Local Government Revenue Collection in Tanzania under the Outsourced Model: A Case of Kilosa District Council

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Abstract

This study assessed local government revenue collection in Tanzania under an outsourced model, using the Kilosa District Council as a case study. A mixed-methods approach was adopted, combining quantitative and qualitative data. Quantitative data were collected through a survey method assisted by a questionnaire, and qualitative data were collected through an interview method with the aid of an interview guide. Primary data were obtained from revenue collection supervisors, council officials, and taxpayers, while secondary data were drawn from official documents. Quantitative data were analysed using descriptive statistics, and qualitative data were analysed through thematic analysis. The results indicated that the adequacy of human resources affected revenue collection efficacy. Similarly, the application of modern tools enhances both the efficiency and accuracy of revenue collection, while low operational costs are also associated with improved collection efficacy. Likewise, findings identified challenges, including taxpayers' negative perceptions, resistance to paying taxes, and inadequate assessment of the resource base. The study concludes that, compared to non-outsourced models, outsourcing revenue collection in Kilosa District Council offers considerable potential for enhancing revenue generation. However, addressing operational challenges and establishing robust support mechanisms are essential to sustaining its effectiveness. The study recommends strengthening capacity-building initiatives, improving technological infrastructure, and fostering partnerships between local government and contracted agents. Thus, this study provides insights for policymakers and other local authorities in Tanzania and similar contexts, considering outsourcing as a revenue collection strategy.

Keywords: *Taxpayer, Indigenous Agent, Efficacy, Mixed Method Approach and Cost-Effectiveness*

INTRODUCTION

Local government revenue collection is critical in financing public services at the sub-national level. Globally, local governments play a pivotal role in revenue collection to enhance service delivery, infrastructure development, and economic governance (Haas,2017). In this context, local governments are increasingly outsourcing revenue collection to other entities to improve the efficiency of the revenue collection process. According to Bejleri et al (2022), effective revenue mobilisation is essential for local authorities to fulfil their mandates and promote sustainable development. However, Lukio and Mganga (2016) note that in many developing countries, local governments face persistent challenges in raising adequate revenue due to the use of manual methods of revenue collection, corruption, and limited administrative capacity. In response, an increasing number of local governments worldwide have adopted outsourcing models for revenue collection (Furgin, 2021). Outsourcing involves contracting private firms or third-party agents to collect revenue on behalf of local authorities to enhance efficiency, transparency, and accountability. Countries such as Kenya, Ghana, Nigeria, and India have employed outsourced revenue collection to strengthen local revenue mobilisation Freeman & Pallas, 2018), facilitating easier revenue collection and reducing the administrative burden on the public sector.

In Tanzania, local governments face similar challenges in optimising revenue generation and ensuring efficient and transparent collection processes. Traditional methods have often been characterised by inefficiencies, revenue leakages, and limited institutional capacity (Lukio & Mganga, 2016). To address these shortcomings, some local government authorities, including Kilosa District Council (KDC), have adopted an outsourced revenue collection model. This entails delegating revenue collection to private sector entities or third-party service providers (Salvador & Riba, 2017) to improve efficiency, transparency, and accountability by leveraging external expertise and resources.

Despite its potential, implementation of the outsourced model in Tanzanian local government authorities has faced criticism and operational challenges (Mtasigazya, 2021), including concerns about loss of control, accountability gaps, and the need for robust oversight mechanisms to ensure fairness and transparency (Abdullahi & Sallam, 2019). The involvement of non-state actors (NSAs) in public service delivery is part of a wider governance trend. NSAs, including NGOs,

CBOs, CSOs, and sub-national institutions, possess operational agility, specialised expertise, and a capacity to focus on specific issues, which has made them attractive partners for governments at international, national, and local levels (NIC, 2024; Freeman & Pallas, 2018). In the context of revenue collection, local governments have contracted NSAs such as private companies, co-operatives, associations, and individuals to collect revenue. For example, since 2017, Kilosa District Council has engaged indigenous agencies for this purpose (KDC, 2019).

According to Freeman and Pallas (2018), the principles of New Public Management (NPM) emerged to radically reform public sector organisations in response to inefficiency, rising costs, and declining public trust. NPM and its associated models, including outsourcing and co-production, seek to enhance efficiency, accountability, and responsiveness in public service delivery. Co-production approach recognises that public services are increasingly delivered through collaborative arrangements involving citizens, non-profit organisations, and communities alongside public officials (Furgin, 202; Bandola,2023). The outsourcing model adopted by Kilosa District Council aligns with this approach, as the council awarded contracts to local indigenous agents to collect revenue from 2017 onwards.

