CC	City Council
CMI	Chr. Michelsen Institute
DC	District Council
ESRF	Economic and Social Research Foundation
FACEIT	Front Against Corrupt Elements in Tanzania
GER	Gross enrolment ratio
LGR(P)	Local Government Reform (Programme)
MC	Municipal Council
NER	Net enrolment ratio
PEDP	Primary Education Development Plan
PRS	Poverty Reduction Strategy
REPOA	Research on Poverty Alleviation
SEDP	Secondary Education Development Plan
TRA	Tanzania Revenue Authority
Tsh	Tanzanian shilling
URT	United Republic of Tanzania
VAT	Value added tax
VEO	Village Executive Officer



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Abstract

Citizens' unwillingness to pay taxes and fees is considered to be a major obstacle to enhancing government revenues in Tanzania. However, research into citizens' views on taxation and the factors underlying the individual's decision whether to pay or evade taxes is limited. Moreover, it is likely that people's views may change over time with implications for policy design. Yet few studies have traced changes in Tanzanians' perceptions on taxation.

Based on data from two citizen surveys conducted in six councils in Tanzania during 2003 and 2006, this paper aims to narrow these knowledge gaps so as to better inform taxation policy. Key questions examined are: i) What changes - if any - can be observed with respect to factors impacting on people's willingness to pay taxes or not?; and ii) What did ordinary people consider to be the major challenges in improving the tax system in 2006 compared to 2003? A total of 1260 respondents from 42 villages/ mitaa¹ participated in both surveys. The two surveys covered the same localities in the case councils and the same questions were asked. The study found that people's views on taxation were much more positive in 2006 compared to three years earlier. This is partly due to improvements in service delivery, particularly education, health, and law and order, and partly due to reforms which have led to less oppressive revenue collection. Corruption, however, was perceived by citizens to be a major problem in both surveys, with implications for their trust in government institutions and officials and, thus, their willingness to pay taxes and fees. One clear conclusion from the surveys is that citizens demand tougher actions against corrupt officials. There is also an increasing demand from citizens for more information on revenues collected and how the revenues are spent.

¹ *Mtaa* or neighbourhood is the lowest unit of government in urban areas. *Mitaa* is plural.

Executive Summary

1 Introduction

Based on data from two citizen surveys, this paper aims to shed light on factors impacting on tax compliance, by examining the perceptions of ordinary people on payment of taxes, fees and charges, and whether - and why - their views have changed over time. Changes in citizens' perceptions of taxation may have implications for policy design to raise government revenues.

The analytical framework applied suggests that three key factors underlie an individual's decision whether to pay or evade taxes, fees and charges. First is the element of *fiscal exchange* (*quid pro quo*) whereby taxation and the provision of public goods and services are interpreted as a contractual relationship between taxpayers and the government. Individuals pay because they value services provided by the government. The second factor is *coercion*, as represented by the enforcement activities of revenue collectors and the penalties imposed on those detected for non-payment. The third element is the impact of *social influences* and norms. For instance, an individual's behaviour is likely to be affected by the compliance of his or her reference group, such as relatives, neighbours, friends and political associates.

2 The Surveys

The surveys were conducted in October 2003 and October/November 2006 in six councils: Bagamoyo District Council (DC), Ilala Municipal Council (MC), Iringa DC, Kilosa DC, Moshi DC and Mwanza City Council (CC). A total of 1260 respondents from 42 villages/*mitaa* participated in each survey. The surveys included questions on citizens' views on: (i) taxation and evasion; (ii) who pays and why; (iii) service delivery; (iv) major problems in revenue collection; (v) who is to blame for poor revenue collection; and (vi) measures required to improve revenue collection.

Respondents were grouped according to socio-economic characteristics, such as age, gender, size of household, level of education, and occupation. Data analysis consisted of a step-by-step process, starting with frequencies, cross-tabulations combining bi- and multivariables, and, finally, an exploratory analysis of respondents' perceptions on taxation and factors explaining compliance.

3 Results

3.1 Who Pays Taxes?

Almost 88% of all respondents in the 2006 survey reported paying at least one form of taxes, fees or user charges in the past two years, varying from 93% of respondents in Mwanza CC to 77% in Moshi DC. These figures are substantially higher than the corresponding figures in 2003, when less than 60% of all respondents reported paying tax. The most frequently cited payments in 2006 were various service charges, especially school contributions (84% of respondents), health costs sharing fees (75%) and water fees (35%). Contributions to the *Uhuru Torch*² were also common (47%). Additionally, 36% of respondents reported paying VAT, suggesting increased awareness among citizens of this indirect tax on goods and services.

² The Uhuru Torch is one of the national symbols of Tanzania, which symbolises freedom and light. It was first lit on Dec. 9, 1961; since then, the Uhuru Torch race takes place every year beginning at different places.

While the general level of claimed compliance is higher in 2006 compared to 2003, the relative level of compliance by respondent age group, gender, and level of education have not changed much. However, data show that reported compliance increased with respondents' level of education, and was significantly higher among participants who had completed college or university. This is not surprising since people with higher education are likely to be better off than other groups, and more integrated into the formal and taxable economy.

Why did more people claim to pay in 2006 compared to 2003? One reason is that following rationalisation of the local government tax system in 2003, particularly the abolition of the development levy, many local government authorities and service outlets (e.g., schools and health facilities) introduced new charges and fees to compensate for lost revenues from the sources that had been abolished. Further, the bases for property taxes and service levies in urban councils have been broadened in 2006 compared to 2003, partly to compensate for lost revenues due to the abolition of business licences in 2004.

3.2 Why Do People Pay Taxes?

When participants were asked why people pay taxes and fees, responses differed significantly between 2003 and 2006. Overall, 46% of respondents in 2003 said that people paid taxes because they 'wanted to avoid disturbances', reflecting that many people at that time perceived the tax enforcement regime as being unfair, coercive and demeaning. Three years later, by the end of 2006, only 14% of respondents gave this answer. This dramatic change in people's perceptions is most likely due to the local government tax reforms of 2003 and 2004. Moreover, differences between the case councils with respect to reasons why people pay taxes are less significant in 2006.

Another major change in people's perceptions of the tax regime related to service delivery. While only 23% of respondents in 2003 said that people paid taxes because they anticipated public services, 50% of respondents gave this answer in 2006. In Ilala MC, 62% of participants offered this response in 2006 compared with 26% in 2003. This change is consistent with people's perceptions that public services have improved in Tanzania in recent years. The majority (75%) of respondents in 2006 perceived an improvement in service delivery over the past two years. The corresponding figure for 2003 was 54%.

3.3 Problems of Revenue Collection

According to the citizens surveyed in 2003, the most serious problem hampering revenue collection was that taxes were not spent on public services. More than 58% of respondents held this view in 2003. However, in 2006, this share declined to 36% suggesting that respondents' perceived their terms of trade with the government to have improved which was reflected in improved public services. In 2003, 'too high taxes/fees' (48% of respondents) and 'dishonest collectors' (46%) were also perceived to be major problems. The corresponding figures for 2006 were 26% and 39%, which indicates that some of the problems with the tax system have been addressed. In particular, the data suggest that citizens in 2006 have more trust in the governments' ability and/or motivation to provide services, although substantial differences were observed between the six councils. For instance, while 65% of respondents in Bagamoyo DC in 2003 believed that taxes collected were not spent on public services, 40% held this view in 2006. The corresponding figures for Ilala MC are 63% in 2003 and 24% in 2006. Moreover, while 51% of respondents in Bagamoyo DC in 2003 perceived tax collectors

to be dishonest, 43% held this view in 2006. In Iringa DC, however, there was only a minor change from 2003 (33%) to 2006 (32%) with respect to citizens' perceptions of the honesty of tax collectors.

3.4 Tax Compliance and Service Delivery

Only 9% of all respondents in 2003 agreed with the statement that most of the tax revenues collected in the areas where they lived were used to provide services. An important change in citizens' perceptions is reflected in the 2006 survey data; more than 30% of respondents said that taxes were mostly used to provide services. This change in perceptions is strongly reflected in disaggregated data for individual councils. For instance, while only 2% of respondents in Kilosa DC in 2003 agreed that taxes were mostly used to provide services, this share increased to 36% in 2006. For Iringa DC the corresponding figures are 11% in 2003 and 44% in 2006, indicating substantial improvements in service delivery.

While the majority of all respondents (51%) in 2003 agreed that people should refuse to pay taxes until services improved, this share reduced to 39% in 2006. Particularly, in Moshi DC the change in people's views was substantial. In 2003, two-thirds of respondents held this view, compared to less than 40% in 2006.

In 2003, 73% of all respondents said they were willing to pay more taxes if public services were improved. This share had increased to 88% in 2006. There are, however, differences between the six case councils on this issue. Respondents in Iringa DC were least inclined (59%) in 2003 to increase tax payments willingly in exchange for further service improvements. In 2006, however, more than 90% of respondents in Iringa said they would be willing to pay more taxes if services improved. Generally, for all councils, the response to this question suggests that people see a stronger link between taxes and service delivery and also understand that their own contributions may matter.

Lastly, only minor changes in people's views were observed from 2003 to 2006 with respect to contributions to self-help projects. While 75% of all respondents in 2003 agreed that people should contribute to improved services through self-help activities, 79% held this view in 2006. Again, large differences were observed between councils. However, the same councils which were most in favour of self-help in 2003, i.e., the rural councils, Kilosa and Iringa, were also most in favour of this approach to service delivery in 2006. At the other end of the spectrum, residents in Moshi DC and Mwanza CC were among those least in favour of self-help in 2003 and the same applied in 2006.

