



## LEVELS OF GOVERNMENT IN TANZANIA

- **Central Government:** Ministries, Departments and Agencies (MDAs)
- **Sub-National Government:** These are known collectively as Local Government Authorities (LGAs). They constitute city, municipal and town councils in the urban settings and two types of rural councils (district and village councils)
- **LGAs** have important service delivery responsibilities related to health (primary health centres and district hospitals), education (primary and secondary schools), agriculture, water and local roads.

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## PFM REFORMS IN TANZANIA

- The Government of Tanzania (in collaboration with its Development Partners) has been implementing the PFMRP for the past two decades in different phases to improve public financial management systems and discipline in public service delivery for sustainable development across all levels.
- Numerous improvements in the management of the country's public finances were made during this period.
- Currently the Government is implementing Phase IV of the PFMRP, strategically focuses on critical PFM actions that aim at improving coordination of the alignment between revenue management, fiscal policy and planning.

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## The main sources of income and their share at each state level

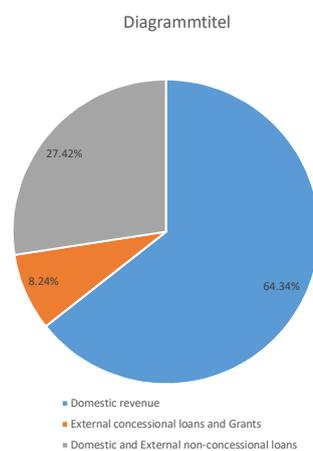
### Share of Revenue Sources at General State 2017/2018

{US \$ 1 = Tsh. 2,183 (April 2017)}

- 64.34%= Domestic revenue (consistues tax revenue, non-tax revenue and LGA own sources):

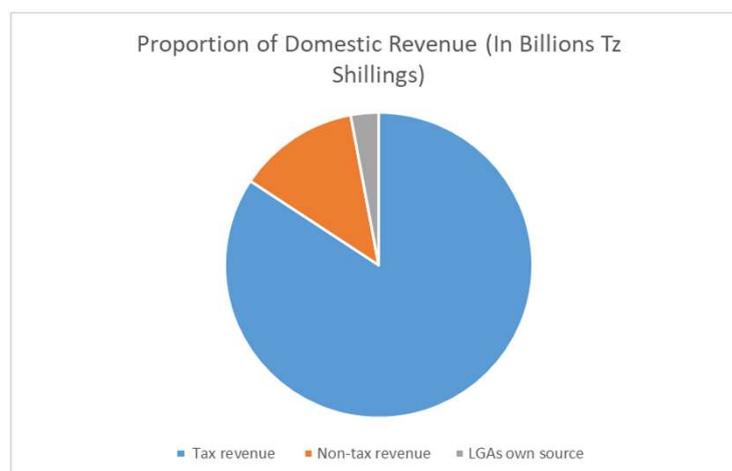
*"On cumulative basis, the collection of domestic revenue for the period of July 2017 – March 2018 was shillings 13,605.9 being 91 percent of the target of collecting shillings 14,969.6 billion"*

- 8.24% External concessional loans and Grants
- 27.42 Domestic and External non-concessional loans



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Domestic revenue as a share of GDP (it was 14.9 % in FY 2016/17).



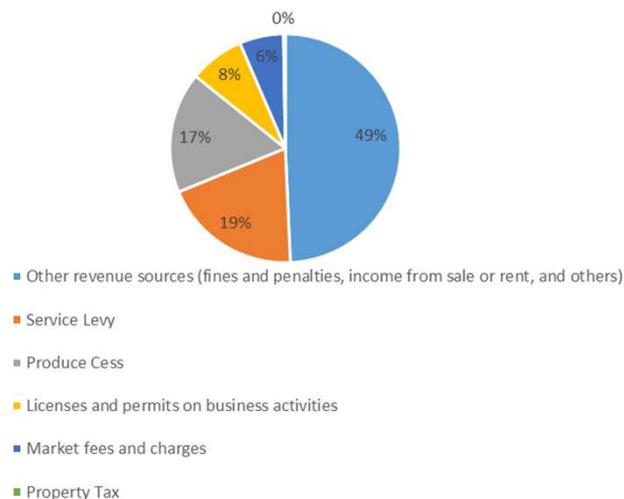
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## Decision Making by Sub-national government on taxes

- Yes to a certain extent but the ranges of tax rates such as produce levies and property tax are declared in the amendments of the budget act following the passing of the annual budget in a particular fiscal year.
- LGA finances are further regulated by the Local governance finance act which stipulates the different components that can be taxed:
- According to the Local Government Finance Act (1982):  
*“councils may make by-laws to prescribe reasonable fees, charges and tariffs for any licence or permit”*

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Collections at LGA level in FY 2017/2018  
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## Changes in Income Source Allocations

- Change of Property Tax and Billboard collections: In 2016/2017 these were transferred to the central level and following a big outcry they have been returned to the local level
- Electronic collection systems are helping to increase transparency and revenue base.

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## Problems encountered with the current allocation of revenue sources

- Key challenges:
  1. The grant allocation formulas have not been used coherently and there is limited adherence to the formula-based system
  2. The formula have not adequately addressed issues of urban and rural setting (in particular, they fail to capture remoteness and the hard-to-reach nature of some LGAs);
  3. Continued reduction of scope of LGAs' sources of revenue, challenges in OSR collection practices and central government directives on LGAs' own source revenue
  4. Lack of a reliable, credible annual budget is perhaps the biggest threat to the Tanzania PFM system-e.g Government not releasing funds to the LGAs as per approved budget to enable implementation of all planned activities .

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The END