The resumption of outsourcing in Kilosa District Council has raised questions about its effectiveness, challenges, and overall impact on revenue generation and governance (Lukio & Mganga, 2016). By the mid-2010s, many local government authorities in Tanzania discontinued outsourcing due to low remittances from contracted agents. Kilosa District Council ceased outsourcing in 2014 for similar reasons (KDC, 2014), and by 2015, several urban councils, including Ilala, Kinondoni, and Temeke, had followed the same trend (Mtasigazya, 2017; IMC, KMC, & TMC, 2018). However, in 2017, Kilosa District Council became the first to resume outsourcing (KDC, 2018), prompting the need to investigate the factors underlying this decision, the impact of the new approach over the five financial years from 2017–2018 to 2021–2022, and the challenges experienced.

Previous studies (Fjeldstad et al., 2009b; Ishabairu, 2013; Mtasigazya, 2017) have examined outsourcing practices, focusing on the revenue effects of outsourcing by comparing pre- and post-outsourcing performance, contrasting rural and urban councils, and assessing implications for service delivery. Other studies, like Bajari et al (2022),

Manga (2023), focused on technology outsourcing and contact management and compliance outsourcing. In contrast, this study focuses on the factors sustaining the outsourcing of Local government revenue collection in Kilosa District Council after the introduction of a new model involving indigenous collectors rather than registered companies or co-operatives. This new approach contributes to the literature by highlighting how local government dynamics, community participation, and informal mechanisms influence the continuity and effectiveness of outsourcing practices.

The significance of the study lies in its potential to inform practitioners, shape policy development, and contribute to scholarly debates on local government revenue collection under outsourced models in Tanzania. Outsourcing has emerged as a strategic management tool enabling organisations globally to improve efficiency, enhance competencies, and reduce operational costs. This study aims to provide practical recommendations to improve revenue generation, strengthen transparency and accountability, and guide policymakers and local government authorities considering outsourcing as a revenue collection strategy. Accordingly, the study was guided by three objectives

i)   Determine the efficacy of revenue collection before and after the outsourced model in Kilosa district council?
ii)   Assess the impact of the new outsourcing model in the Kilosa district council.
iii)   Identify challenges facing local government revenue collection under the outsourced model.

The following questions guided the study:
i)   To what extent does the efficiency of revenue collection differ between outsourced and non-outsourced
ii)   What is the impact of the new outsourced model on the Kilosa district council?
iii)   What challenges are associated with outsourced local government revenue collection in the Kilosa district?

Theoretical Framework
Outsourced Model that was integrated by Resource based-Theory informed this study. To start with, the outsourcing model gained prominence in the United States and Great Britain during the 1980s, under the political leadership of Ronald Reagan and Margaret Thatcher, respectively. It emerged as part of broader public sector reforms aimed at

delegating government functions, among them revenue collection to external service providers (Katsamunska, 2012).The outsourced model states that an organisation, particularly in the public sector can improve efficiency, effectiveness, and service quality by delegating certain functions or services to external (non-government) entities through contractual arrangements, while the government retains overall policy control, regulation, and accountability. Over time, globalisation has further stimulated the adoption of outsourcing as a strategic management tool, attracting increasing scholarly and policy attention. The model rests on several assumptions: that outsourcing can enhance the effective execution of government functions; that it may increase the exposure of local governments to systemic corruption risks; that service delivery can be monitored through clearly defined performance indicators; that a sufficient number of competent service providers exist; and that outsourcing entails both economic costs and benefits, as well as political and social trade-offs (Troacă & Bodislav, 2012).

Many organisations adopt outsourcing to gain a competitive advantage, with decisions largely driven by economic considerations (Lukio & Mganga, 2016). Sarifuzzaman (2012) conceptualises these considerations as transaction cost variables, including asset specificity, uncertainty, and transaction frequency. Accordingly, outsourcing decisions must take into account factors such as machinery and tools, human capital in terms of skills and knowledge, location, and the availability of natural resources (Sarifuzzaman, 2012; Lukio & Mganga, 2016).

