

# Analysis of Fiscal Decentralization in Improving Service Delivery at Grassroot Levels: A Case of Dodoma City Council

Muhsin M. Danga<sup>1</sup>, Peter B Kadilikansimba<sup>2</sup> and Eliakundi Samanya<sup>3</sup>

Local Government Training Institute, P.O Box 1125, Dodoma, Tanzania

\*<sup>1</sup>Corresponding Author: [dangamuhsin@gmail.com](mailto:dangamuhsin@gmail.com)

**Abstract:** *The purpose of this study was to analyze Fiscal Decentralization in three selected wards using exploratory sequential design. The sample size of the study constituted one hundred and seventy-nine (179) respondents. Purposive sampling procedure was adopted for getting the full picture of Fiscal Decentralization in Tanzania. The study was conducted in Dodoma City council in three wards namely: Hombolo, Changombe and Mailimbili wards. The study results exhibited positive impact of fiscal decentralization on: good governance, revenue mobilization and service delivery. Apart from that, the study results recorded ineffective fiscal decentralization because of the following factors: regional disparities, lack of skilled personnel, ineffective legal framework, and inappropriate economic costs and benefits from devolution. For the purpose of the effectiveness, fiscal decentralization stakeholders including central government and local government should adhere the rule of laws, allocate sufficient funds for recruiting qualified staff, and establish regulations that will limit Tanzania Revenue Authorities interference on the sources of revenues entrusted to Local Government Authorities. It is a high time the government re-structures and overhauls the entire reforms and come up with the feasible alternative reforms that will benefit the citizens. From these highlighted factors, this study recommends further researches to be conducted on impact and factors affecting fiscal decentralization by scaling-up the study scope.*

**Keywords:** Fiscal Decentralization, Local Government Authorities, Local Governments, D By D, Grassroot Levels, Services Delivery, Good Governance, Central Government and TRA.

## 1.1 Background of the Study

In many parts of the world and Africa in particular, public services are delivered by sub-national governments (SNGs) which is commonly known as Decentralization by Devolution. Decentralization by Devolution (D by D) is the process of delegating authority to sub-national entities which is aimed at exploiting potential revenues through fiscal decentralization (Warioba, 1999 and Chijoriga, 2012). Fiscal decentralization is the process of empowering Local Government Authorities to exercise and control the devolved resources. It is through fiscal decentralization where local governments plan and deliver basic public services, especially education and health services. The policy is about decentralizing powers and functions from central government to local government authorities. In other words, it was a process in which the central government devolved or relinquished its powers and functions to local authorities. The system was adopted to ensure greater public participation and accountability on the part of policy-makers, service providers, and users (Fosu and Ryan, 2004). The reforms intended to improve local government revenue sources, accountability, transparency and responsiveness of local government authorities (Ngware, 2005).

The process has many benefits on service delivery for instance, Ahmed *et al.*, (2005) and Shah *et al.*, (2004) on their studies on the impact of fiscal decentralization revealed positive impact of service delivery among countries that adopted decentralization in comparison with the countries which did not adopt the system. Despite the improvement attained to some local governments, the system has not given the desired output to some local governments due to various challenges including: lack of commensurate revenue source assignments, limited access to financial markets, and lack of necessary administrative capacity on the part of local authorities. Besides, lack of a well-established institutional arrangement which is necessary for fiscal decentralization or models for revenue sharing between central and local governments and the weak and the persistence dependence on central government has been associated with ineffective contribution of the system (Bahl, 2001).

In a bid to improve Decentralization by Devolution (D by D), the Government of Tanzania has made commendable efforts from the late 1990's to empower the Local Government Authorities (LGAs) through promotion of fiscal decentralization, legal harmonization, and human resources autonomy. The reforms involved the following phases: phase one of LGRP was 2000-2008 intended to accelerate D by D while phase two of LGRP was intended to cornerstone of bolstering LGAs which was between 2008-2013 (PMO –RALG, 2009).

