

Decentralization and Financial Management in the Tanzanian Local Government Authorities

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Abstract

Decentralization is the allocation of power between central and lower levels structures of the government. The dimensions and the extent to which powers are transferred from one level to another vary across countries depending on the goal a country wishes to achieve. But one of the common aspects included in the transfer of powers to the lower level structures is financial decentralization. The reason is clear. It makes no sense to transfer power to the lower level structures without finance to execute own decisions. Transfer of financial powers to lower level structures and creating an alignment that support efficient and effective operation of each structure, has often been one of the major challenges in the implementation of decentralization model of government. Tanzania has been one of the victims in this situation. In view of various government reports, since independent in 1961, the several attempt tried by the government to transfer powers to the lower level structures led to either little or no success. The adoption of Decentralization by Devolution (D by D) in 2000 could be considered as the government attempt to correct the existed bottlenecks that led to the failure in the previous initiatives to decentralise. This paper attempts to answer the question: ‘is financial decentralisation realised under the DbyD, and what are the factors that contribute or hamper the financial decentralisation? The paper is based on the research findings presented in Mbogela (2009). The report consisted of descriptive presentation on financial matters from four case councils namely: Mbozi District council, Mbeya City council, Mbeya District council and Morogoro Municipal council. The findings from the four cases are presented, examined and compared.

Keywords: Decentralisation by devolution, financial management, Local government authorities.

1. Theoretical perspective on financial decentralisation

Financial decentralisation is the balance between on the one hand local autonomy and on the other hand central control. In this paper we focus on the effect of D by D on the financial management in local governments in Tanzania and the rationale for replacing the local financing by central financing. As a point of departure Masgrave as quoted in Oates (1998) states:

“The purpose of government budgets is to stabilize growth, redistribute income, and allocate fiscal resources-has long been the starting point for discussing the division of fiscal power and responsibilities among units of government. The stimulation of economic growth and the distribution of income, he argues, are proper budget objectives of the national government. The mobility of capital and labour rules out local government success with policies in either areas. This leaves allocation as the main role for local governments (i.e., the decision about how much to spend for each service and how to finance these expenditures). The national governments, it is said, are closest to the voter-consumers and are in the best position to read local preferences for public services and for various kinds of taxes and user charges. The proper degree of decentralization, then, will depend on how the efficiency gains from getting government closer to the people compare with the advantages that result from giving national governments more discretion to peruse fiscal policy” (page 629).

In view of Masgrave, the transfer of some financial obligations (power and authority) to the local level governments is associated with the limitations of the one level of government to perform the function of the public sector finance alone. In this regard, some financial obligations are therefore worth to be decentralized than managed centrally. From an economical point of view Oates (1972) provides three desirable characteristics of decentralization in the public sector.

“First, decentralization provides a means in which the levels of consumption of some public goods can be tailored to the preferences of subsets of the society. In this way, economic efficiency is enhanced by providing an allocation of resources that is more responsive to the test of the consumers. Second, by promoting increased innovation over time and by providing competitive pressure to induce local governments to adopt the most efficient techniques of production, decentralization may increase both static and dynamic efficiency in the production of public goods. Third, a system of local governments may provide an institutional setting that promotes better public decision making by compelling a more explicit

recognition of the costs of public programs” (page 13).

This economist’s point of view is not exceptional. Even non-economist perceive that local governments are closer to the people and therefore have a potential advantage to enhance participation in government, to provide an outcome that is closest to the preferences of the people, and allow the potential process to guarantee a more efficient operation of local government (Bahl,1995). In both ways of reasoning the result is not different. The aim is still to provide a mix of services that match the demands of local population and furthermore to make the local government officials more accountable to their voters for the quality of services they provide. Another aim is to make the local populations become more willing to pay for public services, now that their preferences are taken into account (Bahl, 1995). The challenge that remains is to create a balance in which both the central government and the local government can operate without the central governments taking over the control. This is quite an issue in the decentralized system of governance. For example Ribot (2002) argues that,

“...many central government agents fear, and therefore block, decentralization. By preventing transfers of meaningful powers to local democratic bodies, or transferring those to local agents who are only accountable to the central government and other line ministries prevent decentralizations from moving forward. As a result, to date the potential benefits of decentralization remain unrealized because government discourse has not resulted in the enactment of necessary laws, or where decentralization laws do exist, they have not been implemented” (page 2).

