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THE EFFICACY OF TENDERING PROCESS ON OUTSSOURCED REVENUE COLLECTION IN LOCAL GOVERNMENTS IN TANZANIA: EXPERIENCE FROM SELECTED LOCAL GOVERNMENT COUNCILS

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Abstract

This paper broadly investigated the efficacy of tendering process on outsourced revenue collection in Kinondoni Municipal Council (KMC) and Morogoro Municipal Council (MMC) in Tanzania. The objective of this study was to examine how tendering process was effective on outsourced revenue collection in KMC and MMC. The study adopted the case study research design and the methods of data collection were interviews and documentary review. The findings indicate that the tendering of revenue collection was futile because the criteria for selecting the bidders were not transparent due to the fact that tenders were not advertised by MMC and MMC in widely circulated media, as such they could not be accessed by some of the prospective bidders in studied councils. The tenders were offered to companies lacking the required criteria, such as resources, and so were unable to fulfil their contractual obligations after being selected to collect revenue in KMC and MMC. It therefore concluded that ineffectiveness of the tendering process in MMC and KMC resulted in awarding tenders to Companies lacking the required capacity to collect revenue which consequently contributed to dismal revenue collection in studied Councils. This study recommends

that Councils should consider the merit of the companies in awarding tenders for revenue collection and comply to Public Procurement Act No.7 of 2011.

Keywords

Tendering Process, Outsourcing, Revenue Collection, Local Government Authorities (LGAs)

1. Introduction to the Study

This study is broadly based on investigating the tendering process and its efficacy on outsourced revenue collection in local governments authorities (LGAs) in Tanzania with special focus on KMC and MMC. The tendering process of outsourcing revenue collection has been practiced due to the development New Public Management (NPM) which gained popularity because of International Funding Institutions such as the World Bank (WB) and International Monetary Fund (IMF) (Alonso *et al.*, 2011). WB and IMF have included increasing government effectiveness through outsourcing. In line with the quest for efficient operations of government Institutions, the reforms of revenue administration through tendering in developed and developing Countries have since the late 1970s been encouraged by the NPM, which started in New Zealand and Australia and then in the United Kingdom (Mtasigazya, 2018a).

The NPM reform programme focuses on rolling back the welfare state by privatising as many tasks as could be taken over by the private sector through outsourcing of revenue collection (*ibid*). From 1980s onwards, the states in Africa started shifting the emphasis from the state to the private sector and Donor countries recommended reforms to developing countries in the form of Structural Adjustment Programmes (SAPs), which included a wide range of economic and administrative reforms (*ibid*).

In Tanzania, tendering process for outsourcing LGAs revenue collection has been under the SAPs which started in the 2000s when Tanzania embarked on the LGAs Reform Programme (LGRP) I, 2000-2007 and LGRP II from June, 2008 to June 2013 (Kessy, 2011:36). The thrust for reform, in particular outsourcing revenue collection, arose because LGAs had poor revenue collection (Mtasigazya, 2018b). The Economic and Research Bureau (ERB) (1997) found that LGAs collected 3-5% of all public-sector revenue while they are responsible for over 20% of public sector spending before outsourcing revenue collection in LGAs in Tanzania. The LGAs were obliged to outsource revenue collection through competitive tendering process so that they could award the tenders for revenue collection to the companies with required resource capacity to collect revenue in Tanzania in order to increase revenues.

Despite outsourcing revenue collection, LGAs in 18 regions out of 21 relied on fiscal transfer from the central government for more than 93% of their fiscal resources (Liviga, 2011:376). In 2017, the average revenue collected by LGAs was 7.5%, which was slightly increased as ERB Report (1997) indicates that LGAs collected 3-5% of their revenue before outsourcing. However, it is still not yet known on whether or not the tendering process contribute to poor revenue collection in KMC and MMC after outsourcing.