3.5 Who is to Blame for Poor Tax Collection?

Revenue collectors were most frequently blamed for poor tax collection (54% of respondents in both surveys). This view was commonly cited across all councils, although the share of respondents who blamed revenue collectors was lower in Iringa DC than the average for the other councils. While council employees were ranked second among those most frequently

blamed in the 2003 survey (49%), they were ranked third (36%) in 2006 after elected local government leaders (44%). In both surveys, only around 20% of respondents perceived that taxpayers were most to blame. These findings are consistent with the perception that dishonest tax collectors are one of the major problems in revenue collection.

3.6 Citizens' Views on How to Improve the Tax System

When asked what actions would reduce the misuse of public revenue, more than 40% of respondents in 2003 said it would not help to report misappropriation to village authorities, ward and council offices, or to the police. In 2006, however, only between 14% and 18% of respondents held this view. More than 70% of respondents in 2006 said it would help to report misuse of taxes to the village authorities compared to less than 50% in 2003, reflecting improved trust over time in lower level officials. Almost 80% of all respondents in 2006 (compared to 64% in 2003) suggested that reporting the misuse of tax revenue to a journalist would help reduce this form of corruption.

4 Conclusions and Policy Implications

Survey data show that citizens' views on taxation are much more positive in 2006 compared with three years earlier. This is partly due to improvements in service delivery, particularly education, health, and law and order, and partly due to reforms which have led to less oppressive collection. Still, the findings presented in this paper show that citizens feel they get little in return for taxes paid. Corruption was also perceived by citizens to be a major problem in both surveys. These perceptions impact on their willingness to pay and contribute to the erosion of public trust in the governments' capacity to provide expected services. Crucially, the majority of respondents in both surveys said that 'they would be willing to pay more taxes if public services were improved'. Hence, from a policy perspective, a major challenge remains to enhance the linkages between tax payment and service delivery. There is also growing demand from citizens for more information on revenues collected and how revenues are spent. Finally, a clear conclusion from the surveys is that citizens demand tougher actions against corrupt officials.

Introduction

Citizens' unwillingness to pay taxes and fees is considered to be a major obstacle to enhancing government revenues in Tanzania.³ However, research into citizens' views on taxation and the factors underlying their decisions whether to pay or to evade taxes is limited. Moreover, people's views of taxation may change over time with implications for policy design. Yet few studies have traced changes in Tanzanians' perceptions on taxation.

This paper aims to narrow these knowledge gaps so as to better inform taxation policy. Based on data from two citizen surveys conducted in six councils in 2003 and 2006, the paper examines: i) whether - and why - there have been changes over time in citizens' views on taxation; ii) what changes - if any - can be observed with respect to factors impacting on people's willingness to pay or evade taxes?; and iii) what do ordinary people consider to be the major challenges to improving the tax system in 2006 compared with 2003?

The analytical and conceptual framework applied to studying tax compliance in the two surveys follows the approach suggested by Levi (1988 and 1997) and Slemrod (2003).⁴ Under this approach, the relationship between a taxpayer and the government includes at least three elements:

1. *Fiscal exchange*, i.e., payment of taxes and the provision of services can be interpreted as a contractual relationship between taxpayers and the government. Thus, individuals may decide to pay taxes because they value the goods and services provided by the government, recognising that their payments are necessary both to help finance the goods and services, and to ensure that others contribute. Consequently, citizens' willingness to pay taxes voluntarily depends on the government's capacity to provide services.
2. *Coercion* as represented by enforcement by tax collectors and the penalties imposed on citizens detected to have not paid taxes. The credibility or trustworthiness of the revenue administration's sanctions against defaulters is important in this context. At the same time, agencies aim to minimise the use of oppressive and harsh enforcement techniques on trustworthy citizens and ensure that enforcement procedures are perceived by the general public as reasonable, fair, and in accordance with the accepted standards of society.
3. Impact of social *influences* and norms on compliance, i.e., the compliance behaviour and attitudes of individuals towards the tax system may be affected by the behaviour of social reference groups such as relatives, neighbours, friends or political associates. If taxpayers know that people in groups important to them do not pay taxes, their own commitment to comply may be weaker. On the other hand, individuals may be dissuaded from evading taxes out of fear of social sanctions should their actions be discovered and revealed publicly.

³ If not otherwise stated in the text, 'government' includes both central and local government administrations, and 'taxation' covers both central and local government taxes. The distinction between taxes, licences, charges and fees is often unclear in Tanzania (Fjeldstad and Semboja, 2000). A number of levies are referred to as charges although they are in reality taxes, since no service is rendered directly and exclusively to the payer. In addition, a wide variety of fees for forms and permits exist. The primary purpose of permits is regulation. However, in many councils permits have mainly become sources of local revenue rather than control mechanisms. Thus, in this paper the concept 'tax' includes taxes, licences, charges and fees, unless otherwise stated.

⁴ This framework is further detailed in REPOA Special Paper 18: 2006: '*To pay or not to pay? Citizens' views of taxation in local government authorities in Tanzania*' (Fjeldstad, 2006).

The study found that people's views on taxation were much more positive in 2006 compared with three years earlier. This is partly due to improvements in service delivery, particularly in education, health, and law and order, and partly due to reforms which have led to less oppressive tax collection. Corruption, however, is perceived by citizens to be a major problem in both surveys, with implications for their trust in government administrations and officials and, thus, their willingness to pay taxes. One clear conclusion from the study is that citizens demand tougher actions against corrupt officials.

The paper is organized into three sections. Section 2 details the organization and methodology of the citizen surveys. Section 3 then presents the research findings. The results begin with identifying who pays taxes in the case councils and why people pay. It then investigates changes in citizens' views between 2003 and 2006 on issues of tax collection, compliance and service delivery, as well as measures on how to improve the tax system. Finally, Section 4 provides conclusions and discusses policy implications from the study's findings.

The Citizen Surveys

Two citizen surveys were conducted in six councils in Tanzania: Bagamoyo DC, Ilala MC, Iringa DC, Kilosa DC, Moshi DC and Mwanza CC. The first survey took place in October 2003 and the second in October/November 2006. The same questions were asked in both surveys.

The survey instrument was structured into four sections which were: “Background information” covering the households' characteristics; “Governance and participation” asking issues of good governance and how the local government functions in the locality; “Service delivery” asking opinion on access, satisfaction and quality of services; and “Finances and financial management” asking about taxes and user fees. Particularly interested in getting views about and how the local government tax system works and the problems facing taxpayers in the locality.

2.1 The Case Councils

The six case councils were selected on the basis of the following criteria:

- variations in resource bases - based on own revenue generation;
- rural-urban variations;
- degree of inclusion in the Local Government Reform Programme (LGRP);
- degree of donor presence or support; and
- composition of political parties⁵.

Table 1 lists key data for the six councils. Three councils - Ilala MC, Iringa DC and Mwanza CC - were part of phase 1 of the local government reform.

Table 1: Profile of the Six Case Councils

Council	Region	Council area size (sq. km)	Population (2002)	Population (est. 2006)	Major economic sectors	Part of Phase 1 of the LGRP
Bagamoyo DC	Coast	9,842	228,967	247,841	Agriculture	No
Ilala MC	Dar es Salaam	210	634,924	760,061	Services, trade, manufacturing, agriculture	Yes
Iringa DC*	Iringa	20,576	245,033	258,025	Agriculture	Yes
Kilosa DC	Morogoro	14,245	448,191	494,719	Agriculture	No
Moshi DC	Kilimanjaro	1,713	401,369	419,323	Agriculture, tourism	No
Mwanza CC	Mwanza	1,324	474,679	563,138	Agriculture, fishery, services	Yes

* Iringa DC was split into two districts in 2004, i.e. Iringa DC and Kilolo DC. The area of the two districts combined is 28,457 sq. km.

Source: 2002 Population and Housing Census (URT, 2004)

⁵ At least one of the case councils should be led by an opposition party.

2.2 The Sample

A total of 1260 respondents participated in each survey, i.e., 210 respondents per council. Villages were the primary sampling units. Participants were recruited from 7 villages/*mitaa* in each council, i.e. 30 respondents per village. Each village was located in a different ward within their respective councils. Therefore, a total of 42 villages/*mitaa* from 42 wards were included in each survey. Appendix 1 lists the wards and Appendix 2 lists the villages/*mitaa* included in the surveys.

In 2002, the research team had identified two case wards in each council for in-depth fieldwork study, and these pre-identified case wards were automatically included in the sampling procedure for the 2003 survey. The remaining five wards were randomly selected based on the criteria of rural-urban settlement and distance from the council headquarters. Some wards were located close to, and others more distant from, the council headquarters. In each of the pre-identified case wards, a village/*mitaa* had also been chosen for in-depth study, and these pre-selected villages/*mitaa* were also automatically included in the 2003 survey sample. The remaining five villages in each council were selected using the same formula as for the wards.

Respondent households were then randomly selected from the village/*mtaa* register, and from each household, one adult (over 18 years) was chosen to participate in the survey. Table 2 lists key demographic and socio-economic data for respondents, and shows that the two samples were very similar. Obviously, the predominance of household heads and spouses is difficult to avoid in this approach. Ideally, the two surveys should also cover the same respondents to secure panel data. However, due to migration, illness and deaths among respondents, this approach was not feasible. Instead, the 2006 survey employed the same sampling procedure as the 2003 survey.

Table 2: Characteristics of Respondents, Citizen Surveys 2003 and 2006 (% of total sample)

Characteristics of Respondents	2003	2006
Men	53	53
Married (incl. co-habitation)	71	73
Born in the council	64	65
Christians	60	61
Muslims	40	39
Age (below 35 years of age)	57	58
Literacy	87	87
Education:		
<i>No formal school</i>	14	14
<i>Only primary school</i>	69	71
<i>Secondary school</i>	11	13
<i>Higher education</i>	5	2
Occupation:		
<i>Self-employed agriculture</i>	60	59
<i>Self-employed other sectors</i>	28	28
<i>Public-sector employee</i>	2	3

Source: Citizen Surveys 2003 and 2006

2.3 The Questionnaire

The respondents were grouped according to socio-economic characteristics, such as age, gender, size of household, level of education, and occupation. Based on the analytical framework summarised in the introduction, the surveys included questions to investigate citizens' views on:

- payment and non-payment of taxes and fees;
- who pays and why;
- service delivery;
- major problems in revenue collection;
- who is to blame for poor revenue collection; and
- measures required to improve revenue collection.