These sources show that it is quite difficult to provide the recipe for the best institutional arrangement that guarantees a successful decentralization. Instead it is quite often a matter of trial and error: new institutional arrangements follow old ones. All these theoretical perspective shows the importance of transferring financial resources to the level closer to where the people live and related challenges. Though, contextual variations remain important determinants to successful decentralization. For example, Azfar et al (2001) show that experiences with decentralization is mixed. According to Azfar et al:

“both the small number of rigorous empirical studies in this area, as well as the public record of decentralization efforts, show limited success within a generally disappointing array of experiences. Decentralization does not necessarily promote allocate efficiency or facilitate cost recovery. Also, theoretical predictions on decentralization suggest that only certain forms of decentralization, or better, decentralization under certain institutional arrangements, will work. Whether decentralization in fact improves or harms public sector performance appears to depend on formal institutional arrangements, as well as their interaction with social practices, influencing the implementation of decentralized governance. These would include the distribution of powers among levels of government, the disciplines operating from within and outside government (e.g., hierarchical oversight and voting), as well as principal-agent information flows (e.g., sources of citizen perceptions of corruption)” (page 8).

It is in this context that this paper wishes to examine whether D by D in Tanzania has made any difference in the local government financial management. The success surely ought to result from a booming implementation of decentralization by devolution in Tanzania. We first look at the rationale of fiscal decentralization and its consequences in Tanzania; and second we examine as to whether decentralization by devolution (DbyD) has brought any difference in the management of local monies. Based on descriptions and discussion of findings from the four cases, some conclusions and recommendations are drowned on the effect of decentralization on local government finance management in Tanzania.

2. Review of Literatures on Financial Arrangement and Challenges in the Tanzanian Local Government

Local Government Authorities in Tanzania play a major role in the Central Government’s public finances, this is seen from the fact that for the fiscal year 2006/2007, a substantial share of the Government spending were done by Local government; they amounted to Tshs. 858 billion (PMO-RALG, 2007). Efficiency and sustainability of this role largely depends on the existence of a sound legal framework that guides LGAs financial management. There are quite a number of policies and regulatory as well as manuals that guide financial management in LGAs in Tanzania. These are the various guidelines such as those issued by the Ministry, the Local Government Finance Act No 9 of 1982, Local Authorities Financial Memorandum 1997, and Financial Regulation 1995, Public procurement Act of 2004 and several other manuals.

The PMO-RALG issues guidelines, as an interpretation to LGAs, of the National Plan and Budget guidelines that is issued by the MOFEA. These guidelines guide LGAs to prepare their medium term plans and budgets. It is also a requirement of the Local Government Finances Act No 9 of 1982 that LGAs prepares annual estimates of income and expenditure (budgets) and; that the district, town, municipal and city councils should approve their annual budget in a period less than two months before the beginning of the fiscal year in a special meeting convened for that purpose. The preparation of budgets helps for monitoring and control purposes. Furthermore, the Local Authority Financial Memorandum of 1997, order no.90 gives the requirement to all the councils in Tanzania; that they ought to publish their audited consolidated balance sheets, statement of income and expenditure as well as any signed audit report on accounts; at its own offices and in the local news paper

within its area.

Public Procurement Act 2004 is the principal act that guides all the Procurement Entities in the country. Public Procurement Regulatory Authority is the country's authority responsible for making sure the Public Procurement Act 2004 (PPA 2004) is complied to, to ensure this all the PEs (Procurement Entities) including the councils are being audited to determine whether there is compliance or not. Some of the key elements these audits looks on includes the establishment and composition and functioning of the tender board and Procurement Management Unit, preparation of annual procurement plan, approval, advertisement of bid opportunities, publication of awards, time of preparation of bids, method of procurement, record keeping, quality assurance and contract implementation. All these regulations are geared towards having a good control in the financial management in the local authorities in Tanzania (www.ppra.go.tz, accessed in 2009).

Given all these guidelines, it is therefore logical that, the public expects fiscal transparency and accountability for the public resources entrusted to LGA officials, because it is the only way value for money can be attained. The government has as one of the objectives of the LGRP 2002, strengthening the local government capacity in financial management. Boex and Martinez-Vazquez (2003) indicates that Tanzanian LGAs, especially small ones has a great need of technical assistance in such areas of accounting, tax administration, data processing, and treasury. These are essential aspects in financial management for LGAs.