2. Statement of the Problem

Outsourcing revenue collection to private companies through a competitive tendering process was expected to enable LGAs to award tenders for revenue collection to the companies with required human and financial resources capacity so that they fulfil their contractual obligations of remitting revenues to the Councils and finally attaining objective of increasing revenue (Liviga, 2011:375). However, Mtasigazya (2018b) indicates that the private companies were not fulfilling their contractual obligation of remitting revenues to the councils after being awarded the tenders for revenue collection contrary to the expectations of LGAs and the public at large. The majority of LGAs have been falling short in their expectation of increasing their revenue through outsourcing. For example, out of 168 Councils, only four (04) of them, namely Temeke, Ilala, Kinondoni and Arusha were able to increase their revenue by more than 20% through outsourcing. As for the rest (164 councils), the average revenue collected through outsourcing remained at average of 7.5% (Mzenzi, 2013). This study sought to examine the efficacy of tendering process on outsourced revenue collection in two councils (KMC and MMC).

3. Objective of the Study

To examine the efficacy of the tendering process on outsourcing revenue collection in LGAs in Tanzania (measured by examining whether bids for revenue collection were advertised in transparency manners in the media and none-existence of corruption and political interference in the selection of the bidders for revenue collection).

3.1 Research question

- i. How is the effectiveness of tendering process on outsourced revenue collection in KMC and MMC?

4. Empirical Literature and Theoretical Framework

The tendering process in a bid to outsource revenue collection has attracted much attention both in policy and in academic circles. The main focus of academics has been on procurement by the public sector, in part because of its sheer importance to the economy and value for money in government spending. The experience shows that procurement by federal and local governments accounts for more than 10 percent of Gross Domestic Product in the United States. Many public sector transactions are also governed by procurement contracts which are preceded by tendering process such as advertisement of tenders and selection of the bidders to supply such goods or services (Tadelis and Bajari, *et al.*, 2006). It is further noted that when considering the tendering process of goods and services, the procurer is faced with many challenges. First, has to choose what exactly should be procured to the potential suppliers. Second, a contract must be laid out that includes contractual obligations and methods of compensation. Third, the outsourcing institution needs to decide how to award the revenue collection contract between the potential Companies. Finally, the award mechanism should result in the selection of a qualified and desirable supplier and in the implementation of a cost-effective as a final product.

Competitive tendering is widely recognized as an attractive procurement for several reasons. Most notably it is viewed as a procedure that promotes competition. Furthermore, open competitive tendering is also known for their transparency, making it easier to prevent corruption both in the public and private sectors. These arguments provide a justification for statutes such as the Federal Acquisition Regulations (FARs) that strongly favor the use of competitive tendering in the U.S. public sector (*ibid*). For example, from 1995 to 2018, forty-four percent of public sector non-residential building construction projects in Northern California were procured using competitive tendering. This paper offers a framework to examine the efficacy of tendering process on outsourced revenue collection. In particular, it tries to shed light on how tendering process affect outsourced revenue collection in LGAs in Tanzania.

In Tanzania, a further study was based on legal challenges in revenue collection faced by local governments, the case of Temeke Municipal and Kisarawe District Councils (Ngole, 2013). The study findings established that, although LGAs have the authority to levy taxes, their tax base tends to be frail. The main reasons were attributed to the limitations embedded in the existing legal framework for revenue sources and collection which tend to be frail. The study findings indicate that Tameka Municipal and Kisarawe District Councils failed to collect revenue as targeted. The main reason attributed to this was the weak legal framework regulating revenue collection. The

weakness of Ngole's study is that it only discusses the problems of local government revenue collection in relation to the legal framework, but does not give due attention to the tendering process which may also hinder revenue collection in the councils. Hence a specific study was needed to examine the efficacy of tendering process on outsourced revenue collection.

4.1 Theoretical Framework

4.1.1 Stakeholder Theory

Stakeholder Theory developed since the 1970s and has been on the management agenda for about thirty years. The term "stakeholder" means "any individual who can affect or is affected by the achievement of the organisation's objectives" (Freeman,1984). The main assumption of the Stakeholder Theory is that an organization's effectiveness is measured by its ability to satisfy not only the shareholders but also those agents who are affected by the organisation (Solomon and Solomon, 2004). A common strength of the stakeholder theory is the assumption that the relationship with the company or institution involves an exchange, whereby stakeholders contribute and expect the company to fulfil their expectations through inducements. The Theory recognises the fact that large companies and in this context government institutions such as LGAs have a far-reaching impact on society and hence are accountable to many more stakeholders than just their shareholders or managers (Solomon and Solomon, 2004).