2.4 Data Analysis

Statistical analysis consisted of a step-by-step process, starting with frequencies, cross-tabulations combining bi- and multi-variables, and, finally, an exploratory analysis of respondents' perceptions on taxation and factors explaining tax compliance. No findings of statistical significance are generated in this exploratory stage of the analysis except for generating suggested explanations for changes over time in the respondents' reported compliance behaviour and their views on taxation.



Results

This section compares and discusses findings of the two surveys. To begin, the characteristics of citizens who paid taxes, fees and charges (i.e., compliers) in 2003 and 2006 are presented. Thereafter, data on perceptions on why (some) people pay are presented, including the credibility of enforcement mechanisms, the impact of others' compliance behaviour, and the linkages between compliance and service delivery.

3.1 Who Pays Taxes?

In the 2006 survey, 88% of respondents reported paying at least one form of taxes, fees or user charges in the past two years, varying from 93% of respondents in Mwanza CC to 77% in Moshi DC. This proportion is substantially higher than in 2003, when less than 60% of respondents reported paying taxes, fees or charges. Table 3 shows data from the six case councils with respect to tax compliance from the two surveys. The most striking finding is the relatively much lower reported compliance for Moshi DC residents in 2006 compared with respondents in the other five councils.

Table 3: Proportion of Respondents who Reported Paying Taxes, Fees and Charges, by Council, 2003 and 2006 (% of respondents)

Year	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
2006	89	87	91	91	77	93	88
2003	64	53	57	70	54	54	59

Source: Citizen Surveys 2003 and 2006

The payments most frequently cited in 2006 were various service charges, especially school contributions (84% of respondents), health costs sharing fees (75%) and water fees (35%). Contributions to the *Uhuru Torch* were also common (47%). In addition, 36% of respondents reported paying VAT, suggesting increased awareness among citizens of this indirect tax on goods and services. Relatively few respondents paid personal income tax and business taxes, with the exception of Ilala MC, where around 10% of respondents reported paying these taxes. Moreover, a relatively larger share of respondents in the two urban councils than rural councils paid property taxes (35% in Mwanza CC and 30% in Ilala MC), and city service levy (10% in both urban councils).

Why did a higher proportion of citizens report paying taxes, fees and charges in 2006 compared with 2003? One reason is that following rationalisation of the local government tax system since 2003, particularly the abolition of the development levy, many local government authorities and service outlets (e.g., schools and health facilities) introduced new charges and fees to compensate for lost revenues from the abolished sources (see Foreign Investment Advisory Service (FIAS), 2006). Further, the bases for property taxes and service levies in urban councils seem to have been broadened and revenue collection more effectively enforced in 2006 compared to 2003, partly to compensate for lost revenues due to the abolition of business licences in 2004.

It should be acknowledged, however, that respondents' reported payments may differ from actual payments. For instance, it is not uncommon that respondents in surveys overstate their compliance.⁶

Data from both 2003 and 2006 surveys show only minor differences in tax compliance by gender and by religion. Little difference in compliance was also found between those respondents who had been born in the case councils and migrants. However, both age and education matter. With respect to age, a larger share of the middle-aged group (30-49 years of age) in both surveys claimed to pay taxes, which is not surprising since a larger share of this age group is expected to have taxable income compared with the two other age groups (18-29 years and 50 years and above). While the general level of compliance is higher in 2006 compared to 2003, the relative levels of compliance by age, gender, and level of education have not changed much. Reported compliance also increased with level of education, and was significantly higher among respondents who had completed college or university. Again, this is not surprising since we would expect that people with higher education are relatively better off than other groups and more integrated into the formal and taxable economy (Fjeldstad and Semboja, 2001).

3.2 Why Do People Pay Taxes?

When asked why people pay taxes and fees, responses differed substantially between 2003 and 2006. Table 4 lists the major reasons cited by respondents. In 2003, the majority of respondents said that people paid tax because they 'wanted to avoid disturbances/harassment' (46% of the total sample). This response reflects that a significant number of citizens at that time perceived the tax enforcement regime as unfair, coercive and demeaning (Fjeldstad, 2006). Three years later, in 2006, only 14% of respondents gave this answer. This dramatic change in people's perceptions is most likely due to the abolition of the development levy, a poll tax connected with oppressive enforcement and harassment of taxpayers (Fjeldstad and Therkildsen, 2008). Moreover, divergence in perceptions between the case councils in 2006 was much smaller. For instance, in the 2003 survey, 39% of respondents in Ilala MC cited that people paid tax because they wanted to 'avoid disturbances' compared with 57% in Kilosa DC.⁷ In 2006, however, only 13% of respondents in Ilala MC and 18% in Kilosa DC gave this answer.

Another major change in people's perceptions of the tax regime is related to service delivery. While only 23% of respondents in 2003 said that people paid taxes and fees because they anticipated public services, 50% of respondents gave this answer in 2006. In Ilala MC, 62% of respondents gave this answer in 2006 compared with 26% in 2003. This change is consistent with people's perceptions that public services have improved in Tanzania in recent years. The majority (75%) of respondents in the 2006 survey perceived an improvement in service

⁶ In surveys of tax evasion in Western countries (e.g., Kinsey, 1992) it is argued that because tax evasion is considered to be socially undesirable, responses to a questionnaire will be adversely biased. This might also be the case in Tanzania, although anecdotes suggest that tax evasion is not associated with the type of social stigma referred to in the West. For instance, some observers described non-payment of the development levy (now abolished) as a form of popular opposition towards state policies (Tripp, 1997: 154). If this description is correct, we would expect an 'inverse adverse bias' compared to surveys from developed countries, i.e., a larger share of the respondents claiming not to have paid tax relative to the actual compliance rate. However, data in the study did not show any indications of such an inverse relationship.

⁷ The data from Kilosa DC is likely to reflect that many residents perceived the tax collection regime to be harsh before it was rationalised and the development levy abolished in 2003 (Fjeldstad, 2001).

delivery over the past two years. The corresponding figure for 2003 was 54%. These findings are consistent with the Afrobarometer surveys (REPOA, 2006), and suggest that reforms to improve service delivery in local government authorities have started to bear fruits and are becoming visible to ordinary people.

Table 4: Major Reasons why People Pay Taxes, by Council, 2003 and 2006
(% of respondents; 2003 figures in brackets)

Major reasons why people pay taxes	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
They will avoid disturbances	13 (39)	11 (43)	18 (57)	17 (54)	13 (39)	12 (41)	14 (46)
They anticipate public services	62 (26)	50 (23)	46 (20)	52 (19)	43 (23)	49 (25)	50 (23)
They have no opportunity to evade	8 (13)	16 (10)	11 (6)	10 (10)	16 (13)	14 (7)	12 (10)
They feel obligations towards the government	11 (11)	11 (8)	9 (11)	9 (12)	16 (5)	14 (10)	12 (10)

Source: Citizen Surveys 2003 and 2006

On the question of why people pay taxes, the 2003 data showed differences by age group, level of education, and whether the respondents were born in, or had migrated, to the council (Fjeldstad, 2006). For instance, a larger share of the youngest age group (47%) in the 2003 survey said that people paid because they would avoid disturbances. Moreover, the higher the level of education, the more likely it was that the respondent either anticipated reciprocal services for his/her tax payment or felt an obligation to the government. The 2003 data also suggested that respondents who had migrated to the case councils were more likely to pay taxes for other reasons than simply to avoid disturbances, relative to people born in the area. The 2006 survey, however, finds no significant differences in perceptions between age groups, respondents' level of education, and origin of birth with respect to why people pay taxes. Once again, these changes in citizens' perceptions from 2003 to 2006 are likely due to changes in the local government tax regime which took place in 2003 and 2004. In particular, the abolition of the development levy and other so-called nuisance taxes made the tax system less oppressive and more transparent.⁸

Around 50% of respondents in both surveys agreed with the statement that 'people would evade paying taxes if possible' (Table 5). This may seem surprising given the substantial changes in respondents' views between 2003 and 2006 on why people pay taxes. However, studies from other countries also find that people put high weight on 'opportunities' when explaining tax evasion (Andreoni, *et al.*, 1998; Cowell, 1990). Still, data showed that perceptions respecting tax evasion differed between case councils and had also changed over time. For instance, in 2003, less than 40% of respondents in Kilosa DC agreed with the statement that people would evade taxes if possible. In 2006, this share had increased to 60%. In contrast, the share of respondents in Moshi DC who agreed with this statement dropped from 59% in 2003 to 45% in 2006. Information is not available to explain the differences in residents' perceptions between case councils, but the variations might be due to differences in council revenue regimes, as well as trust in local government officials.

⁸ This is confirmed by numerous interviews by the authors with citizens and elected councillors in the case councils.

Table 5: Citizens' Views on Tax Evasion, by Council, 2003 and 2006

(% of respondents; 2003 figures in brackets)

Q: Would people evade taxation if possible?	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
Agree	51 (49)	53 (49)	60 (39)	55 (37)	45 (59)	43 (58)	51 (48)
50-50	19 (10)	13 (11)	16 (11)	17 (10)	10 (8)	14 (10)	15 (10)
Disagree	28 (34)	27 (32)	21 (48)	24 (44)	37 (26)	36 (27)	29 (35)
Don't know	2 (8)	7 (8)	3 (3)	4 (9)	8 (8)	8 (6)	5 (7)

Source: Citizen Surveys 2003 and 2006

Responses to this question, however, differed between age groups, with larger differences noted in 2003 than 2006 (Table 6). In both surveys, a larger share of respondents in the youngest age group agreed with the statement that people would evade paying taxes if possible compared with older respondents.