Moreover, the legal framework that guides the financial management in LGAs put a further challenge. Though the Local government Finance 1982 has been amended over time now so that it can reflect the structural changes that occurs in the country, but it misses a well structured legal and regulatory framework for guiding fiscal resources management in the Tanzanian LGAs; it includes several unclear, contradictory and duplicative clauses; it has never been properly reviewed to be in line with the Public Finance Act 2001. (PMO - RALGMOF, 2006). It is needful for this review to be done. In addition to the legal guidelines that are put in place, the central government ought to make sure there is a desirable decentralized fiscal relation between the central and the local governments. There is a need therefore for having a good and a balanced central–local government's relationship with regards to fiscal decentralization. A balance should not only be vertical but also horizontal, i.e. not only between central government and local governments, but also amongst the local authorities themselves.

Problems normally arise with regards to devolving spending responsibilities and revenue raising responsibilities. National governments in most cases only push down to LGAs spending responsibilities without regard to aspect of devolving adequate resources (Minassian, 1997). The intergovernmental fiscal relations has to be designed in a manner that takes account of the fact that the degree of decentralizing spending responsibilities to LGAs tend to surpass that of devolving revenue raising responsibilities. Care should be taken to make sure that Local government authorities do not remain totally dependent to central governments through the intergovernmental transfers so as to perform the decentralized public expenditures.

2.1 Conceptual Model

We use the conceptual model to guide the description of the effects of D by D on financial management in the local government. In this framework, the “adequate capacity” and “the institutional structures” of the local government are referred to as independent variables. Such variables are considered to exert influence on the following dependent variables: improved management of public resources; Responsiveness of LGAs to the local needs and; improved fiscal transparency and accountability. The development of the variables is based on the assumption that “fiscal decentralisation leads to efficient provision of public services and brings about increased responsiveness to local needs, accountability and participatory decision making” (Kee, 2003).

In this paper the ‘adequate capacity’ is referred to as the situation of the LGAs having enough capacity to carry out the decentralised responsibilities. It is measured using the feedback from the LGAs officials. The assumption is that, LGAs officials are willing and ready to share the actual experience about local government capacity on financial management. The indicators used to measure the LGAs “adequate capacity” is: number of working facilities, number of human resources and, predictable and stable funds. On the other hands, ‘the institutional structures’ refer to all the legal and operational aspects in the financial management practices. The indicators used to measure ‘institutional structures’ includes: availability and functioning tender boards, compliance to accounting and financial rules and regulations and, good record keeping system.

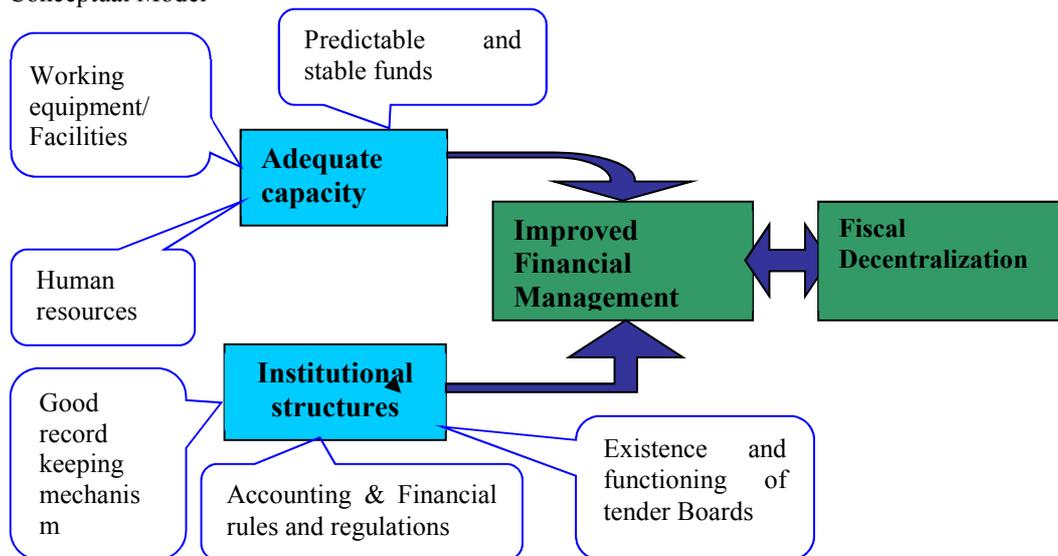
Many literatures suggest that all the financial decentralisation requires LGAs with adequate capacity to analyse the needs of the local population, to set priorities and undertake strategic planning and manage the resources available in the face of new and expected challenges (see for example, Furtado, 2001; Munyonyo R., 1999). In the same vein, the Principal of Public Finance states that “finance should follow functions”. This means that when certain expenditure roles has been assigned to a lower level of government, then the local authorities must have resources to meet those responsibilities (Kee, 2003).