4.1.2 Principal-Agent Theory

Unlike other theories such as the Stakeholder Theory, Principal-Agent offers a strong link between the outsourcer (LGAs) and the private company hired to collect taxes. The theory was originally on the relationship between managers and stakeholders (Mtasigazya, 2018b). The theory has since expanded to cover the relationship between two or more parties in outsourcing. The theory makes the following major assumptions: The theory assumes that there are arm's length transactions, in which the agent and outsourcer act independently and have no relationship with each other (Suhartono *et al.*, 218). The agent has discretionary freedom due to incomplete or asymmetrical information. That is the bigger the information asymmetry, the bigger the principal's uncertainty. In the context of this study uncertainty relates to tendering of revenue collection when a firm collecting revenue defaults on the contract. The divergence of interests exists in that the agent shows opportunistic behaviour to maximize own expected profit instead of acting in line with the goals of the principal. Thus, a well-designed contract is perceived to reduce monitoring problems and enable the principal to predict accurately revenue flows (ibid). Therefore, ensuring

control and limiting shirking is the principal's problem (ibid). The theory seems to be useful for assessing whether the principal has the capacity required to select the vendor in tendering process.

5. Research Methods

The study employed both the qualitative and quantitative research approaches through methods of data collection and analysis because the data collected were both qualitative and quantitative in nature.

5.1 Research Design and Sampling Techniques

The study was conducted in Tanzania Mainland using the case studies of KMC and MMC. The case studies were selected based on performance criteria whereby KMC was selected as an outstanding performer in revenue collection while MMC had poor revenue collection under 10% of its revenue (Mtasigazya, 2018c).

5.1.1 Sampling of the Respondents

The projected number of respondents was 200; however, the actual number of respondents who became available during data collection was 172. Other respondents were preoccupied with official commitments. These were 32 respondents from LGA officials in KMC and MMC, 12 councillors, 104 taxpayers and 24 respondents from the private companies which had won tenders in KMC and MMC. The purposive sampling of the respondents was designed to capture information relating to the research questions.

5.2. Data Collection and Analysis Techniques

In-depth interviews were used to collect data and was complemented by a thorough documentary review to strengthen the validity and reliability of the data collected. Documentary review involved scrutinization of potential documents such as books and reports from government publications. Data collected from the field were analysed using thematic data analysis technique. Mtasigazya, (2018a) notes that thematic data analysis consisted of categorising the data in a way that allowed identification of similarities and differences in order to develop themes and sub-themes relating to the research objective such as the transparency in tendering process of revenue collection in KMC and MMC. Descriptive statistics were used to analyze the quantitative data by using percentages.

6. Analysis ad Discussion

6.1 Indicators for measuring efficacy of the tendering process on revenue collection in this study

In data analysis and discussions, efficacy of the tendering process was measured by examining whether bids for revenue collection were advertised in transparency manners in the media and none- existence of corruption and political interference in the selection of the bidders for revenue collection.

6.2 Responses on whether the criteria for selecting bidders in the tendering process were transparent in MMC

In MMC, the respondents were asked whether there was transparency in the selection of private companies tendering for revenue collection. The responses are presented in Table 1.0. which indicates that 58(67.4%) out of all 86 respondents asserted that the advertising of bids was not transparent as follows: 32 (61.5%) out of 52(100%) were taxpayers,14 (75%) local government staff, 6(100%) councillors and 6(50%) were respondents from private companies. They were of the opinion that the criteria for selecting private agents were not transparent because the bids for revenue collection were only advertised on the Municipality's notice board but not in newspapers, or on the radio and television. This anomaly prevented other prospective bidders from getting information, especially those from other regions who could not access the notice boards. Meanwhile, 28 (32.6%) out of 86 respondents were of the view that the criteria for selecting the bidders were transparent, these included 20 (38.5%) taxpayers, 2(25%) local government staff and 6(50%) respondents from contracted companies. The findings are summarized in Table 1.0.