Table 6: Citizens' Views of Tax Evasion, by Age Group, 2003 and 2006

(% of respondents; 2003 figures in brackets)

Q: Would taxpayers evade taxation if possible?	18-29 years	Age group 30-49 years	50 years and above
Agree	52 (51)	51 (50)	49 (41)
50-50	13 (8)	16 (9)	14 (12)
Disagree	30 (32)	28 (36)	30 (37)
Don't know	5 (9)	5 (4)	7 (9)

Source: Citizen Surveys 2003 and 2006

There are also differences in perceptions between respondents who were born in the case councils and those who had migrated to these areas.⁹ Although these differences are less in 2006 compared with 2003, a larger share of migrants in both surveys agreed with the statement that people would evade taxes if possible. But the longer a 'migrant' had lived in the area, the more likely he/she was to have views on taxation similar to those who were born in the council. This may reflect the existence of a 'socialisation process'; indeed, when a 'migrant' had lived in an area for some years it does not make much sense to distinguish between 'migrants' and 'natives'.

⁹ A previous study, based on survey data from the late 1990s, found that the compliance rate with respect to development levy was relatively higher for migrants than for people born in the area (Fjeldstad and Semboja, 2001). The authors found that since migrants generally were less integrated and have looser relations to local authorities than non-migrants, it was easier and probably more convenient for the tax enforcer at the village.

3.3 Problems in Tax Collection

The most serious problem hampering revenue collection, according to citizens' views in 2003, was that taxes collected were not spent on public services (Table 7). Overall, 58% of respondents held this view. In 2006, however, this proportion fell to 36% suggesting that respondents' perceived that their terms of trade with the government had improved, reflected in improved public services. In 2003, 'too high taxes/fees' (48% of respondents) and 'dishonest collectors' (46%) were also perceived as major problems. The corresponding figures for 2006 were 26% and 39%, respectively, which indicate that some of the perceived problems with the tax system have been addressed. In particular, the data suggest that citizens in 2006 have more trust in the ability and/or motivation of local authorities to provide services, although substantial differences were observed between the six councils. For instance, while 65% of respondents in Bagamoyo DC in 2003 believed that taxes collected were not spent on public services, the corresponding figure for 2006 was 40%. For Ilala MC, the corresponding figures were 63% (2003) and 24% (2006). Moreover, while 51% of respondents in Bagamoyo DC in 2003 perceived tax collectors to be dishonest, 43% held this view in 2006. In Iringa DC, however, only a minor change was found between 2003 (33%) to 2006 (32%) with respect to citizens' perceptions of the honesty of tax collectors. Surprisingly, only 29% of respondents overall in 2003 and 25% in 2006 considered taxpayers' unwillingness to pay to be a major problem. Nor was dishonesty among elected local leaders perceived to be a major problem, though more respondents perceived this was a problem in 2006 compared to 2003.

Table 7: Citizens' Perceptions of Major Problems in Tax Collection, by Council, 2003 and 2006 (% of respondents)

Description of Problem	Year	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
Tax revenues not spent on public services	2003	63	65	48	45	68	61	58
	2006	24	40	43	24	44	37	36
Too high tax/fee rates	2003	52	52	46	31	53	54	48
	2006	9	25	31	14	37	39	26
Dishonest collectors	2003	54	51	40	33	50	46	46
	2006	40	43	41	32	43	35	39
Too many taxes/fees	2003	51	44	29	23	41	45	39
	2006	9	26	27	18	34	32	24
Harassment by tax collectors	2003	43	36	33	29	41	46	38
	2006	28	32	39	33	40	26	33
Taxpayers unwilling to pay taxes	2003	31	28	23	31	30	28	29
	2006	19	19	25	22	32	32	25
Dishonest local government elected leaders	2003	21	17	30	21	28	23	23
	2006	29	26	29	30	29	20	27
Dishonest parliamentarians	2003	16	12	12	11	22	16	15
	2006	16	9	5	7	11	10	10

Source: Citizen Surveys 2003 and 2006

3.3.1 Corruption - a continuing problem

Corruption is likely to undermine government trustworthiness and, thus, the legitimacy of government, where 'legitimacy' refers to citizens' approval of the government, which, in turn, justifies citizens' obedience.¹⁰ When the institutions are legitimate, citizens have a predisposition to consider obedience to them as reasonable and appropriate (Fauvelle-Aymar, 1999). A government's lack of legitimacy, on the other hand, diminishes the perceived moral justification for obeying its laws, including tax laws.

Generally, corruption was perceived to be a serious problem by respondents in all case councils (Table 8). Overall, 58% of respondents considered corruption to be a problem in 2006, a marginal improvement from 2003 (59%). However, substantial differences were observed between councils. For example, 74% of respondents in Mwanza in 2006 thought corruption was a serious problem, while the corresponding figure for Iringa was 44%. We also found that a larger share of respondents in Kilosa, Bagamoyo and Mwanza viewed corruption to be a major problem in 2006 compared to 2003. In particular, a substantial deterioration was noted in Kilosa from 2003 to 2006. In contrast, fewer respondents in Ilala, Iringa and Moshi perceived corruption to be a problem in 2006 compared to 2003. In Ilala, for instance, the improvement was substantial; from 64 % in 2003 to 50% in 2006.

Table 8: Percentage of Citizens who Thought Corruption to be a Serious Problem, by Council, 2006 and 2003 (% of respondents; 2003 figures in brackets)

Response	Bagamoyo DC	Ilala DC	Iringa DC	Kilosa DC	Moshi DC	Mwanza CC	All councils
Yes	64 (61)	50 (64)	44 (49)	55 (40)	62 (72)	74 (70)	58 (59)
50-50 (average)	11 (10)	25 (13)	19 (17)	18 (23)	11 (8)	10 (7)	16 (13)
No	11 (17)	17 (15)	29 (21)	21 (19)	16 (8)	7 (11)	17 (15)
Don't know	14 (12)	9 (8)	8 (14)	7 (19)	11 (12)	10 (13)	10 (13)

Source: Citizen Surveys 2003 and 2006

The data suggest, however, that the Government may be achieving at least modest success over time in fighting administrative corruption.¹¹ Public perceptions of government efforts to combat the problem are improving (Table 9). In 2006, more than 50% of all respondents said that corruption was less than before, while in 2003 only 27% held this view. In all councils, except Kilosa, a substantial increase was found in the proportion of respondents reporting that corruption was less than before. The data also showed that reported experiences of corruption had declined. While 50% of all respondents in 2003 said they had observed acts of corruption, this percentage had reduced to 30% in 2006.

¹⁰ Following Lipset, 1959: 86, legitimacy can be defined as 'the capacity of a political system to engender and maintain the belief that existing political institutions are the most appropriate or proper ones for the society'.

¹¹ This is often referred to as everyday or *petty* corruption, which citizens experience daily in their encounter with public administration and services like hospitals, schools, local licensing authorities, police, customs, taxing authorities, the judiciary and so on (see Blundo and Olivier de Sardan, 2006).

Table 9: Citizens' Views on Corruption as a Problem Compared to Two Years Ago, by Council, 2006 and 2003 (% of respondents; 2003 figures in brackets)

Response	Bagamoyo DC	Ilala DC	Iringa DC	Kilosa DC	Moshi DC	Mwanza CC	All councils
Worse than before	7 (39)	15 (45)	10 (30)	19 (29)	3 (53)	9 (40)	11 (39)
No changes	18 (18)	19 (24)	12 (5)	22 (8)	22 (19)	23 (20)	19 (15)
Less than before	51 (28)	54 (21)	56 (39)	44 (40)	50 (13)	49 (24)	51 (27)
Don't know	25 (15)	12 (10)	22 (27)	15 (24)	25 (16)	19 (17)	20 (18)

Source: Citizen surveys 2003 and 2006

These findings are consistent with the most recent *Afrobarometer* survey (REPOA, 2006), which suggests that the "...government may be achieving at least modest success; public perceptions of its efforts to combat the problem are improving, while reported experiences with corruption appear to be on the decline..." Moreover, the World Bank Institute's governance indicators (1996 to 2006) place Tanzania in a group of countries that have experienced significant improvements in governance. In addition, the country's score on Transparency International's *Corruption Perceptions Index (CPI)* also improved from 1.9 in 1996 to 2.9 in 2006.¹²

3.4 Tax Compliance and Service Delivery

The 2003 data showed that the majority of respondents (58%) considered poor public services to be the most important reason behind poor tax compliance (Table 7). In 2006, 36% of respondents held this view. Citizens' changing perceptions of the link between service delivery and taxation are further explored in this section, focusing on four aspects of this link:

- (i) Whether taxes are perceived to be used to provide public services.
- (ii) Whether people should refuse to pay taxes until services are improved.
- (iii) Whether the respondent would be willing to pay more taxes if services were improved.
- (iv) Whether people should contribute to better services through more self-help activities.

First, as reflected in Table 10, only 9% of all respondents in 2003 agreed with the statement that most of the tax revenues collected in the area where they live were used to provide services. An important change in citizens' perceptions is reflected in the 2006 data, when more than 30% of respondents perceived that taxes were mostly used to provide services. This change is clearly reflected in data for individual councils. For instance, while only 2% of

¹² See www.afrobarometer.org, www.worldbank.org/wbi/governance, and www.transparency.org.

respondents in Kilosa DC in 2003 agreed that taxes were mostly used to provide services, this share increased to 36% in 2006. For Iringa DC, the corresponding figures were 11% in 2003 and 44% in 2006, indicating substantial improvements in service delivery.