Giving LGAs powers to make decision without resources to implement them create a setback towards achieving an ideal decentralisation. In this regard, Johannes et al, (2004) argued that decentralisation can only be successful when local governments have sufficient resources to fulfil the tasks assigned to them; these resources

must be predictable. As indicated by scholars like Riitta and Kolehmaninen, (2004) availability of sufficient resources alone may have little effect if the local governments have no adequate, mixed, appropriate and affordable workforce to management such finance effectively and efficiently.

The emphasis of scholar like Riitta and Kolehmaninen, gives raise to the need of qualified and motivated staff in the local government authorities. In view of Johannes, et al, (2004) acquisition of qualified and motivated staff involve recruitment, training, experience, technical equipments, clear distribution of roles and responsibilities, and the capacity to make decisions. But also, decentralisation cannot proceed without substantial work at the structural level, including the enactment of new registration and procedures (Furtado, 2001). Reviewing the enacted laws is also very crucial in making sure there is compliance to these laws as well, which suggest having the legal enforceability of the enacted laws. In general, the description of the conceptual model is summarised in the following figure 1:

Figure 1 Conceptual Model



Source: Researchers (2009)

Figure 1, indicates both independent and dependent variable and its relationship. It indicates dependent variables associated with independent variables: ‘adequate capacity’ and institutional structures. The identified variables are measured using some defined indicators. The following table 1 shows the linkages between variables and indicators. As indicated earlier in this paper the indicators in table 1 below are examined using data collected from local government officials in the case councils. Before, the cases descriptions on financial management, it is worth to provide a brief overview of the sources of funds and reporting system. The procedures and utilization of the major source (s) of funding influence financial management in the local government (Mollel, 2010).

2.2 Sources of Local Government Finances and Reporting

With these devolved responsibilities and tasks, LGAs needs funds so as to finance these responsibilities; these could come from sources such as revenue from own local revenue, grants from central governments transfers and contributions from different donors (Fjeldstad, 2004), as well as from community contributions (Bhalia, 2002). Currently, the government of Tanzania has increased amount of resources allocation to LGAs from its annual budget. Over 80% of local government resources come from these central government allocations to LGAs (Boex and Martinez, 2003). There is a special system of local government allocation being used by Tanzania Government, where as there are six sectoral recurrent local governments allocation schemes in the central budget. These include five national policy priority areas, education, health, water, roads and agriculture; as well as the allocation scheme for local administration. Each sector is further divided into Personal emoluments (PE) and other charges (OC). There is a different allocation scheme for Capital Development Funds (Boex and Martinez, 2003).

Certainly, all these funds add up to the revenue collected from the LGAs themselves. These funds require a sound financial management so that they are used for its intended purpose which it is at the heart of the concept of value for money. The government of Tanzania through PMO-RALG promotes the Local Integrated Financial Management system-epicor. This is the main computerized financial management system for LGAs in Tanzania which is in use for almost 85 LGAs out of the total number of 133 Tanzanian LGAs. This was purposely for having a harmonized and computerized financial management for all local authorities in the country. However, the most recent reports by PMO- RALG indicate that the operationalisation of this system is

still questionable; many LGAs are reported to not having this system fully operational. In which case, the manual accounting system in still becomes dominant, thus defeating the purpose of the integrated financial management system (PMO-RALG, 2007).

Table 1 Definition of variables and indicators

Research questions	Variables	Indicators
Do LGAs have adequate capacity required by D by D policy to have the policy rolling?	Adequate resources	Adequate number of qualified staff in the accounting/treasury department. Funds available to LGAs are highly predictable within a budgeted financial year. Working facilities such as computers, motor vehicles, office buildings are available.
How do LGAs comply with policies and regulations in managing public resources?	Policies and Regulations for managing public resources.	Existence if the tender boards in accordance with the requirements of the Act and Regulations. Good record keeping and timely financial reporting. Compliance to Accounting standards and financial reporting standards.
How has the practice of managing the public resources in local government changed as a result of implementing decentralization policy in Tanzania	Financial management after Decentralisation	Improved financial reporting and accountability Effective and responsive LGAs to local needs Improved public resources management.