From the findings presented in Table 1.0, it can be deduced that the majority of 58 (67.4%) respondents perceived that the criteria for selecting private agents were not transparent. The above findings are in line with the CAG Report (2012) which notes that out of 98 tenders, only 55 (56.1%) tender advertisements were published in newspaper and displayed on Councils' notice boards and 43 tenders equivalent to 43.9% were advertised on the Councils' notice boards only. Thus, some of the tender advertisements were not accessible, thereby limiting potential bidders and reducing competition in the tendering process. One of the reasons the CAG report (2012) cited in Mtasigazya (2017) notes is that the advertisements in newspapers were not received on time. In some areas, it took two days for citizens to get the current newspapers. As a result, many LGAs opted to advertise on notice boards in the councils. However, this reason does not hold water at all because the

duration for advertising tenders for revenue collection is one month as per the Public Procurement Act No.7 of 2011.

Table 1: Responses on whether the criteria for selecting bidders in tendering were transparent in MMC

S/No	Category of respondents	Criteria were transparent	Criteria were not transparent	Neither	Total No. of respondents
1	Local government staff N=16	2(25%)	14(75%)	00	16(100%)
2	Councillors N=6	00	06(100%)	00	06(100%)
3	Private agents N=12	6(50%)	6(50%)	00	12(100%)
4	Taxpayers N=52	20(38.5%)	32(61.5%)	00	52(100%)
5	Total No. of responses	28(32.6%)	58(67.4%)	00	86(100%)

Source: Field data, (2019)

Therefore, receiving newspapers two days after the due date does not invalidate the advertisement as it was apparent that the deadline for tender submission does not arise until a month had elapsed. In other words, the prospective bidders could still access information through both notice boards and newspapers with a wide circulation and any other mass media means. Apparently, the real reason for the poor advertising of tenders for revenue collection was found in this study to be laxity of the PMU staff whose hidden agenda was to favour their associates by disclosing the full information to them (Interview, January, 2019).

The findings reveal two issues regarding transparency in the tendering process and its effects on revenue collection. First, the tendency of not advertising tenders on outsourcing revenue collection in the mass media implies that MMC does not give due and desirable attention for the potential bidders the opportunity to get adequate information to bid for revenue collection. Inevitably, this approach hinders competitive tendering through which MMC could get the right private companies to collect revenue. Second, this study found that when MMC failed to get the right company in the first advertisement, it was compelled to re-advertise the tenders, which was also costly and delayed implementation of its budgeted plans for collecting revenue because legal power to re-advertise bids for revenue collection is stated in the Public Procurement Act (PPA)No. 7 of 2011 S.59(4).

6.2.1 Respondents' views on whether Criteria for selecting a bidder in the tendering process were transparent in KMC

Responding to this statement, 33(38.4%) out of all 86 respondents believed that the criteria for selecting private companies in the tendering process were transparent as the tenders were

advertised on KMC’s notice board and the criteria for selecting a company were transparent. This response was shared by 11(68.8%) local government staff, 11(21.2%) respondents from taxpayers, 5(83.3%) respondents from councillors and 6(50%) respondents from the private agents. On the other hand, Table 2 shows that 41(78.8%) respondents from taxpayers, 5 (31.3%) local government staff, 6 (50%) respondents from private agents and 1(16.7%) respondent from councillors said that the criteria for selecting bidders were not transparent because some of them were not published in the advertisements. Therefore, the majority of the respondents 53(61.6%) out of all 86 were of the view that the criteria for selecting bidders in the tendering process were not transparent. It was further established that the tender advertisements stated only general conditions, such as a company should have a valid business licence, a certificate of registration and the financial ability in terms of cash flow. The criteria such as experience of collecting revenue and the criteria for the highest bidder were not stated in the advertisements despite being considered when selecting the successful bidder (See Table 2).