## 1.2 Statement of the Problem

Decentralization, in its various forms, has become a highly popular component in policy reforms. The reforms have facilitated councils to draft by laws that govern many important aspects of community life; improvement on the conduction of statutory

meetings and agenda preparation; the increase of the number of voters and cast voters: the enhancement of electorates education about their political rights like the procedure for removing elected leaders and; the existence of financial autonomy (Ngwilizi, 2002; URT; PMO-RALG: 2008). Financial autonomy refers to the Fiscal decentralization which includes: self-financing or cost recovery through user charges, co- financing, co – production arrangements, expansion of local revenue, intergovernmental transfers, authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees. Additionally, fiscal decentralization facilitates proper and quick allocation of resources (Peabody *et al.*, 1999). Studies of the impact of fiscal decentralization have been carried out (Visschedijk *et al.*, 1995; Green and Collins, 1994; Bossert, 1995; Bossert *et al.*, 1991; Gilson, 1993; Kutzin, 1994; and Holland and Pimphachanh, 1995) which however, have provided inconsistent results. Although fiscal decentralization guarantees these benefits yet the level of financial autonomy of local authorities is not clearly established particularly in developing countries. Despite these compelling arguments in favor of decentralization, there is little evidence and conflicting impact of fiscal decentralization in developing countries. This calls the researcher to conduct the study on the evaluation of impact and challenges of fiscal decentralization in Dodoma City.

### 1.3 Objective of the study

#### General Objective

To analyze fiscal decentralization on improvement of service delivery at grassroot levels

#### 1.4 Specific objectives

- i. To examine the challenges facing Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels in Dodoma City
- ii. To examine the impact of Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels in Dodoma City

#### 1.5 General question

What are the impacts and challenges facing Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels in Dodoma City?

#### 1.6 Specific questions

- i. What are the challenges facing Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels in Dodoma City?
- ii. What are the impacts of Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels in Dodoma City?

#### 1.7 Significance of the study

This study specifically focused on the challenges facing Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels in Tanzania and thus expected to provide useful contributions to the literature. Additionally, the findings will assist policy makers in designing and adopting an appropriate model for effective and efficient fiscal decentralization from the highlighted challenges facing the reform.

### 2.0 Theoretical perspective

#### 2.1 Decentralization

Decentralization is referred to as a transfer of authority and responsibility of public functions from the Central Government to Local Governments (LGs). It is a complex multifaceted concept, which does require substantial reorganization of public sector service delivery and finance in order to become effective. Decentralization encompasses the following three concepts: De-concentration, Delegation and Devolution (JICA 2008).

#### 2.2 Empirical Review

##### 2.2.1 Tanzanian Decentralization Move

In Tanzania, decentralization is part of the effort being made by the government to improve delivery of services at the local level. This effort dates back to 1961 when the country gained its independence. In the first few years of Tanzania's independence, most services, such as health and education, were concentrated in a few urban areas, with the main goals being to serve the colonial residents (Max 1992). In response to this situation and to ensure the quality of social services for all the people, the government of

Tanzania undertook several initiatives to improve its administrative system. These initiatives involved a swing in the continuum representing on one hand centralization and on the other decentralization. This brought up the Local Government Reform Programme (LGRP) which aimed at strengthening the LGAs by granting them autonomy. Another pillar of this policy was enhancing community participation, to ensure accountability and a provision of services that matches demand. In 1998, the government established the Local Government Reform Programme (LGRP) under President Office Regional Administration and Local Government (PO- RALG). The programme was established to enhance coordination of the reform process and to provide both advisory and technical support to PMO –RALG. The programme had five components including; governance, finance, restructuring, human resources and legal framework.

### **2.2.1 Fiscal Powers of Local Governments**

Regarding the issue of finance, the Local Government Authorities are mandated to collect revenue in their area of jurisdiction as a means of financing various activities on top of the revenue transfers from central government. Local Government Authorities derive a substantial amount of money from fees, licenses and user charges. In rural authorities, this accounts for over 45% of the total own sources while in urban authorities it varies with the lowest being about 30% of total own revenue sources (URT; PMO –RALG 2005).