Second, while the majority of all respondents (51%) in 2003 agreed that people should refuse to pay taxes until services improved, this proportion reduced to 39% in 2006. In Moshi DC, the change in people's views was substantial. In 2003, 66% of Moshi residents held this view, compared with less than 40% in 2006. This difference may reflect the change in political power which has taken place in Moshi, from being a stronghold of the opposition in 2003 to being controlled by the ruling party in 2006. Studies from other countries have found that tax compliance is also related to people's perceptions of the government and political support (Braithwaite and Levi, 1998).

Third, while 73% of all respondents in 2003 said they were willing to pay more taxes if public services were improved, this share increased to 88% in 2006. Differences, however, were observed between the six case councils. Respondents in Iringa DC were least inclined (59%) in 2003 to increase tax payments in exchange for further service improvements. In 2006, however, more than 90% of Iringa residents said they would be willing to pay more taxes if services improved. In general, for all the case councils, citizens' response to this hypothetical question indicates that people see the link between taxes and service delivery and also understand that their contribution to government revenue may matter.

Finally, with respect to citizen's attitudes towards contributing to self-help projects, only minor changes were observed from 2003 to 2006. Overall, 75% of respondents in 2003 and 79% in 2006 agreed that people should contribute to improved services through self-help activities, though substantial differences were noted between individual councils (Table 10). The study found that the councils most in favour of self-help in 2003, i.e. the rural councils, Kilosa and Iringa, were also most in favour of this approach to service delivery in 2006. At the other end of the spectrum, Moshi DC and Mwanza CC residents were least in favour of self-help in 2003 and in 2006. These differences might reflect that various self-help and matching schemes have had some positive impacts on service delivery in Iringa, e.g., Tanzania Social Action Fund (TASAF) and in Kilosa, e.g., Community Initiative Support Programme (CIS), while these initiatives have been less common in Moshi and Mwanza. Surprisingly, while only 56% of respondents in Ilala MC were in favour of the self-help approach in 2003, this share increased to 84% in 2006.

Table 10: Citizens' Views on Tax Collection and Service Provision, by Council, 2003 and 2006 (% of respondents; 2003 figures in brackets)

Question	Response	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
Are tax revenues collected in the area used to provide public services?	Yes, mostly	36 (9)	25 (10)	36 (2)	44 (11)	21 (10)	22 (13)	31 (9)
Should people refuse to pay taxes until they get better services?	Agree	32 (51)	25 (49)	36 (40)	44 (35)	21 (66)	22 (64)	31 (51)
Willing to pay more taxes if public services improved?	Yes	91 (73)	85 (66)	92 (73)	91 (59)	85 (82)	84 (83)	88 (73)
Should people contribute to better social services through more self-help activities?	Agree	84 (56)	79 (70)	85 (91)	87 (93)	67 (69)	69 (71)	79 (75)

Source: Citizen Surveys 2003 and 2006

Overall, citizens perceived improvements over time in the general quality of public services (Table 11). The majority (75%) of respondents in the 2006 survey reported improvement in service delivery over the past two years. The corresponding figure for 2003 was 54%. These findings are consistent with results from the *Afrobarometer* survey (REPOA, 2006), and suggest that reforms to improve service delivery in local government authorities have started to bear fruits and are becoming more visible to ordinary people. However, there are substantial differences between the councils. While almost 90% of respondents in Bagamoyo DC in 2006 cited improvement in service delivery, the corresponding figure for Moshi DC was only 43%. Indeed, 45% of Moshi residents reported deteriorating service delivery.

There is no statistical evidence that the actual quality of public services in Moshi DC is worse than in other rural councils in Tanzania. The survey data may, therefore, reflect other factors which impact citizens' perceptions. First, people's expectations impact on their perceptions. Traditionally, the provision of public services has been relatively better in Moshi compared to many other rural councils in Tanzania. According to elected councillors and council staff interviewed in Moshi, people's views reflect that services are not improving with the speed that residents expect and are accustomed to.¹³ Therefore, the gap between Moshi and other councils on service provision may be narrowing. Second, the competitive political situation in Moshi, where both the ruling party and opposition are relatively strong, might be a part of the explanation.

¹³ Personal interviews in Moshi DC by the Authors (August 2007).

Table 11: Citizens' Views of the General Quality of Services Today Compared to Two Years Ago, by Council, 2003 and 2006 (% of respondents; 2003 figures in brackets)

Response	Bagamoyo	Ilala	Iringa	Kilosa	Moshi	Mwanza	All councils
Better than before	88 (48)	86 (44)	87 (61)	75 (49)	43 (55)	72 (66)	75 (54)
About the same as before	5 (25)	11 (19)	7 (24)	18 (24)	11 (29)	8 (20)	10 (23)
Worse than before	4 (25)	1 (26)	1 (5)	6 (11)	45 (14)	16 (10)	12 (15)
Don't know	3 (2)	1 (11)	5 (10)	1 (16)	2 (1)	4 (5)	3 (8)

Source: Citizen Surveys 2003 and 2006

The average data for individual councils do not suggest a rural-urban divide in service delivery. However, when disaggregating data on locations within each council, it was observed that people's perceptions of service delivery were strongly linked to actual services in place - or not - on the ground. In Moshi DC, for instance in 2006 survey, 53% of respondents in Himo village perceived that services had improved, compared to only 27% of respondents in Kirima Juu village. Himo village has four primary schools, two public secondary schools, a high-quality private secondary school, a private not-for-profit dispensary, a modern market, a modern abattoir, bus stand, relatively good roads and a village office building. In contrast, Kirima Juu has limited services - one primary, two secondary schools, and only few kilometres of good roads. In Mwanza CC, 87% of respondents in the *mtaa* in which the council headquarters is located reported that services had improved, compared with 50% of respondents in nearby Selemani *mtaa*. People's discontent in Selemani might reflect their dissatisfaction with specific services they have waited for - and been promised - for a long time, especially road improvements.

Citizens' satisfaction or dissatisfaction with service provision, however, varies substantially between different services. Table 12 shows the proportion of all respondents who reported being satisfied with the services listed.

Table 12: Citizens' Satisfaction with Services, by Council, 2003 and 2006
(% of satisfied respondents)

Service	Year	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
Primary school	2003	69	61	83	73	67	67	70
	2006	84	78	79	84	76	71	79
Dispensary	2003	46	37	35	37	35	38	38
	2006	57	24	43	73	31	41	45
Secondary school	2003	19	21	29	34	16	2	24
	2006	61	43	60	65	57	50	56
Water supply	2003	18	10	21	35	19	30	22
	2006	11	48	15	20	20	27	23
Road maintenance	2003	26	27	13	28	14	25	22
	2006	13	38	11	10	34	43	25
Law and order	2003	22	12	25	28	10	15	19
	2006	43	31	27	38	31	38	35
Health clinic	2003	25	24	5	16	10	13	16
	2006	38	11	24	15	14	13	19

Source: Citizen Surveys 2003 and 2006

3.4.1 High satisfaction with education

Primary and secondary education stand out as the services most frequently rated as satisfactory by citizens interviewed from the six councils (Table 12). In the education sector, the Government has continued to implement programmes to boost education at all levels, especially the Primary Education Development Plan (PEDP). Based on the Ministry of Education and Vocational Training (MoEVT) *Basic Education Statistics*, the gross enrolment ratio (GER) for primary education increased to almost 110% in 2005 from 106% in 2004, surpassing the 2003 Poverty Reduction Strategy (PRS) target of 90%. Similarly, the net enrolment ratio (NER) in primary schools increased to 95% in 2005 from 91% in 2004 and 89% in 2003, over-achieving the PRS target of 90%. In 2006, GER and NER rose again, to 113% and 96% respectively. Private-public partnerships have played an important role in these achievements, since part of the increased enrolments is accounted for by private providers. Moreover, efforts to recruit and train more teachers have improved the teacher: pupil ratio to 1:56 in 2005 from 1:58 in 2004. While improvement in the teacher: pupil ratio is recognised, rising concerns exist about the quality of the education provided, due to the short duration of teacher training.

Following the introduction of the Secondary Education Development Plan (SEDP), the number of government secondary schools in the country increased from 649 schools in 2003 to 1,690 in 2006. The number of private secondary schools also went up from 434 to 599 during the same period. In effect, these initiatives have facilitated an improvement in the transition rate from primary to secondary schools to around 68% in 2006, up from an average of about one-third in 2003 and 2004. Consequently, there was increased demand for teachers, which led to 'crash' teacher training programmes. As for primary schools, there are concerns about the quality of secondary school teachers given the short duration of training.

The progress in the education sector is echoed in the Citizen Survey 2006, where 79% of respondents expressed satisfaction with primary education, compared to 70% in 2003. A majority (56%) was also satisfied with secondary education in 2006, up from 24% in 2003 (Table 12). The significant increase in satisfaction levels for secondary education is mainly accounted for by the SEDP¹⁴, an initiative which was not in place in 2003 when the first survey was conducted. However, the survey data reveal substantial differences between councils in this respect. While 65% of respondents in Iringa DC expressed satisfaction with secondary education in 2006, the corresponding percentage for Bagamoyo was only 43%. To some extent this reflects differences between local government authorities when it comes to the implementation of the SEDP. It also reflects that the implementation of SEDP varies substantially within the councils. For instance, in Bagamoyo, zero respondents in Mwidu village and less than 7% in Kiromo said they were satisfied with secondary education, compared to more than 80% satisfaction rate in Kiwangwa village. Both Mwidu and Kiromo had no secondary school during the survey, while Kiwangwa had one. The 2006 survey data from the other case councils also shows similar in-council differences. In Mwanza, for instance, the average satisfaction rate (50%) hides the differences between Ilemela village (17%) and Igongwe (73%). Similarly, in Moshi DC, where on average 57% are satisfied with the secondary schools, 73% of respondents in Kirima Juu village expressed satisfaction compared to only 30% in Oria village.