Table 2: Responses on whether the criteria for selecting a private company were transparent in KMC

S/No	Category of respondents	Criteria were transparent	Criteria were not transparent	Neither	Total No. of respondents
1	Local government staff N=16	11(68.8%)	5(31.3%)	00	16(100%)
2	Councillors N=6	5(83.3%)	1(16.7%)	00	06(100%)
3	Private agents N=12	6(50%)	6(50%)	00	12(100%)
4	Taxpayers N=52	11(21.2%)	41(78.8%)	00	52(100%)
5	Total No. of responses	33(38.4%)	53(61.6%)	00	86(100%)

Source: Field Data, (2019)

Despite the responses summarised in Table 2.0 above, one surprising fact was that these criteria were not stated in some of the advertised tenders for which to bid to collect revenue. For example, Bid No. LGA/017/ 2012/2013/NCS/06 as the advertisement for outsourcing UBT of 26th May, 2013. This advertisement in KMC’s notice board and website indicates that the criteria for selecting the bidder were not included in the advertisement. Such an omission tends to have a negative impact on potential bidders because it may cause a bidder not to be selected because of the failure to adhere to some criteria not disclosed to them. This is information asymmetry suggested by the assumption of Principal Agent Theory which focuses on imbalance of information in a contractual relationship between a company and the outsourcing institution.

In this regard, KMC had all the information pertaining to the criteria for selecting a bidder to collect revenue while the bidders were not informed due to inadequate advertising, especially by missing out some selection criteria such as criteria of the highest bidder and experience of collecting revenue. Lack of transparency in advertising tenders caused KMC to select the weak company, which in the long run did not adhere to its contractual obligations such as timely revenue remittance to the Council. For instance, at UBT, Smart Holding Company and Global Accountancy Ltd collected the same amount of revenue (Tshs. 1.5 million) for ten years (2000-2009) without contract being reviewed, which implies that there was lack of transparency in tender advertisements.

6.3 Responses on whether MMC Considered the Resource Capacity of Private Companies in tendering process

The findings indicate that 30(34.9%) out of 86 respondents believed that MMC considered the resource capacity of the firms through which outsourcing would be well executed. This was confirmed by 22(42.3%) taxpayers, 6(37.5%) LGA staff and 2(16.7%) of the respondents from contracted firms. Furthermore, 56(65.1%) out of 86 respondents as presented in Table 2.0. above, reported that MMC did not consider the resource capacity of the contracted firms through which revenue collection would be outsourced to the expectation of the Council of increasing its revenue. This was the view of 30(57.7%) taxpayers, 10(62.5%) LGA staff, 10 (83.3%) respondents from private firms and 6 (100%) Councillors.

The findings indicate that the majority of the respondents 56(65.1%) out of all 86 were of the opinion that the MMC did not consider the resource availability of the tendering companies that would allow the outsourcing of revenue collection to increase revenue. For instance, this study found that four staff instead of seven in the PMU was inadequate which was also true of the contracted firms. For example, “Yono Auction Company” collecting parking fees in MMC in 2009 had 23 collectors instead of the 40 required for the parking premises (“Yono Auction Company” Staff List, 2009, MMC staff list, 2013/2014).

6.3.1 How resource capacity was considered in outsourcing revenue collection in KMC

This section examines whether KMC considered the resources of the firms contracted for revenue collection would increase its revenue. The study findings indicate that 16(30.8%) taxpayers, 6(50%) respondents from the contracted firms, 8(50%) LGA staff and 6(100%) councillors, a total of 36(41.9%) out of all 86 respondents, said that KMC had considered the resource capacity of the firms through which outsourcing would increase revenue. This included the