Source: Researchers, 2009

In order to enhance transparency and accountability in financial management, the PMO- RALG brought about the system of quarterly reporting for all local authorities in the country. With this system all local authorities are required to report to PMO-RSLG, on quarterly basis, on their financial performances. With this, the reporting system was improved and was put in an excel system and some detailed guidelines were provided to act as instructions to these local authorities. The requirement is for every LGA to report by 15th of every month following the end of each quarter; these reports would then be reviewed and consolidated by PMO-RALG on a quarterly basis and then made publicly available in the LOGIN Tanzania (www.logintanzania.net). Generally the performance of LGAs on financial management in Tanzania is promising if assessed based on the annual assessment that are being done by PMO-RALG. These assessments are used as the basis for the eligibility criteria for LGCDG's capital Development Grant. The recent report by PMO-RALG shows a stable increase over time of the number of LGAs that qualify for the grant, as indicated in Table 2 below.

Table 2 Annual Assessment reports

Table 5.2 LGCDG Assessment Outcomes, FY 2004/05 – 2007/08										
	2004/05			2005/06			2006/07			2007/08
	LGSP	Donor Basket	Total	LGSP	Donor Basket	Total	LGSP	Donor Basket	Total	Total
LGAs	41	6	47	41	72	113	41	80	121	121
Qualifying LGAs	22	3	25	25	41	66	28	56	84	109
Qualifying Percentage	53.7	50.0	53.2	61.0	56.9	58.4	68.3	70.0	69.4	90.1

Source: LGCDG Assessment reports (PMO-RALG, various years); LGSP Midterm Review (December 2007).

Source: www.logintanzania.net

3.0 Case Study Results

The research paper entails four case councils whose staff were visited and interviewed on various aspects that were targeted for this research paper. They include Mbozi District council, Mbeya City council, Mbeya district council and Morogoro Municipal council.

3.1 Mbozi District Council

In an interview with some of the staff in Mbozi district council we learned that with the implementation of a decentralised financial management system many *by-laws have been revised and improved* so that they can be practical and binding to all areas of local authority jurisdiction. There has been an *increase in revenue collection*, strategies of tapping the available sources have been done and now the LGA experiences an increase of revenue. A lot has been done with regards to *capacity building*, several council officials went for further studies. Prior to LGRP many of the officials were having the education at a level of standard seven to form four, but now many are Diploma holders and some Advanced Diploma holders. But we also noted the existence of some challenges in such areas as the inadequate number of accountants in the councils, there are only 5 while for the council to be effective in managing the funds and public assets in general there should at least be an accountant for every department in the council. Also there are no enough facilities for record keeping like computers and transport facilities for making a follow up of the project in the villages as well as data and revenue collection.

The other challenge includes, delay in the funds disbursement from the central government which has an effect on the performance of the council to meet the requirement of the decentralised responsibilities. Besides, most of the Councillors who are the policy makers in the councils have low level of education (they are mostly political figures), and so it is not easy for the council officials to cope with them. This is a big challenge for the council officials to perform as they find themselves confused with political ideologies as these councillors confuse normal working with politics; There is still a problem on the enforceability of the bylaws. There are not enough powers to the LGAs to enforce the bylaws; most of them are contradicted by the orders from the ministries of the respective departments in the LGAs. This is because all departments in the LGA are under different ministries. This has an implication on making the sources of revenue active. What's more, transparency is also a problem; there is not much transparency together with much political interference. Sometimes priorities are set for the LGA by the political figures in order to serve the purpose of their political ideologies. It then obstructs the independence and autonomous working of the local authorities in Tanzania.

From this case council, one thing has been observed that could be added to the conceptual model, as a factor that can have an influence on the effectiveness of fiscal decentralisation. It could be interesting to see how the *political aspect* can influence the implementation of fiscal decentralisation. This is based on the challenges that exist between the councillors who are political leaders but at the same time have powers in the local authorities (Monyonyo, 1999).

3.2 Mbeya District Council

In Mbeya District Council, we had a chance of conducting two interviews which gave us a lot of information about the council endeavour towards having a well implemented fiscal decentralisation. Though most of the staff in the council is not well acquainted with the IFMS and e picor system which is in use currently, the council is reckoned to have enough staff with the required qualification ranging from first degree to Diploma. Working facilities like computers are enough for the currently available staff, this being the effect of the implementation of the decentralisation policy under the Local Government Reform programme.

With respect to the effects that resulted from the decentralisation processes, we could learn that, In the first place, the council has experienced an *increase in revenue sources* due to the freedom given to LGAs to search and start new sources of finance. And for those taxes which were previously among the sources of revenue to the council, which were abolished because they were considered as nuisance taxes to the citizens, the government is now paying back the same expected amount to the LGAs. *Secondly*, there was an introduction of an agency system is put in place in the area of revenue collection. The collection of revenues has been outsourced to various agents who are paid a certain percentage of the total amount that they have collected. Collection of market, toilets and majosho levy is done by agencies registered in the council. Besides increasing the revenue collection, it has also improved service provision to the people. *Thirdly*, there is appositve effect on the area of *capacity building* which has been considered to be necessary; most of the councillors in the council have attended various workshops and seminars to improve their working capacity. All 17 ward executives and 126 village chairmen have attended various workshops and seminars.