3.4.2 Mixed experiences with health services

There has been improvement in the health condition of the population in all case councils. According to the councils' own data, the infant mortality rate has been reduced, and the immunisation rate has risen to well above 80%. The Government has recently placed increasing attention on child immunisation and maternity services. Waterborne diseases are also on the decrease in most of the councils. The main problems identified by survey respondents are linked to the services provided by dispensaries and clinics. Still, the level of satisfaction with dispensaries has improved in recent years (Table 12). While 38% of respondents said they were satisfied with these facilities in 2003, the satisfaction rate increased to 45% in 2006. In comparison, 19% of respondents were satisfied with health clinics in 2006, compared to 16% in 2003. These mixed levels of satisfaction suggest that some health services have improved more than others. *The Views of the People Survey*, conducted by REPOA in 2007, found that while citizens have higher satisfaction with maternity services, child immunisation, distance to the health facility and politeness of the staff, they are less satisfied with the availability of drugs, the costs¹⁵ and queuing time.

Although the average data for the councils indicate that there have been improvements in health services in recent years, the progress is still slow, and the differences in service delivery both between and within councils are increasing. For example, while as many as 73% of respondents in Iringa DC were satisfied with the dispensaries in 2006, the corresponding figure for Bagamoyo was 24% (Table 12). Differences between villages within each council are even more striking. For instance, in Moshi DC more than 63% of respondents in Mande village were satisfied with dispensaries in 2006, compared to only 17% in Lekura village. This is explained by the presence of the facility; Mande village has a dispensary while Lekura does not. Generally, the pattern observed within councils is that in those villages where people are

¹⁴ SEDP Secondary Education Development Programme started in 2004, funded by the World Bank and the Government of Tanzania

¹⁵ These are actual payments to cover registration, consultation, drugs, etc.

relatively more satisfied with dispensaries they are less satisfied with the health centres - and *vice versa*. This pattern suggests that the Government seems to ensure that every village has at least either a dispensary or a health centre that is working.

3.4.3 Access to clean water - an unsolved problem

Only 23% of respondents in the 2006 survey were satisfied with the quality of water supply, which is a minor improvement from 2003 (Table 12). Merely 28% reported that there had been some improvements in recent years. *Views of the People 2007* supports these findings. In that study, more than 60% of respondents related that water shortage, especially during the dry season, is a major problem in their area. While, the Citizen Survey revealed widespread dissatisfaction with water supply, major differences were observed between councils. For instance, while only 15% of respondents in Kilosa reported that they were satisfied with water supply, almost 50% of respondents in Bagamoyo gave this answer in 2006, which is a dramatic improvement on the 10% of residents in 2003. The water project in Bagamoyo from Wami River, running along the Dar es Salaam - Arusha main road, is probably the main single factor explaining this increased satisfaction. Two villages, Mandela and Mbwewe, which are direct beneficiaries of this project, reported almost 100% satisfaction with water supply in 2006 compared to less than 20% in 2003.

In rural councils, relatively higher satisfaction with water supply was observed in villages along the main roads or those located close to the council headquarters. Tanangozi village in Iringa DC, Kiromo, Mbwewe and Mandela in Bagamoyo DC, and Uparo village in Moshi DC are all located along main roads, and people are relatively more satisfied with water supply. Further, Mande village in Moshi DC and Mtendeni in Kilosa DC, which both are located close to the council headquarters, are also relatively more satisfied with water supply. Generally, however, citizens perceived that improved water supply is their most urgent need, a view that is reflected in the *Afrobarometer* surveys (REPOA, 2006).

3.4.4 Law and order - encouraging improvements

The survey data revealed improvements in people's perceptions of law and order. While only 19% of respondents in 2003 expressed satisfaction with law and order, this share had increased to 35% in 2006 (Table 12). Moreover, 44% of respondents reported improvements in the two years prior to the survey, compared with only 16% in 2003. In terms of rural-urban divide, there were no significant differences in 2003. In the 2006 survey, however, a larger share of respondents in urban councils expressed satisfaction with law and order compared to residents in rural councils. The improvement after 2003 might be explained by the major re-organisation of the police force, and the establishment of the new Ministry of Public Safety and Security in December 2005. The reorganisation included a major reshuffling of the heads of the police at the central, regional and district levels, aimed to make the police force more effective in fighting crime and to regain citizens' confidence in the police. Perhaps, this is the reason why relatively more residents in urban councils are satisfied, because crime was more pronounced in urban areas. Thus, measures to address crime most likely have greater impact on citizens living in urban areas than rural residents.

To summarise, if the problem of tax compliance is to be effectively addressed through improvements in service delivery, different measures may be required in different councils. For instance, focusing efforts on improving dispensaries might be an appropriate policy response in Bagamoyo DC, while water supply may represent a key issue in Ilala MC and Kilosa DC.

3.5 Who is to Blame for Poor Tax Collection?

Table 13 presents survey results on citizens' perceptions as to which groups of people/institutions are most to blame for poor tax collection. Tax collectors were those most frequently blamed in both surveys (54% of all respondents). This view was commonly held across all case councils, although the share of respondents who blamed tax collectors was lower in Iringa DC than the average for the other councils. While council employees were ranked second among those most responsible for poor tax collection in 2003 (49%), they were ranked third (36%) in 2006 after elected local government leaders (44%). In both surveys, only around 20% of respondents considered that taxpayers were most to blame. These findings are consistent with results presented in section 3.3 (Table 7), where dishonest tax collectors were perceived as one of the major problems affecting revenue collection.

Distrust of revenue collectors is also documented in earlier studies (Tripp, 1997; Fjeldstad and Semboja, 2001; Kelsall, 2000). In particular, before 2003, the collection of the development levy often led to conflicts and tensions between collectors and citizens. Since the 2003 survey was carried out only a few months after the abolition of development levy, citizens' perceptions of tax collectors likely reflected their recent experiences with development levy collectors. However, in the two urban councils, Ilala MC and Mwanza CC, the development levy was not an important revenue base. In these councils, the poll tax mainly covered public and formal sector employees, and payment of the levy was deducted from their salaries by the employer. Therefore, these taxpayers had limited contact with collectors. Hence, taxpayers' low trust in collectors in Ilala MC and Mwanza CC observed in the 2003 survey, was most likely related to factors other than the development levy. The same low level of trust was recorded in 2006, more than three years after the abolition of development levy. One reason could be the simple fact that tax collectors are rarely loved by citizens, though this is hardly the full explanation. Jean Tirole (1996) provides a theoretical explanation. Tirole argues that new members (e.g., tax collectors) of an organization (e.g. a tax agency) may suffer from an original sin (e.g., corruption) of their elders long after the latter are gone. This implies that the reputation of current tax collectors is affected by the past reputation of the tax collecting agency. Hence, it may take time to rebuild the reputation of former highly corrupt tax agencies.

Table 13: Citizens' Perceptions on Who is Most to Blame for Poor Tax Collection, by Council, 2003 and 2006 (% of respondents)

Group/Institution	Year	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
Tax collectors/fee collectors	2003	58	56	55	41	54	59	54
	2006	53	58	49	50	61	55	54
Council employees	2003	48	48	45	41	55	59	49
	2006	35	37	34	27	39	44	36
Central government authorities/TRA	2003	50	46	30	30	43	56	43
	2006	40	27	31	27	27	37	31
Licences and permits officers	2003	42	37	38	32	39	50	40
	2006	42	28	30	32	28	33	32
Local government elected leaders	2003	27	28	49	35	41	46	38
	2006	44	44	41	47	46	42	44
Parliamentarians	2003	18	20	16	17	29	34	22
	2006	17	20	4	11	18	25	16
Tax payers/fee payers	2003	28	21	12	19	17	25	20
	2006	21	17	22	26	23	28	23

Source: Citizen Surveys 2003 and 2006

3.6 Citizens' Views on How to Improve the Taxation System

The surveys included a series of questions to investigate citizens' perceptions on how to improve the present tax system, including examination of respondents' views of where public revenues were least likely to be misused, and their recommendations on actions to reduce misuse. Encouragingly, in 2006, only 10% of all respondents thought that misuse of funds was unavoidable, compared with 27% in 2003 (Table 14). This may reflect higher trust in government authorities, which is consistent with the finding that people were more satisfied with law and order in 2006 compared to three years earlier. Moreover, data indicate increasing trust in lower levels of government. In 2006, almost 35% of respondents considered that misuse of funds was least likely at the village level, compared to only 15% in 2003. This view was especially strong in the three rural councils, Iringa, Kilosa, and Moshi. More than 40% of respondents in each of these councils held this view in 2006. The *kitongoji*¹⁶ leader and the village/*mtaa* chairperson were also the officials whom people considered to be least likely to misuse public funds. In contrast, people's trust in the Tanzania Revenue Authority (TRA) appears to have eroded over time.

¹⁶ *Kitongoji* (*Vitongoji* plural) is a sub-village structure. Several *vitongoji* make a village in rural councils.

Table 14: Citizens' Views on Where Misuse of Tax Revenue is Least Likely, by Council, 2003 and 2006 (% of respondents)

Institution	Year	Ilala	Bagamoyo	Kilosa	Iringa	Moshi	Mwanza	All councils
Village authorities	2003	7	9	32	18	8	16	15
	2006	24	33	41	41	41	25	34
Ward office	2003	10	3	10	14	9	15	10
	2006	9	0.5	5	6	7	7	6
Council authorities	2003	9	11	6	21	3	2	9
	2006	6	4	2	3	3	9	4
Service facility	2003	6	10	8	4	6	7	7
	2006	17	18	8	11	5	12	12
Tanzania Revenue Authority (TRA)	2003	13	18	15	12	13	14	14
	2006	7	5	6	2	12	6	6
Is misuse unavoidable? (% who agree)	2003	38	29	21	11	41	25	27
	2006	10	5	14	15	8	5	10

Source: Citizen Surveys 2003 and 2006

When asked what actions would reduce the misuse of tax revenue, more than 40% of respondents in 2003 said it would not help to report misuse to the village authorities, the ward and council offices, or to the police. In 2006, however, only between 14% and 18% of respondents held this view. More than 70% of respondents in 2006 said it would help to report misuse of tax revenue to the village authorities, compared to less than 50% in 2003, reflecting higher trust over time in the lower level authorities (Table 15). However, almost 80% of all respondents in the 2006 survey (compared to 64% in 2003) suggested that reporting the misuse of tax revenue to a journalist would help reduce this form of corruption. Citizens' relatively high trust in journalists is also reported in other studies, for instance, ESRF and FACEIT (2003).