selection of the highest bidder for revenue collection. However, 8(50%) local government staff, 36 (69.2%) taxpayers and 6(50%) respondents from contracted firms said that KMC did not consider the resource availability of private companies through which outsourcing would increase its revenue. Hence, 50 respondents or 58.1% of all 86 respondents were of the view that the companies selected were incompetent and linked to either local senior officials or influential politicians. This is because the Council used the weakest verification strategy used by the tender evaluation committee which relied mainly on the documents submitted by the contracted firms but never verified the resources claimed to be possessed by the firms which sometimes did not reflect the reality on the ground. The weak capacity of KMC and MMC to manage the contracts and their unwillingness to implement an effective tendering process in revenue collection resulted in less revenue being collected from outsourced sources. For example, in 2013/2014, KMC collected Property tax of Tshs (Tanzanian shillings) 2,152.790,694.1/= (49.4%) while MMC in 2012/2013 actual revenue collected was 296,382,714.97 equivalent to (57%) (MMC and KMC Revenue Collection Report, 2013/2014).

6.4 Political interference in tendering of revenue collection in MMC

To ensure support for LGAs' outsourcing of revenue collection, the legal role of politicians such as councillors, Members of Parliament and Mtaa/village chairpersons cannot be underestimated. The study indicates that the majority of the respondents, 60(69.8%), believed that there were incidences of political interference in the tendering process in MMC. These findings were confirmed by 39(75%) taxpayers, 10 (62.5%) local government staff and 11 (91.7%) respondents from contracted firms. On the other hand, a minority 26(30.2%) out of 86 respondents said that there was no political interference in revenue collection as revealed by 13(25%) taxpayers, 6 (37.5%) local government staff, 1(8.3%) respondents from the contracted firms and 6 (100%) councillors. The political interference was observed when tenders were advertised whereby some councillors came to the PMU office to ask for a favour for their firms or the firms of their associates. The Public Procurement Act No 21 of 2004 does not recognise the role of politicians in the tendering process because the tendering activities are assigned to the PMU and Tender Evaluation Committees which are constituted by the professionals in post.

Nevertheless, the current Public Procurement Act No. 7 of 2011 has embraced the above institutions with an addition of the Municipal Finance and Planning Committee headed by the councillors that has the role of approving tenders and thus, influencing the tendering process. The law has apart from PMU and the Tender Board added the Finance and Planning Committees to have

oversight in the tendering of revenue collection, which is likely to cause political influence in the tendering process, hence eroding the consideration of merit and integrity in the tendering of revenue collection. In that regard, the ultimate goal of reforming the tendering process is to promote an efficient, transparent and none corrupt tendering process that achieves value for money. Nevertheless, this can only be achieved when there is political commitment to awarding tenders for revenue collection based on merit as opposed to political influence.

6.4.1 Political interference in tendering of revenue collection at KMC

To understand how politicians influenced the decisions involved in selecting tenders through “technical know who” as opposed to “technical know-how”, this study examined whether the awarding of bids for revenue collection was affected by political influence as opposed to being based on the merit of the companies. This study indicates that 37(71.2%) tax payers said that there was political interference through “technical know who” in making decisions about the tendering of revenue collection. Furthermore, 16(100%) local government staff, 3(50%) councillors and 6(50%) respondents from contracted firms also believed that there was political interference in tendering of revenue collection. Thus, the majority of the respondents, i.e. 62(72.1%) out of 86 respondents were of the view that political interference was rife in the tendering of revenue collection at KMC, especially in the selection of bidders for revenue collection.

Nevertheless, the study found that 24 (27.9%) of all respondents perceived that there was no political interference in the tendering process. This position was opined by 15(28.8%) taxpayers, 3(50%) councillors and 6 (50%) respondents from contracted firms who said there was no political interference instead they perceived that senior LGA staff interfered in the tendering of revenue collection at KMC. These findings were also corroborated by documentary evidence from the UBT Revenue Report (March, 2013: 6) which shows that from 2000 to 2009, UBT was outsourced without a thorough review of the contract despite there being an increase in revenue due to an increase in the number of vehicles from 300 in 2000 to 1900 in 2013 to Smart Holding Company instead of the former Global Accountancy, but under the same shareholder (Controller and Auditor General (CAG) Report, 2014).