To ensure transparency to the public the council's LGA financial performance is being posted on the village, ward and council notice board. Disclosure is also made in the news papers. There is also an annual full council meeting where each citizen can attend/ is allowed to attend. It in these meeting where the performance disclosure is done and there can be cross questioning of areas that need to be clarified. This positive effect does not go without some challenges. The challenges facing Mbeya district council with respect to fiscal decentralisation processes includes, *first*, lack of technical knowledge of the staff responsible for financial management at the village level. There are no qualified accountants to manage the funds at the village level which means there is poor management of the funds; *secondly*, Late release of grants from the central government treasury which has a negative implication to the projects being implemented in the council. As well as the challenge of the councillors as seen in the case of Mbozi district council. *Thirdly*, the interviewee

complained of the conditions put in place by the donors with respect to the funds that the district get, most of these funds have conditions that do not take care of the priorities existing on the needs of the people in the district and sometimes contradicts the set plans.

In this case the aspect of political interference features again, and so it shows the necessity of it being one of the factors in the model. But another element that pops up from this case is the issue of *conditionalities of funds from donors*. It could also be interesting to see how the various donor funds that have embedded conditionalities have an impact on the effectiveness of fiscal decentralisation, and especially on the element of financial management in local governments. The interviewee reported the problem of being confused with conditions set by every donor providing funding to the local government projects. Some of these conditions do not fit the priorities of the local needs. Of course it would be best if donors would adjust their priorities to suit the needs of the local populace (Furtado, 2001).

3.3 Mbeya City Council

With decentralisation policy, in the Mbeya city council a wide range of council's staff was able to attend advanced courses in good governance, budgeting and management, procurement management proceedings, revenue mobilisation, financial management, project management and monitoring and evaluation techniques. Talking to one of the staff, these were his comments,

...This has improved the performance of the city council a great deal. It was possible for us to get clean certificate accounting assessment in 2005/2006, 2006/1007 and 2007/2008 because they had acquired procurement skills and hence we were qualified for receiving grants. This wasn't the case before; especially in 2004 where we didn't get clean report hence we were unqualified for grants. And we expect the same clean certificate during this financial year (2008/2009)

The council has experienced an increase in the number of computers since the introduction of the Local Government Reform Programme. But the number is not yet sufficient. The council has a problem of not having adequate workforces especially in the department of finance. But with the present staff, now 2 to 5 people/staff are good in using computers and have a good knowledge of computer software, hence data collection process as well as record keeping becomes effective and efficient.

3.4 Morogoro Municipal Council

The implementation of the policy in the Morogoro Municipal Council is reported to have started in 2002. And the council was among the 38 pilot councils for the introduction of the Reform Programme. The treasury department which is having 24 officials as of now, 9 accountants went for postgraduate studies and diploma studies. With the LGRP also, the council was empowered to recruiting new qualified accountants, which made it to have the adequate number of staff. The available staffs in the treasury department are not enough taking into consideration that different from other councils, this council has not outsourced the revenue collection function. LGRP brought with it working computers and the introduction of using a new software system which is known as epicor system which is connected in the integrated financial management system (IFMS), which is in use by the ministry of finance to control the financial management in the country. The ministry continued to provide technical support for this software as well and some staff is being trained as well. Not enough cars available for making a follow up in the revenue collection process, project assessment and evaluations. As an example, during the interview an interviewee gave this case which occurred, as translated by the researcher;

...One truck driver was always evading paying quarry levy for almost two weeks, the municipal personnel in the field confronted him but he could not respond, so they decided to report him to the council director, who directed for the arrest of the driver. The local militia had to hire a taxi for this activity, while it could have been easier and more economical to use the council car.

Besides that, there is also of inadequate working offices to accommodate the council's staff. All this shows that there is a shortage of working facilities in the council, in this case the motor vehicles.

As for this case nothing new as seen in the conceptual model. But something could be added in the independent variable. The aspect of availability of enough *office buildings* for the local government officials could be added as an indicator in the adequate capacity variable. Munyonyo (1999) discusses this aspect as affecting the morale of public servants working in the local governments and hence affecting decentralisation processes in Uganda. This should not end up with only availing enough number of offices but also conducive ones.