Table 15: Citizens' Views on Actions to Reduce the Misuse of Tax Revenue, by Council, 2003 and 2006 (% of respondents)

Report to:	Year	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
Journalist	2003	63	61	60	63	68	68	64
	2006	91	80	74	83	68	77	79
Village authorities	2003	44	50	50	65	41	49	50
	2006	81	73	69	77	68	71	73
Ward office	2003	38	50	50	57	43	50	48
	2006	85	73	75	85	68	70	76
Member of Parliament	2003	40	44	41	49	50	63	48
	2006	84	78	78	82	61	69	75
Police	2003	42	40	55	49	42	44	45
	2006	83	73	75	78	59	72	73
Political party leaders	2003	43	41	31	38	56	59	45
	2006	81	77	57	74	53	70	68
Council authorities	2003	37	41	47	53	41	47	44
	2006	85	75	79	88	66	72	77

Source: Citizen surveys 2003 and 2006

When it comes to actions taken by citizens, only 2% of respondents in the 2006 survey said they had reported misuse of funds over the last two years, a drop from 4% in 2003 (Table 16). Furthermore, very few respondents (7%) in 2006 said that they were aware of other people who had reported misuse of money, a drop from 11% in 2003. The main reason cited by respondents for why so few people report misuse of public funds is fear of repercussions. In the 2006 survey, 30% of respondents cited fear of repercussions as the main reason, up from 21% in 2003 (Table 16). In addition, 10% of respondents in 2006 say that such actions will not have any effect anyway, compared to 15% in 2003. These findings are discouraging given the fact that the government has run extensive anti-corruption campaigns since 1996, and has also encouraged people to report officials who abuse their positions for personal gain. These findings support the argument that there is an urgent need to take action to improve trust between local authorities and citizens. Information on how to report misuse of revenues also needs to be effectively disseminated to the public, since 22% of respondents in 2006 reported that they did not know what to do. However, it is important that anti-corruption policies and action plans are followed by concrete measures to address the problem, i.e., public officials and councillors involved in corruption should be brought to court. If no action is taken against offenders, the credibility of the government's anti-corruption initiatives will be undermined and soon lose public support.

Table 16: Citizens' Actions to Report Misuse of Tax Money, by Council, 2003 and 2006 (% of respondents; 2003 figures in brackets)

Question	Response	Ilala MC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
Have you reported misuse of tax revenue in the last two years?	Yes	1 (4)	3 (5)	2 (3)	1 (5)	2 (1)	2 (3)	2 (4)
Are you aware of anybody who has taken such action?	Yes	7 (10)	7 (8)	9 (18)	5 (12)	6 (8)	8 (11)	7 (11)
Reasons for not reporting misuse of tax money	Don't know what to do	28 (13)	17 (19)	31 (16)	27 (24)	14 (7)	14 (7)	22 (14)
	Scared of repercussions	34 (23)	28 (19)	28 (25)	37 (27)	33 (13)	22 (20)	30 (21)
	Will not have any effect	6 (20)	13 (15)	2 (10)	9 (10)	13 (21)	8 (16)	18 (15)

Source: Citizen surveys 2003 and 2006

To build trust, public information is crucial (Levi and Stoker, 2000; Rothstein, 2000). Citizens' access to and right to information is often seen as a necessary condition to achieve accountable, transparent and participatory governance, and people-centred development (Crook and Manor, 1998; Jenkins and Goetz, 1999). Public information on tax revenues collected, financial allocations and how to report corruption have improved substantially in recent years, although many people still report that they have no access to such information (Table 17). In 2003, for instance, only 6% of respondents said they had seen information posted on taxes and fees collected. This share increased to 12% in 2006. Moreover, 3% of respondents in 2003 said they had seen audited statements of council expenditure, compared with 6% in 2006. In addition, almost one-quarter of respondents in 2006 had seen information on how to report corruption, compared with only 16% in 2003. Interestingly, those respondents who had heard about the local government reform programme (LGR) were, in general, better informed than those who had not heard about it (Table 17). This is particularly evident with regard to information on local government budgets, audits, and on how to report corruption. For instance, more than 30% of those who had heard about the LGR in 2006 had received information on how to report corruption, compared with 16% of respondents who had not heard about the LGR. However, public information on government revenues, financial management and corruption are still in short supply compared to information on HIV/AIDS. A large majority of the respondents in both 2003 (78%) and 2006 (80%) had seen posters for HIV/AIDS prevention.

Table 17: Citizens' Access to Public Information, 2003 and 2006 (% of respondents)

Awareness of Local Govt Reform Program (LGR)	Have you in the last two years seen any of the following information posted in a public place?											
	Local government budget		Taxes and fees collected		Audited statements of council expenditure		Financial allocation to key sectors		HIV/AIDS prevention		How to report corruption	
	Yes 2003	Yes 2006	Yes 2003	Yes 2006	Yes 2003	Yes 2006	Yes 2003	Yes 2006	Yes 2003	Yes 2006	Yes 2003	Yes 2006
Heard about LGR	11	21	9	15	4	9	7	11	85	85	23	31
Not heard about LGR	3	7	3	9	1	2	2	4	71	74	10	16
All respondents	7	14	6	12	3	6	4	8	78	80	16	23

Source: Citizen surveys 2003 and 2006

There were large variations across councils with respect to information collected on tax revenue (not tabled here). Respondents in Iringa and Kilosa were relatively better informed compared to other councils. In 2006, for instance, more than 30% of respondents in Iringa DC said they had received information on tax revenue collected in their area. In comparison, only 2% of respondents in Ilala MC and 7% in Mwanza CC said they were informed. People in Iringa and Kilosa were also relatively better informed than people living in the other case councils in relation to information on local government budgets, audits, and on how to report corruption. Data, however, do not provide an answer as to why rural residents were generally better informed on these issues. However, among respondents who had received information on tax revenue, the Village Executive Officer (VEO) was the most likely source of the information, which may indicate that VEOs can function as an effective channel of information between the council and citizens.

How can the use of tax revenues be improved? Table 18 presents citizens' recommendations on this issue. The measures most favoured by citizens are stronger punishment of corrupt government employees (90% in 2006, and 83% in 2003) and politicians (90% in 2006, and 80% in 2003), more public information on the allocation of tax revenues (92% in 2006, and 78% in 2003), and greater information on revenue collection (89% in 2006, and 74% in 2003). These views were consistent across all six councils. Moreover, a larger share of respondents in 2006 compared to 2003 thought that these measures will work. From a citizen perspective, all of the measures suggested for improving the use of tax revenues can be interpreted as trust-enhancing devices. This is in line with recent research which concludes that one of the factors that determines taxpayers' compliance is whether citizens perceive the government to be trustworthy and to act in their interests (Fjeldstad, 2004). In particular, three dimensions of trust may affect citizens' compliance (Slemrod, 2003): (i) trust in the government to use revenues to provide expected services; (ii) trust in the authorities to establish fair procedures for revenue collection and distribution of services; and (iii) trust in other citizens to pay their share. Moreover, the voice of citizens in Tanzania has been strengthened in recent years, reflected, for instance, in the elections (Fjeldstad and Therkildsen, 2008).

Table 18: Citizens' Perceptions on Measures to Improve the Use of Tax Revenue, by Council, 2003 and 2006 (% of respondents who agreed with measure)

Measure	Year	Ilala DC	Bagamoyo DC	Kilosa DC	Iringa DC	Moshi DC	Mwanza CC	All councils
Stronger punishment of government employees	2003	78	80	90	89	80	83	83
	2006	92	87	92	93	88	89	90
Stronger punishment of politicians	2003	68	75	89	87	77	82	80
	2006	92	85	91	92	88	90	90
More information on allocation of tax revenues	2003	79	75	83	77	75	77	78
	2006	89	94	91	89	94	93	92
More information on collection	2003	78	70	80	72	72	75	74
	2006	80	94	89	84	94	93	89
More involvement of police in tax collection	2003	13	22	24	21	18	17	19
	2006	15	19	27	25	28	19	22
More involvement of the military in tax collection	2003	13	21	21	15	16	21	18
	2006	15	13	23	23	24	15	19
More fundamental changes	2003	14	9	4	8	15	19	11
	2006	11	2	2	5	1	7	4

Source: Citizen surveys 2003 and 2006

4

Conclusions and Policy Implications

People's views on taxation are much more positive in 2006 compared to three years earlier. This is partly due to improvements in service delivery, particularly education, health, and law and order, and partly due to reforms which have led to less oppressive collection. Still, the survey data presented in this paper show that citizens feel they get little in return for taxes and fees paid. This perception impacts on people's willingness to pay and contributes to the erosion of public trust in the government's capacity to provide expected services. The majority of respondents in both surveys said that 'they would be willing to pay more taxes if public services were improved'. Hence, from a policy perspective, it is a major challenge to enhance linkages between tax payment and service delivery.

Corruption was perceived by citizens to be a major problem in both surveys, with implications for their trust in government and government officials and, thus, their willingness to pay taxes. In particular, misuse of public revenues by council staff (particularly revenue collectors) was considered to be a huge problem. A clear conclusion from the surveys is that citizens demand tougher actions against corrupt officials. It is therefore not surprising that the measures most favoured by citizens to improve the present taxation system are stronger punishment of council staff and politicians found guilty of mismanagement.