The interference of senior LGA staff in the tendering process as perceived by 24 (27.9%) of the respondents was not only found in revenue collection but also in bids for development projects, such as market construction, as reported by the Nipashe Newspaper of November, 15, 2014, in which some Members of Parliament reportedly accused the former DCC for awarding the bid for construction of Mwanjelwa Market to a company called Tanzania Building Works Company Ltd

which had failed to do its work. The Ministry of Infrastructure started investigating the matter but the Members of Parliament added a new claim by saying that the Ministry of Infrastructure should also investigate whether Tanzania Building Works Company was linked to the former Dar es salaam City Council (DCC) Director because wherever the Director was transferred, the same company was awarded bids which it could not fulfil. Thus, majority of 60(69.8%) out of all 86 respondents in MMC perceived that political interference occurred in revenue collection. These findings were similar to responses from KMC where 62 (72.1%) respondents out of all 86 respondents were also of the opinion that political interference was experienced in the tendering of revenue collection.

6.5 Corruption in tendering process of revenue collection at KMC and MMC

This study also sought to examine whether corruption occurred in the tendering process of revenue collection in KMC. The study findings show that only 24(27.9%) out of all 86 respondents, comprising 22(42.3%) taxpayers and 2(33.3%) councillors believed that there was corruption in the tendering of revenue collection. The study findings also indicate that majority of respondents 62(72.1%) were of the view that there was no corruption in the tendering of revenue collection. Specifically, these respondents comprised 30 (57.7%) taxpayers, 12 (100%) from the selected private agents, 4(66.7%) councillors and 16 (100%) LGA staff, who insisted that there was no corruption in the tendering process. It was also noted that 62(72.1%) of respondents who perceived that there was no corruption in the tendering process attributed this to the fear of councillors and local government staff losing their jobs by revealing unethical practices such as corruption in the tendering of revenue collection.

The second reason was that corrupt practices were done in secret and so it was difficult for these practices to be made public because the officials in PMU and Tender Boards knew the sanctions that would be enforced if they were found to be corrupt. Although the majority of the respondents perceived that there was no corruption in the tendering process, the opposite was actually true given the incapacity of the contracted firms to deliver in regard to revenue collection, which meant that the bid for revenue collection was mainly won through corruption or favouritism. Responding to corruption in the tendering of revenue collection in MMC, 3(50%) councillors and 41(78.8%) taxpayers were of the opinion that there was corruption in the tendering of revenue collection. On the contrary, 11(21.2%) taxpayers, 3(50%) councillors, 12(100%) from the contracted firms and 16 (100%) local government staff said that there was no corruption in the tendering of revenue collection. Therefore, a slight majority of respondents, 44(51.2%) out of 86

respondents were of the view that corruption took place in the tendering process, especially in selection of the bidders for revenue collection.

For example, Mtasigazya (2017:96) notes the revenue loss due to corruption and political interference at UBT when revenue collected by a Smart Holding Company was Tshs. 4,618,629/= but the DCC ended up getting 1,500,000/= (32.5%) of the revenues collected by the private company. Also, it was reported that there was unauthorised leasing of business premises without DCC Consent leading to a loss of Tshs.600,000/= which was misappropriated by a private company. The findings corroborate with Garajova (2018:4) who notes that Actions of transfer of money or anything of value to public officials, either directly or indirectly, to obtain favorable public decision or personal gain is defined as corruption. In other words, it is a violation of prescribed rules against the exercise of certain types of influence over private gains. Broadly speaking, corruption is closely linked to practices such nepotism or cronyism and the influence over public officials.

Also, the decline in revenue collection due to corruption was noted in Guest House levy and Property tax collection in MMC and KMC as presented in Table 3.0. For instance, in 2004/2005, 48.1% of property tax revenues were not remitted to KMC while in MMC 22.6% of revenues from commuter bus stand were not remitted due to corruption between LGAs staff and Private Company.