4.0 Cross Case Analysis: Case councils compared

The cross case analysis is based on the prepositions identified in the theoretical framework. The prepositions are derived from underlying assumptions of the decentralization policy in Tanzania (see Policy Paper on Local Government Reform, 1998). The policy paper provides that "local government authorities will be strong and

effective institutions in terms of resources and authority necessary to effectively perform the roles and functions that the individual local government authority has been mandated to perform by the local people and by central government” (see also Mukandala (2004)). It also put emphasis on adherence to policies and financial regulations for ensuring efficiency and accountability in the use of public finance. This paper examines this policy statements in three aspects:

4.1 The Resources Capacity of the Local Governments:

One of the assumptions of the Policy Paper on Local Government Reform in Tanzania is that, for the decentralisation policy to be effectuated, the local authorities need to have adequate resources. The indicators presented in Table 1 were used to examine this assumption. The analysis of the findings from four case Councils revealed that, two of the case studies (Mbozi DC and Mbeya CC) lacks the required number of staff in the treasury department while the other two councils (Mbeya DC and Morogoro MC) reported to have enough number of staff; though for the case of Morogoro MC, which reported that the responsibility of revenue collection which was formerly outsourced is now under the treasury department, still faces the problem of insufficient number of staff especially because most of the staff have gone for further studies. With regards to working facilities for trapping data and data recordings such as computers and a good means of transport for data collection; it was observed to be challenging for most of the case councils. All the councils reported to have inadequate number of transport facilities. Only two (Morogoro MC and Mbozi DC) reported to have enough number of computers; which therefore endangers timely reporting and effective and efficient record management, and acts as a threat to an effective decentralisation policy.

4.2 Adherence to policies and financial regulations:

The Policy Paper on Local Government Reform stresses on the compliance with policies and regulations that are used by Local authorities, especially councils, in Tanzania in the endeavour to making sure they achieve value for money for the public resources. This paper use the indicators of: the existence and functioning of the Tender Boards in accordance to PPRA; good recording and timely financial reporting; and the compliance to accounting and financial policies and regulations, to examine local government compliances with policies and financial regulations in spending public monies.

Although evidence from the literature (Munyonyo, 1999) shows that in developing countries many councils’ tender boards often act under political pressure, all case councils report to have tender boards and that they comply to the PPA 2004 and other financial regulations quite well. All case councils had almost the same kind of answers probably because they are all required to report using the same guidelines as indicated in the Local Government Finance Act, Local Authority Memorandum and Financial regulation Act. Certainly, it could be as well because they wanted to reveal a good image to the researchers that they are complying quite well as required by the regulations. Evidence from the CAG Audit reports for 2005/2006 FY on the performance of the LGAs shows a different picture especially concerning the case councils (see www.logintanzania.net).

In the report, depending on the performance, a council could get an audit opinion ranging from unqualified, unqualified but with emphasis of matter, qualified, adverse or disclaimer of opinion. From the report this is what is reported of the case councils; Mbeya CC – Adverse Opinion; Mbeya DC– Qualified Opinion; Mbozi DC – Qualified Opinion and; Morogoro MC – Unqualified opinion with emphasis of matter. So, with exception of Morogoro which at least got unqualified opinion but with some aspects that needs to be corrected, all other case councils did not get a clean report. A little improvement was seen for the case of Mbeya CC for the 2006/2007 FY where it got the unqualified opinion with emphasis of matter, the rest of the councils got the same audit opinion, which shows that there were no improvements. The CAG’s recommendations show that despite this fact, there is still an improvement as compared to looking to the previous years. This is when one looks at the big picture/national wide percentage improvement.

4.3 Positive effect (if any) of decentralization policy to local councils

The case councils were also examined as to whether: councils were given capacity for implementation of the D by D policy; the policy itself has enhanced the transparency and accountability in the councils; it has increased the responsiveness of the councils to the local needs of the citizens. The interviewees were asked if they see any improvements with the implementations of these reforms. In most cases answers to this aspect was similar with exception of some few areas.

With the exception of Morogoro MC, all other case councils reported that with the implementation of the reforms, revenue collection from most of the local revenue sources have been outsourced and this has made the case councils to experience a large increase of its revenue collection. Another area is the capacity building; with this all the case councils reported that it was possible for their working staff to go for studies in various courses from the certificate, diploma, advanced diploma, degree and, postgraduate degree level in order to increase their skills. And it has included even the councillors who in mostly cases and as reported by the

interviewees are not well educated as compared to the other council staff. This has a positive impact on their performance as one of the interviewee was quoted in Mbeya CC. Table 4 below gives a gist of the improvements reported by the four case councils during the interviews conducted by the researcher.