In the public sector, the growing use of outsourcing is closely associated with the diffusion of New Public Management (NPM) reforms (Liviga, 2011). NPM promotes the application of private-sector management principles within government, emphasising market-oriented approaches, performance measurement, privatisation, and contracting-out of services. Its core objective is to enhance efficiency by reducing costs while maintaining service quality and citizen satisfaction (Gupta & Mikouzai, 2005). Within local government revenue collection, NPM highlights several potential benefits of outsourcing, including increased revenue mobilisation, reduced corruption, lower political interference, and reduced collection costs (Alfred, 2015; Fjeldstad et al., 2009; Mtasigazya, 2018).

It is noted that there is increasing number of governments collaborate with the private sector in delivering public infrastructure and services

(World Bank, 2017). In this context, Public–Private Partnerships (PPPs) have assumed growing importance in local government revenue collection. Richard (2009) identifies key enabling conditions for effective PPPs, including transparent and competitive procurement processes, effective monitoring mechanisms, and strong supervisory frameworks. Under such arrangements, private firms assume operational responsibility for revenue collection, while local governments retain regulatory oversight, ensuring that mutual interests are formalised and safeguarded through contractual agreements.

The selection of the outsourcing model for this study is justified by the fact that the outsourcing of public sector functions, including revenue collection, has been widely promoted within governance reforms influenced by NPM principles (Liviga, 2011; Lukio & Mganga, 2016). Globally, outsourcing is commonly regarded as a mechanism for improving efficiency and effectiveness in service delivery (Sella, 1993). As a structured process, outsourcing typically comprises several stages: preparation, vendor selection, transition, relationship management, and periodic reassessment (Jørgen & Pedersen, 2007). In local government revenue collection, these stages may involve open and competitive tendering, transparent bidding processes, evaluation of bidders' human, financial, and material capacity, and the identification of revenue sources suitable for outsourcing (Fjeldstad et al., 2009).

Proponents of outsourcing further emphasise several conditions necessary for sustainability (Mtasigazya, 2018), including competitive and transparent procurement to minimise corruption risks, public disclosure of contract awards, and independent oversight by adequately resourced regulatory bodies (Richard, 2009). Technological innovations such as electronic filing and electronic payment systems are increasingly recognised as critical enablers of efficiency and transparency in revenue collection (World Bank, 2014). Additional enabling factors include effective supervision and motivation of revenue collectors, taxpayer education, and comprehensive assessments of revenue potential prior to implementation (Kimario, 2014; Mwinisongole, 2024).

In practical terms, the outsourced revenue collection model involves the delegation of collection functions to external service providers through formal contractual arrangements (Bovaird & Loeffler, 2012; Menberu, 2021). These providers may be responsible for taxpayer registration, billing, payment processing, enforcement, and record-keeping, often

supported by technology-driven systems designed to improve transparency and efficiency (Mabonesho, 2022). The anticipated benefits include enhanced revenue performance, improved taxpayer compliance, increased accountability, and reduced administrative burdens for local authorities (Hinson & Kuada, 2015).

Despite these advantages, the outsourced model faces several challenges, including loss of control, hidden costs, excessive dependence on external vendors, and limited contractual flexibility. Effective implementation therefore, requires careful provider selection, strong governance and oversight mechanisms, data security safeguards, and sensitivity to public perceptions (Mabonesho, 2022). These challenges can significantly undermine the effectiveness of outsourced revenue collection. Inadequate revenue potential assessments and political interference may result in unrealistically high bids and the appointment of unqualified agents. For instance, in Mwanza City Council, such shortcomings led to lower revenues from outsourced markets compared to in-house collection (Fjeldstad et al., 2008). Moreover, instances of corruption in outsourced revenue collection have been documented in several developing countries, including Nigeria, Pakistan, Bangladesh, and Uganda (Haas, 2017). Consequently, performance monitoring should be continuous, incorporating clear metrics, contractual compliance checks, and regular evaluations supported by structured feedback mechanisms between local governments and service providers (Salvador & Riba, 2017).

Outsourcing is preferred among other models in local government revenue collection because it offers practical solutions to common weaknesses in revenue collection faced by local authorities, especially in developing countries such as Tanzania. Outsourcing allows local government authorizes to engage private firms with specialized expertise, advanced technology, and managerial skills to faster revenue collection, reduced leakages, improve accuracy in billing and enforcement.