The abolition of the controversial development levy in 2003, has contributed to improving citizen - government relations. Still, there is room for further improvements by establishing better billing and accounting systems, more convenient tax payment facilities, and by strengthening the government's capacity to follow up cases of non-payment. Citizens should also be further encouraged to report irregularities such as misappropriation of revenues and services not delivered as expected.

There is a growing demand from citizens for more information on revenues collected and how the revenues are spent. More than 90% of respondents in 2006 (compared to around 80% in 2003) said that more transparency is required to improve the use of public revenues. However, survey data revealed that public information on tax revenues collected, financial allocations, and how to report corruption is scarce. Although there has been an improvement in recent years, only 12% of respondents in 2006 said that they had seen information on taxes and fees collected in the area posted in a public place. The corresponding figure for 2003 was 6%. It is also disturbing that less than 8% of respondents in 2006 reported seeing information on financial allocations to key sectors. Although this represents a slight improvement from 4% in 2003, much remains to be done.

From a citizen perspective the suggested measures to improve the use of public revenues can all be interpreted as trust enhancing devices. This is in line with recent research showing that one of the factors that determine taxpayers' compliance is whether citizens perceive the government to be trustworthy and to act in the public interest. To build trust between citizens and the government, dissemination of information to the public is crucial. Citizens' access to information on taxes collected and how revenues are spent is necessary to achieve accountable, transparent and participatory governance, and people-centred development.

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Appendices

Appendix 1: Wards included in the surveys

Council	Ward
Bagamoyo DC	DUNDA KIROMO KIWANGWA MAGOMENI MBWEWE MIONO UBENAZOMOZI
Ilala MC	BUGURUNI CHANIKA GEREZANI KINYEREZI KIPAWA KITUNDA PUGU
Iringa DC	IFUNDA IZAZI KALENGA KIHOROGOTA MSEKE NDULI ULANDA
Kilosa DC	CHANZURU GAIRO MAGOLE MIKUMI MKWATANI RUBEHO ZOMBO
Moshi DC	KAHE KIRIMA KIRUAVUNJO KUSINI MABOGINI MAKUYUNI MAMBA KUSINI OLD MOSHI
Mwanza CC	BUGOGWA IGOMA ILEMELA ISAMILO MIRONGO MKOLANI SANGABUYE

Appendix 2: Villages/*mitaa* included in the surveys

Council	Village
Bagamoyo DC	BUMA DUNDA KIWANGWA MAGOMENI MANDERA MBWEWE MWIDU
Ilala MC	BUGURUNI MADENGE CHANIKA GEREZAN GEREZANI MASHARIKI KINYEREZI KITUNDA MOGO PUGU KAJIUNGENI
Iringa DC	ISMANI IZAZI KALENGA KIBEBE KIBENA NDULI TANANGOZI
Kilosa DC	CHANZURU IBUTI KWIPIPA MABANA MIKUMI MTENDENI ZOMBOLUMBO
Moshi DC	CHEKERENI HIMO KIRIMA JUU LEKURA MANDE ORYA UPARO
Mwanza CC	IGOGWE ILEMELA ISAMILO KILOMBERO MKOLANI MTAA WA KATI NYAFULA

Appendix 3: Local government own revenue sources, 2002-2006/07

(In mil. TSh and as a % of total revenue from their own sources)

**A: District Case Councils
Bagamoyo DC**

Revenue Source	2002		2003		2004		2004/05		2005/06		2006/07	
	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%
Development levy	13.7	4.5			0		0		0	0	0	0
Crop cess (local tax on agricultural products)	25.7	8.5	39.7	10.8	0		0		1.0	0.7	3.3	1.2
Livestock cess	0				4.4	6.1	0		0	0	0	0
Business licences	68.3	22.5	73.1	19.8	4.5	6.2	6	4.0	5.9	3.9	3.9	1.4
Market fees	20.7	6.8	20.0	5.4			0		0	0	0	0
Other taxes	0.6	0.2	2.0	0.5	7.3	10.1	1.1	0.7	1.4	0.9	0	0
Other fees, licences & fines	155.1	51.1	221.7	60.1			136.6	92.3	110	73.9	257.1	91.4
Miscellaneous	19.5	6.4	12.4	3.4	56.4	77.7	4.3	2.9	30.6	20.6	17.0	6
Total	303.6	100	368.8	100	72.6	100	148	100	148.8	100	281.2	100

Iringa DC

Revenue Source	2002		2003		2004		2004/05		2005/06		2006/07	
	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%
Development levy	252.3	56.2			0				0	0	0	0
Crop cess (local tax on agricultural products)	42.9	9.6	57.6	23.9	24.7	28.6	63.0	41.4	126.2	53.4	130.2	52.5
Livestock cess	40.3	9.0	50.1	20.8	0.2	0.3			0	0	0	0
Business licences	32.1	7.1	34.6	14.4	14.1	16.3	2.7	1.8	11.1	4.7	17.4	7.0
Market fees	1.8	0.4	2.1	0.9	0.4	0.5	0.1		0	0	0	0
Other taxes	18.8	4.2	25.3	10.5	11.7	13.5	18.5	12.1	3.9	1.6	5.8	2.3
Other fees, licences & fines	50.9	11.3	53.8	22.3	27.0	31.2	38.9	25.5	62.5	26.4	70.9	28.6
Miscellaneous	10.1	2.2	17.2	7.2	8.4	9.7	29.1	19.1	32.7	13.8	23.6	9.5
Total	449.2	100	240.7	100	86.5	100	125.3	100	236.4	100	247.9	100

Kilosa DC

Revenue Source	2002		2003		2004		2004/05		2005/06		2006/07	
	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%
Development levy	138.4	31.7							0	0	0	0
Crop cess (local tax on agricultural products)	104.6	24.0	18.0	15.6	15.1	18.3	90.9	54.8	78.5	38	68.4	36.2
Livestock cess	13.2	3.0							0	0	0	0
Business licences	36.1	8.3	30.9	26.8	8.1	9.8	13.6	8.2	8.2	4	10.9	5.8
Market fees	16.2	3.7	14.9	12.9	24.4	29.5			0	0	0	0
Other taxes	25.5	5.8	10.2	8.8	8.5	10.3	15.1	9.1	17.5	8.5	8.6	4.5
Other fees, licences & fines	66.4	15.2	41.5	35.9	25.2	30.5	45.2	27.2	101.6	49.3	100.2	52.9
Miscellaneous	35.6	8.2			1.4	1.7	1.1	0.7	0.2	0	1.0	0.5
Total	436.1	100	115.4	100	82.7	100	165.9	100	206.1	100	189.2	100

Moshi DC

Revenue Source	2002		2003		2004		2004/05		2005/06		2006/07	
	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%
Development levy	60.8	11.0							0	0	0	0
Crop cess (local tax on agricultural products)	201.3	36.4	158.7	36.3	42.4	64.4	98	82.3	64.7	47	72.3	42.7
Livestock cess	0.4	0.1	3.0	0.7					0	0	0	0
Business licences	51.9	9.4	27.0	6.2	3.3	5			1.7	1.2	3.8	2.2
Market fees	25.2	4.6	46.2	10.6	6.7	10.2			0	0	0	0
Other taxes	11.1	2.0	28.1	6.4	0.06	0.1			1.8	1.3	0	0
Other fees, licences & fines	94.2	17.0	74.1	17.0	0.5	0.8	14	11.8	59.4	43.2	51	30.1
Miscellaneous	107.4	19.4	99.6	22.8	12.9	19.6	7	5.9	10	7.3	42.1	24.9
Total	552.5	100	436.7	100	65.7	100	119	100	137.6	100	169.2	100

B: Urban Case Councils

Ilala MC

Revenue Source	2002		2003		2004		2004/05		2005/06		2006/07	
	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%
Development levy	36.3	0.6							0	0	0	0
Property taxes	690.8	11.5	1,115.3	16.3	708	11	1500	29	1,460	20.8	68.4	16.9
Business Licenses	1,194.5	19.9	1,943.5	28.4	2408	36	376	7	42.4	0.6	53.2	0.7
City service levy	2,044.2	34.1	2,303.9	33.6	2801	42	2638	50	3,230.9	0	3,746.9	47.2
Other taxes	16.4	0.3	80.5	1.2	68	1	72	1	0	0	0	0
Other fees, licences & fines	1,697.1	28.3	1,109.3	16.2	492	7	530	10	1,495.6	0	1,683	21.2
Miscellaneous	35.6	5.2	301.3	4.4	198	3	134	3	793.3	0	1,115	14
Total	5,990.6	100	6,853.9	100	6675	100	5251	100	7,025.3	100	7,943.5	100

Mwanza CC

Revenue Source	2002		2003		2004		2004/05		2005/06		2006/07	
	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%	Tsh	%
Development levy	279.5	13.2							0	0	0	0
Property taxes	243.6	11.5	442.2	21.6	245	28	442	33	410.8	18	267.0	11.6
Business Licenses	364.7	17.3	391.7	19.2	25	3	12	1	20.8	0.9	27.3	1.2
City service levy	452.9	21.5	477.9	23.4	286	33	531	40	815.4	35.8	759.2	32.9
Other taxes	121.1	5.7	485.9	23.8	121	14	299	22	105.6	4.6	107.2	4.6
Other fees, licences & fines	460.6	21.8	244.3	11.9	3	0	5	0	817.8	35.9	1124.5	48.7
Miscellaneous	188.4	8.9	2.5	0.1	193	22	49	4	108.3	4.8	21.6	0.9
Total	2,111.2	100	2,044.5	100	872	100	1338	100	2,278.6	100	2,306.9	100

Sources: Councils' Abstracts of Final Accounts (2002 - 2004/05) and 'Local Government Fiscal Review (2005/06 - 2006/07)'.

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