It was worthy to know the *inherent challenges* as they give a good guide in giving signals on what to work on for further improvements. A major challenge that was reported from all the case councils was the issue of late reception of funds from the central government. Each time the response was, one or two project funds were received in the second quarter instead of it being received in the first quarter. Of course it has a negative impact on the implementation of many projects in the councils. This might be considered to be an attempt to delay the process of fiscal decentralisation, because in this way the local authorities lack an appropriate support from the Central government to carry out its responsibilities so as to respond to the local needs (Grockowski, 2001).

Table 4 Improvements as a result of implementation of the decentralisation policy

Case	Achievements from the D by D policy
1 st	<ul style="list-style-type: none"> • Review of councils by laws • Increased revenue collection locally. • Capacity building for working staff
2 nd	<ul style="list-style-type: none"> • Increase in revenue collection from local sources • Capacity building for working staff • Improvement in service provision • Enhanced participatory approach in decision making
3 rd	<ul style="list-style-type: none"> • Capacity building for working staff • Enhanced the timely reporting • Increase in revenue collection
4 th	<ul style="list-style-type: none"> • Capacity building to working staff • Harmonisation of reporting system • Representation of the LGAs

Source: Researchers, 2009

There was a concern of the challenges case councils face with regards to the councillors who normally have lower level of education that other council officials. The councillors, who are the policy makers in the LGAs, confuse politics with the normal operations in the councils. They are political figures and mostly in the ruling party, and so they normally think in terms of political ideologies. This impedes the effectiveness in the implementation of various development projects. In line with this, case councils also reports of the interference of politics in their normal operations. As Munyonyo (1999) denotes it as well, the interference of leading politicians in district projects, contributes to the stagnation of the councils programs. And this is a challenge in Uganda's decentralisation processes as well. In Table 5 below, a summary of the challenges is presented council wise.

Table 5 Challenges still facing the Local government authorities

Case	Challenges
1 st	<ul style="list-style-type: none"> • Councillors • Interference of ministries • Political interference
2 nd	<ul style="list-style-type: none"> • Lack of technical knowledge at the village level • Donors funds conditions • Delay of grants from the central government • Councillors • Political interference
3 rd	<ul style="list-style-type: none"> • Lack of enough workforce • Inadequate facilities • Delays in grants from the CG
4 th	<ul style="list-style-type: none"> • Office building • Inadequate working facilities • Inadequate work force

Source: Researcher 2009

5.0 Conclusions

The *conceptual model* used in this research paper fit the measuring of the variables intended in the study. But it is also good to note that there were some aspects that appeared to be relevant for measuring because they were reported by respondents to have influence in their financial management practices. All these aspects have been reported after the presentation of each respective case in this chapter, and the researchers recommends these to be good for further researches. Conclusively, the research has shown that only some few areas demonstrate improvements, whereas most of the areas under the fiscal management suggest that there is still a work to do so that they are in a desirable way. The aspect of record keeping and timely reporting the financial performance shows good indication of success. This could be because of the fact that these are some of the vital elements that determine the councils' eligibility to grants. Most of the case councils have experienced an increase in the collection of revenue from the local sources. This could be because many sources have been outsourced to agents who are paid in terms of the percentage of the amount collected.

Despite these, it can be concluded that the speed of financial management reform in the local government is slow, there are some areas that need to be resolved so as to have good environment for the implementation of the D by D policy. One critical area is the legal framework that governs financial management and control in the local authorities; there need to be a review and update of the Local Government Finance Act 1982 and the Local Authority Memorandum 1997 in order to go in tandem with the public financial management reforms taking place in the country. The responsible Ministry should make effort to revise these laws and regulations. Though capacity building is reported to be done by almost all councils, but there is still a need to do it more; this should go together with giving incentives to the councils staff so as to solve the problem of losing the experienced staff who would like to go for some green pastures where they could be highly paid and where they could work in the conducive environments. So the councils should think of this in order to retain these experienced staff from quitting their jobs (Fjeldstad et al 2004)

Moreover, if the objectives set for the achievement of the D by D policy are to be met, then there is a need for strengthening the managerial capability of Tanzanian Local Government authorities. The authorities should be empowered to recruit the right calibre of staff and there should be continuous trainings and retraining of the staff. This should also be for the councillors (who are the policy makers of the authorities), for there to be an improved good governance and accountability in local government authorities, LGAs need councillors who at least have a minimum qualification of a form four education level.

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