While the outsourced model provides opportunities for broader stakeholder participation in local governance, it does not sufficiently explain vendor characteristics, particularly in relation to capacity and resource endowment. To address this limitation, the study integrates the Resource-Based Theory with the outsourcing model. Resource-Based Theory posits that organisational performance is determined by the tangible and intangible resources an organisation controls and effectively utilises. In this study, the relevant resources include human and physical

resources. Nalukenge et al. (2024) define resources to encompass assets, shared knowledge, employee competencies, and capital equipment, all of which can constitute sources of superior performance. Accordingly, the theory suggests that improved service delivery specifically revenue collection depends on the effective utilisation of skilled personnel, competent contracted agents, information technology systems, and modern equipment such as point-of-sale devices. Local government authorities are therefore expected to mobilise and deploy these resources, either internally or through contracted agents, in order to achieve desired performance outcomes. By integrating the outsourcing model with Resource-Based Theory, the study adopts a more comprehensive analytical framework, enabling a deeper understanding of how stakeholders can perform more efficiently when adequately equipped with critical resources, thereby enhancing revenue collection efficiency in local government authorities.

METHODOLOGY
This study was conducted in Kilosa District Council, Morogoro Region, Tanzania. The council was selected due to its sustained use of outsourcing in revenue collection beyond 2015, when the selection decision was made in 2017. Additional selection criteria included a minimum of ten years of operational experience (2008–2021) and demonstrable engagement in outsourced revenue collection (KDC, 2022).

A mixed-methods approach was adopted, integrating quantitative and qualitative techniques supported by a documentary review. A cross-sectional research design was employed to facilitate data collection at a single point in time (Zheng, 2015). Multistage sampling techniques were used to select the study areas and respondents. Out of 40 wards in Kilosa District Council, four wards, Dumila, Rudewa, Msolwa, and Msowero, were purposively selected due to the presence of revenue-generating activities under study, specifically auction markets and parking areas. From these wards, 8 villages were selected to ensure representation of taxpayers involved in crop cess payments, predominantly farmers. These included Dodoma, Isanga, and Chabima villages in Msanze Ward; Rudewa Batini and Rudewa Gongoni villages in Rudewa Ward; Kwambe and Mkundi villages in Dumila Ward; and Msowero and Mkobwe villages in Msowero Ward.

As noted by Best and Khan (2006), a sample represents a small portion of a population selected for observation and analysis. The target population

for this study comprised 5,796 registered taxpayers (KDC, 2020), selected purposively from the four wards and the 8 villages including farmers, drivers, livestock keepers, guesthouse owners, bus owners, and market traders.

Using the Yamane formula, a sample size of 197 respondents was determined from the known and fixed population of 5,796 taxpayers, based on records obtained from the revenue registry at Kilosa District Council (KDC, 2022). Primary data were collected through questionnaires and interviews. Of the questionnaires administered, 37 were found to be unusable, resulting in 160 valid responses, representing a response rate of 81.2 per cent. This response rate is considered high and adequate for reliable analysis (Dillman & Christian, 2014). The questionnaire focused on human resource adequacy, cost-effectiveness, utilisation of modern tools, and challenges associated with outsourcing.

Additionally, nineteen key informants comprising eleven council officials and eight revenue supervisors were purposively selected based on their skills and knowledge on revenue collection procedures. Semi-structured interviews, guided by an interview schedule, were conducted to explore the effectiveness of outsourced revenue collection. Secondary data were sourced from the Controller and Auditor General (CAG) reports, the President's Office, the Regional Administration and Local Government (PO-RALG) documents, and Kilosa District Council revenue reports covering the period 2017–2022.

Quantitative data were analysed using descriptive statistical technique to allow for a comprehensive understanding of the study findings. The study variables were measured using three levels of responses, namely Yes, No, and Do not know, for human resource and application of modern tools, and high and low levels for cost effectiveness which enabled the capture of both definite positions and areas of uncertainty among respondents. Frequencies and percentages were generated using SPSS version 23 to summarise response patterns and to describe the distribution of views across the study sample. The results were presented in tables and figures to enhance clarity and facilitate comparison across the three variables.

Beyond simple description, the generated frequencies and percentages provided insights into prevailing trends, levels of awareness, and the degree of consensus or divergence among respondents. High proportions of Yes responses were interpreted as indicators of widespread agreement

or positive affirmation of the efficacy of local revenue collection, while dominant No responses suggested resistance, non-adoption, or negative perceptions. The Do not know responses were particularly useful in reflecting gaps in knowledge, limited exposure, or inadequate dissemination of information related to the outsourcing practice, thereby highlighting areas requiring policy attention or capacity building.