Local authorities have four major sources of funding own revenues, central government transfers, loans from financial institutions and development aid. In addition, user charges and various forms of self – help activities contribute to the running and maintenance of public services such as primary schools and health facilities. Contributions from local communities are significant and increasing resulting from political push and mobilization. Local governments own revenue represents less than 6% of total national tax revenues in Tanzania. This share has been almost unchanged since 1996 (Fjeldstad, 2003). Inter -governmental transfers contribute between 80% - 90% of the councils' total revenue. Fiscal autonomy of LGAs is limited both with respect to revenues and expenditures as councils own contribution to budget is between 10% - 20%.

### **Literature review**

## **3.0 Materials and Methods**

### **3.1 Study Area**

The study was conducted in Dodoma City into three wards namely: Hombolo, Changombe and Mailimbili. These three wards were selected because of the availability of data since researchers live in Dodoma City. This study used descriptive method with the aim of exploring challenges facing Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels in Dodoma City. The study population was the population from the mentioned three wards and council's heads of departments.

### **3.2 Research Design**

The research adopted a case study design whereby descriptive and exploratory data were captured. Henceforth, both qualitative and quantitative data were collected. The research was designed in the formal of exploratory sequential design.

### **3.3 Sampling Techniques and Sample Size**

The study applied multistage sampling procedure whereby: Firstly, purposive sampling was conducted to select the three wards in Dodoma city i.e Hombolo, Changombe and Mailimbili. Secondly, purposive sampling was employed to select 8 council's heads of department. Thirdly probability sampling was employed to select population from the selected three wards.

### **3.4. Data Types and Sources**

The research collected both qualitative and quantitative information as well as primary and secondary data. In primary data, the researchers intended to know the current situation and perceptions of the people who were interviewed by using questionnaires and focus group discussions. For secondary data, the researchers intended to get both the findings of other researchers regarding the system.

#### **3.4.1 Questionnaire**

Questionnaire is among widely techniques used in collecting structured information for different purposes. Basically, each respondent is required to respond to the directed questions in a pre determined order. In this study a total of 179 questionnaires were administered to the selected respondents. Questionnaires are very useful in drawing accurate information from the respondents in a logical sequence. Questionnaires were developed to capture information about the ages, impact and the factors influencing the effectiveness of fiscal decentralization. The questions in the questionnaire relating to the farmers' problems and

constraints were based on a five-point Likert scale as follows: 5 = strongly agreed, 4 = moderate, 2 = disagreed, 1 = strongly disagreed.

#### 2.4.2 Focus Group Discussion

The follow-up interviews through Focus Group Discussion (FGD) to all medical practitioners were conducted to get clarification on some findings whereby a semi-structured interview approach was applied.

#### 3.4.3 Documentary review

The secondary data were collected from Council economic and social profile.

### 3.5. Data Analysis Plan

Data collected were categorized and coded according to a predetermined coding scheme. An effort was made to code the data at the point of collection to simplify work during the analysis stage. Descriptive data were coded after data collection since it is difficult to do so before due to the diversity of possible responses (Saunders *et al.*, 2003). The data were then entered into the Microsoft excel statistical data analysis software. Processed data and results were summarized and presented using appropriate statistical tables.

## 4.0 Results and Discussions

### 4.1 Respondents Involved

One hundred and seventy-nine respondents were involved and all questioners were collected as distributed to the respondents (medical practitioners) 100% of the respondents replied the distributed questioners.

### 4.2 Impact of Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels

#### 4.2.1 Own Sources Revenue Mobilization

Table: 1 shows that 120 equivalents to 67% of respondents strongly agreed with the improvement of own sources revenue mobilization after the adoption of the policy of fiscal decentralization, 40 equivalents to 22.3% of respondents agreed, 10 equivalents to 5.6 were neutral, 7 equivalents to 4% disagreed and 2 equivalents to 1.1% strongly disagreed with the improvement of own sources revenue mobilization after the adoption of the policy of fiscal decentralization. These results reveal the increase of own source revenue after the reforms since majority of respondents appreciated the volume of own sources revenue collected after the adoption of fiscal decentralization policy. During discussions, respondents argued that since the adoption of the policy council's own sources revenue to some wards have doubled. Additionally, respondents reported that own sources revenue doubled because the policy provided the room for local government to identify their opportunities and obstacles to council's development. It is through the identification of opportunities and obstacles where the grassroots levels can exploit more revenues. Also, respondents argued that reforms has come up with the revenue mobilization strategies which include: revenue mobilization training, engagement of community in identifying sources of revenue, formulation of by laws that allow the council to collect taxes, public awareness to citizens regarding the importance of paying local taxes.