Table 3: Revenue remittance target versus actual remittance to KMC and MMC

Name of Municipal Council	Sources of revenue outsourced and Financial Year	Revenue targeted to be remitted by private company	Actual amount of revenue remitted in Tshs.	Percentage of revenue not remitted
Kinondoni Municipality	Guest House Levy in 2008/2009	1,000,000,000/=	158,400,000/=	84.2%
	Property Tax in 2004/2005	1,200,000,000/=	62,294,200/=	48.1%.
Morogoro Municipality	Property Tax in 2011/2012	250,000,000/=	248,492,768.54/=	0.6%
	Revenue remitted from Commuter bus stands	180,000,000/=	139,327,328/=	22.6%

Sources: KMC and MMC Revenue Collection Reports (2011/2012).

7. Discussion of the Findings

This study found out that the tendering of revenue collection still suffered some drawbacks. For instance, in MMC, the awarding of contracts for revenue collection was supposed to go through the open tendering process based on regulations which call for open bidding to be done through advertisements in national newspapers, but some contracts were not awarded in this

way. For example, the bids for outsourcing the Gymkhana Club in 2013/2014 and outsourcing the collection of property taxes and Guest House Levy were not advertised for bidders to compete, but market associations and individual contractors were informed privately (Mtasigazya, 2017). Based on the findings of this study, it is also noted that in KMC and MMC, the tendering process was not effective because it was susceptible to political interference because some of the companies associated with councillors, Members of Parliament and veteran politicians were selected to collect revenue due to their political influence.

The tenders for revenue collection were offered to companies lacking the required criteria, such as financial and human resources, and so were unable to fulfil their contractual obligations after being selected to collect revenue. Poor tendering process partly accounted for the under remittances by LGA staff because they had all reasons to justify their poor results. This was because there was no office particularly responsible for proving the validity and reliability of their tendering process reports. No spot checks were carried out for this purpose and for this reason, the tax collectors of the private companies remitted whatever they wished in addition to being relaxed towards their obligations as they were after all sure of getting their wages and no sanctions were issued to such Companies.

Likewise, the findings show that some of senior local government officials interfered with the tendering process by favouring their companies or the companies of their associates contrary to the Public Procurement Act No.7 of 2011, which prohibit a conflict of interests in tendering of revenue collection. These findings are contrary to the principal agent theory guiding this study which assumes that outsourcing should be based on arm's length transaction i.e not on corruption so that to realize the revenue increase. Hence, such companies could not fulfil their contractual obligations after being selected to collect revenue.

8. Conclusion

Based on the study findings as concluded that ineffectiveness of the tendering process was due to corruption, political interference and awarding the bids to companies lacking necessary resources as perceived in MMC and KMC resulted in awarding tenders to companies lacking the capacity to collect revenue which consequently failed to remit to the Councils and in the long run contributed to dismal revenue collection in MMC and KMC. The findings are contrary to Tadelis and Bajari (2006: 1) who aptly comments that:

“The procurer needs to decide how to award the bids between the potential bidders and finally, the award mechanism should result in the selection of a qualified and desirable company and in the implementation of a cost-effective as a final outcome”.

It is therefore, strongly recommended, among other things, that: KMC and MMC tendering process should award the bids for revenue collection based on transparency, merit of the companies and Public Procurement Act No.7 of 2011 so that to ascertain the realistic benefits of outsourcing revenue collection as anticipated by the local government reform in Tanzania.

9. Scope of The Future Research

Many studies are still needed in local councils in Tanzania. In this regard, other researchers may wish to conduct the same study and focus on rural LGAs to gain insights into rural councils' experience of the implication of tendering process on outsourcing revenue collection. Another study may be carried out on the effectiveness of local government reform in fostering financial transparency in LGAs in Tanzania.

10. Research Limitations

This study acknowledges that the findings are specific to KMC and MMC and therefore the generalization to other LGAs is limited. The restricted sample size of 172 tax payers, Local government staff, Councilors and Private agents posed a noticeable limitation, ruling out the question of generalizability. Firstly, the study may be replicated and should include respondents that were not represented in this study like President's Office-Regional Administration and Local Governments to provide further evidence of the generalizability and robustness of the study. The study was also limited by its method used in choosing respondents, that is, a non-probability purposive sampling method. It is therefore recommended that future research in this context uses a probability sampling technique so that subjects of the population get an equal chance of being selected as a representative sample.

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