Qualitative data were analysed thematically using Braun and Clarke's (2006) six-step framework, comprising data familiarisation, generation of initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. In addition, a deductive approach was employed in analysing key informant responses, guided by the framework proposed by White and Marsh (2014).

Validity, reliability, and trustworthiness were ensured through multiple methodological strategies. Validity was enhanced through rigorous and transparent data collection procedures that captured in-depth and comprehensive information from the target participants. Triangulation of data sources questionnaires, interviews, and documentary review was employed to cross-validate findings and improve accuracy. As noted by Cohen et al. (2000), careful sampling procedures, appropriate research instruments, and robust statistical analysis contribute significantly to validity. Furthermore, the questionnaire and interview guides were reviewed by two subject-matter experts a statistician and an anthropologist to ensure methodological soundness and content relevance. Their feedback informed iterative revisions to the research instruments.

Reliability was addressed through pre-testing of the data collection tools with a small group of participants. Five respondents were administered the questionnaire two weeks prior to the main data collection exercise; these individuals were excluded from the final sample. Insights gained from the pilot study enabled the researcher to refine question wording, improve clarity, and enhance the overall data collection process. Clear and unambiguous questions, pre-testing for comprehension, and alignment with the study objectives helped minimise response variability and strengthened internal consistency (Zombo & Chan, 2014).

Trustworthiness in the qualitative component was reinforced through the application of credibility, dependability, confirmability, and transferability criteria. These were operationalised through techniques such as member checking, maintenance of an audit trail, and the provision

of rich and contextualised descriptions of the study setting and findings. Ethical considerations were strictly observed throughout the study: informed consent was obtained from all participants, anonymity and confidentiality were maintained, and data collection adhered to established ethical standards.

RESULTS

This paper assesses local government revenue collection in Tanzania, with a particular focus on the Kilosa District Council. It investigates the council's revenue collection system within the framework of the outsourcing model. The study aims to provide insights into the efficacy of revenue collection through the outsourced model in Kilosa district council, that is, the revenue collection system before and after the adoption of outsourcing, and assess the impact of the new outsourcing model in the Kilosa district council, finally, the study identified challenges facing local government revenue collection under the outsourced model.

The findings, obtained through questionnaires, interviews, and documentary reviews, analysed through descriptive statistics, are presented and discussed in line with the study objectives.

Efficacy of Revenue Collection through the Outsourced Model in Kilosa District Council (KDC)
Pre-outsourced local government revenue collection
Before the adoption of outsourcing, revenue collection in Kilosa District was unsatisfactory. During this period, the council relied solely on its own employees, employing manual tools such as ledgers, notebooks, and taxpayer lists. Estimates and receipts were prepared manually (KDC, 2015). For the pre-outsourcing period, the analysis considers revenue collection practices during the 2015/2016 financial year, one year before the introduction of outsourcing. The data illustrating the pre-outsourcing practices in Kilosa District Council are presented in Table 1.

Table 1
Revenue Contribution before Outsourcing Practice, 2015/2016

Revenue Source	Projected Revenue (TZS)	Collected Revenue (TZS)	Performance (%)
Business License Fee	330,005,103	171,125,098	51.86%
Hotel and Guest House Levy	-	-	-
Market Fee	16,000,000	3,707,800	23.17%
Parking Fee	-	-	-
Bus Stand Fee	90,240,000	5,200,000	5.76%
Billboard Fee	3,315,571	631,000	19.03%

Source: KIlosa District Council, 2015

In the 2015/2016 financial year, the council relied on its own employees for revenue collection. Of the six sources examined, revenue was collected from four, while two, the guesthouse levy and parking fee, were not collected at all. The data further indicate that collections from the market fee, parking fee, and bus stand fee, and billboards fell significantly below the estimates, as shown in Table 1. Consequently, the council adopted an outsourcing arrangement with different tax collectors from the 2017 financial year onwards.

Council officials and revenue collection supervisors were asked to assess the overall contribution of pre-outsourced revenue collection to Kilosa District Council's own-source revenue in 2015/2016, and to rate its performance. The responses indicated that revenue contribution under the pre-outsourcing model was generally average; notably, no respondent rated the contribution as excellent. These findings suggest that the pre-outsourced revenue collection system was underperforming.