**Table1: Status of Own Sources Revenue Mobilization**

Status of Own Sources Revenue Mobilization	Frequency	Percentage (%)
Strongly agreed	120	67
Agreed	40	22.3
Neutral	10	5.6
Disagreed	7	4
Strongly disagreed	2	1.1
Total	179	100

Sources: Case Study Data, (2020)

**4.2.2. Service delivery**

Table: 2 shows that 170 equivalents to 95% of respondents strongly agreed with the manner in which service is delivered, 9 equivalents to 5% of respondents were neutral with the way council deliver services to the citizens. This implies that there is great improvement in service delivery due to adoption of fiscal decentralization policy. During the discussions, respondents argued that majority of standard seven leavers joined secondary school compared to previous years. Additionally, they argued that the reforms have enhanced health services such as the increase of the number of health facilities, medical practitioners and medical equipment which has significantly reduced mortality rate.

**Table 2: Status of Services Delivery**

Status of Services Delivery	Frequency	Percentage (%)
Strongly agreed	170	95
Agreed	0	0
Neutral	9	5
Disagreed	0	0
Strongly disagreed	0	0
Total	179	100

Sources: Case Study Data,(2020)

Table: 3 shows that 159 equivalents to 88.8% of respondents strongly agreed with the manner in which good governances are practiced, 7 equivalents to 3.9% of respondents disagreed with the way local government adhere to the principles of good governance and 13 equivalents to 7.3% of respondents strongly disagreed with the adherence to the principles of good governance. The study results suggest the enhancement of good governance is a subsequent outcome of Fiscal Decentralization policy. During the discussions, respondents demonstrated the improvement of accountability, transparency and responsiveness of local government authorities are influenced by the policy as reported by Ngware, (2005). Besides, the study results confirmed the practices of good governance as exhibited by existence of by-laws, regular meeting, citizens' political awareness regarding the procedures for removing elected leaders, the existence of financial autonomy and the increase of the number of voters as exhibited in Ngwilizi (2002) study findings.

**Table 3: Status of Good Governance**

Status of Good Governance	Frequency	Percentage (%)
Strongly agreed	159	88.8
Agreed	0	0
Neutral		5
Disagreed	7	3.9
Strongly disagreed	13	7.3
Total	179	100

Sources: Case Study Data, (2020)

**4.3 Challenges of Fiscal Decentralization on Improvement of Service Delivery at Grassroot Levels**

### 4.3. 1 Increases of Regional Disparities

Table: 4 shows that 112 equivalents to 62.6% of respondents strongly agreed with the existence of regional disparities since the adoption of the reforms, 40 equivalents to 22.3% respondents, 10 equivalents to 5.6% respondents were neutrally while 17 equivalents to 9.5% respondents disagreed with existence of regional disparities since the adoption of the reforms. Majority of respondents claimed that there are revenues and services delivery disparities among the regions. . They argued that those local governments lacking favorable economic activities in their area of jurisdiction suffer low revenue collection as well as poor service delivery compared to the local governments situated in the area where there are viable economic activities. For instance, some council do not have good infrastructures such as health centers, schools, desks, and roads due to insufficient revenue. Therefore, it is high time the government review the reforms by harmonizing those identified gaps by centralizing some of the sources of revenue then be distributed to the local government according to the needs.

**Table 4: Status of Regional Disparities**

Status of Regional Disparities	Frequency	Percentage (%)
Strongly agreed	112	62.6
Agreed	40	22.3
Neutral	10	5.6
Disagreed	17	9.5
Strongly disagreed	0	0
Total	179	100

Sources: Case Study Data, (2020)

### 4.3.2 Lack of Skilled Personnel

Considering table: 5 related to the issue of skilled personnel, the study results evidenced that 140 equivalents to the 78.2% of the respondents strongly disagreed with number and capacities of human resources serving at local governments, 24 equivalents to the 13.4% of the respondents disagreed, 9 equivalents to the 5% of the respondents were natural with number and capacities of human resources serving at local government and 6 equivalents to the 3.4% of the respondents agreed with number and capacities of human resources serving at local governments. The study results tell us that most of staff at local government lack important skills for fostering quality service delivery at grassroot levels which affect the performance of local government. During discussion, majority of respondents claimed that many of the offices are held by acting officials who in most cases lack required qualifications. For instance, some ward offices are held by teachers or village leaders instead of qualified Ward Executive Officers. Not only that but some of the offices particularly hospitals and schools have few numbers of medical personnel and teachers respectively. For instance, during group discussion one respondent claimed that some schools have only one teacher. This situation has significantly impaired the performance of the many of local government authorities.

**Table 5: Status of Skilled Personnel**

Status of Skilled Personnel	Frequency	Percentage (%)
Strongly agreed	0	0
Agreed	6	3.4
Neutral	9	5
Disagreed	24	13.4
Strongly disagreed	140	78.2
Total	179	100

Sources: Case Study Data, (2020)

### 4.3.3 Economic Costs and Benefits from Devolution

Table: 6 showed that 160 respondents equivalent to 89.4 % strongly disagreed with the economic costs and benefits from devolution while 19 respondents equivalent to 10.6% were neutral with economic costs and benefits from devolution. For those who disagreed with economic costs and benefits argued that the process have created unnecessary number of administrative authorities which is required to command a large number of staff, offices, furniture, motor vehicles and other operations costs. Furthermore, majority of respondents claimed that some offices were decentralized because of political pressure instead of prerequisite factors. Additionally, others have argued economically the reforms have provided negative impact rather than positive impact due to an increase in government administrative budget allocation.

**Table 6: Status of Economic Costs and Benefits from Devolution**

Status of Economic Costs and Benefits from Devolution	Frequency	Percentage (%)
Strongly agreed	0	0
Agreed	0	0
Neutral	19	10.6
Disagreed	0	0
Strongly disagreed	160	89.4
Total	179	100

Sources: Case Study Data, 2020

### 4.3.4 Contradiction to National Policies

Table: 7 showed that 100 respondents equivalent to 55.9% strongly believed that the reforms contradicted to the other national polices, while 69 respondents equivalent to 38.5% were neutral and 9 respondents equivalent to 5.6% believed that the reforms contradicted to the other national polices. During the discussion, majority of respondents argued that the reforms particularly fiscal decentralization does not provide clear demarcation of local government authorities in collecting revenues. There is interference of Tanzania Revenue Authorities to local government sources of revenue collections in some cases which dwindles LGAs revenue collections. For instance in 2016, Tanzania Revenue Authorities was entrusted to collect property taxes which significantly affected LGAs revenues. Additionally, the reforms are claimed to be surrounded by irregular and frequent directives from central government which in most cases affect LGAs budget and performance in service delivery.

**Table7: Contradiction to National Policies**

Contradiction to the National Polices	Frequency	Percentage (%)
Strongly agreed	100	55.9
Agreed	10	5.6
Neutral	69	38.5
Disagreed	0	0
Strongly disagreed	0	0
Total	179	100

Sources: Case Study Data, (2020)

## 5.1 Conclusion

The purpose of the study was to evaluate the impact of fiscal decentralization and the challenges hindering the effectiveness of fiscal decentralization in Tanzania. The study results revealed positive impact of fiscal decentralization on: good governance, revenue mobilization and services delivery though the reform is encircled by a lot of challenges which have to some extent affected the objective of the fiscal decentralization policy includes: regional disparities, lack of skilled personnel, inappropriate legal framework, and inappropriate economic costs and benefits from devolution.

## 5.2 Recommendation

For the purpose of effective fiscal decentralization, stakeholders including central government and local government should strictly abide to the rule of laws, allocate sufficient funds for recruiting qualified staff. In addition to that, the government should provide regulations that will limit Tanzania Revenue Authorities interference on sources of revenue entrusted to local government. It is a high time for the government to restructure and overhaul the entire reforms so as to come up with the feasible reforms that will benefit citizens. From these highlighted factors, this study recommends further researches to be conducted on impact and factors affecting fiscal decentralization by scaling-up the study scope.

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