Empirical evidence supports the view that outsourcing can improve revenue collection performance. For example, Zubairu et al. (2016) found that the use of private firms in revenue collection, whether under partial or full outsourcing, produced a significant positive difference in comparison with State Board of Internal Revenue collections. This implies that outsourced revenue collection tends to be more efficient than non-outsourced arrangements.

Post-outsourced local government revenue collection
In the post-outsourcing period, the assessment focuses on the adequacy of human resources, cost-effectiveness, and the application of modern tools in revenue collection to evaluate the efficacy of the model. Proponents of
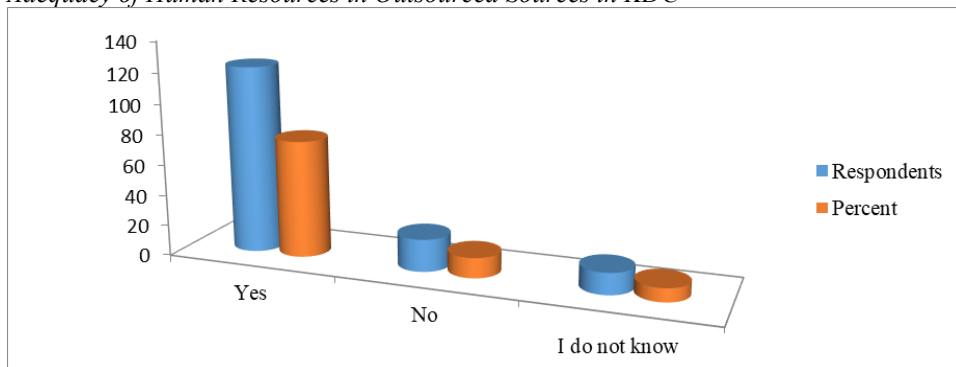
outsourcing contend that the practice offers several advantages for local government revenue collection, including cost savings, access to adequate and skilled human resources (revenue collectors), and the utilisation of efficient and modern revenue collection tools (Haas, 2017; Abdulkader, 2016; Zubairu et al., 2016; Bucki, 2017). Accordingly, the efficacy of outsourced revenue collection in Kilosa District Council was assessed using selected indicators such as human resources, modern tools, and cost effectiveness, which are presented and analysed in the following sub-sections.

Human resources in outsourced local government revenue collection
In determining the efficacy of revenue collection through the outsourced model, the study sought to find whether the number of revenue collectors from outsourced sources in Kilosa District Council was adequate. In this context, adequacy of human resources refers to having a sufficient number of revenue collectors to effectively manage all assigned revenue sources. Revenue collectors from outsourced sources included personnel employed by private firms or individual agents contracted by the council. Respondents were asked to indicate their experience regarding the availability and adequacy of these human resources between 2017 and 2022. Figure 1 summaries the responses.

Figure 1
Adequacy of Human Resources in Outsourced Sources in KDC

Source: Field Data 2022

The findings presented in Figure 1 indicate that the majority of respondents considered outsourced sources to have adequate human resources, enabling effective revenue collection from assigned sources. Specifically, 122 respondents out of 160 (76.3%) reported that private collectors had sufficient human resources, 21 respondents (13.1%) indicated that resources were inadequate, and 14 respondents (8.7%)

stated that they were unsure. The question posed was: Do outsourced sources have adequate human resources to effectively collect revenue from the sources assigned to them?

In addition, contracted agents were interviewed to provide their views on the adequacy of privately hired human resources. A total of 24 private collectors, operating across four wards and eight selected villages, were interviewed. Of these, 18 (75%) indicated that outsourced sources appeared to have sufficient human resources capable of effectively collecting revenue.

These findings indicate that, under the outsourced model, human resources were sufficient to support effective revenue collection. The results align with previous studies, such as Opoku et al. (2014), Mwenisongole (2013), and Green (2000). For instance, Opoku et al. (2014) observed that private firms in Kumasi, Ghana, had greater human resource capacity than local government authorities. Similarly, Mwenisongole (2013) identified the shortage of human resources as a key factor driving the outsourcing of local government revenue collection (LGRC), while Green (2000) highlighted the lack of internal human resources as a common reason for outsourcing revenue collection in various local councils.
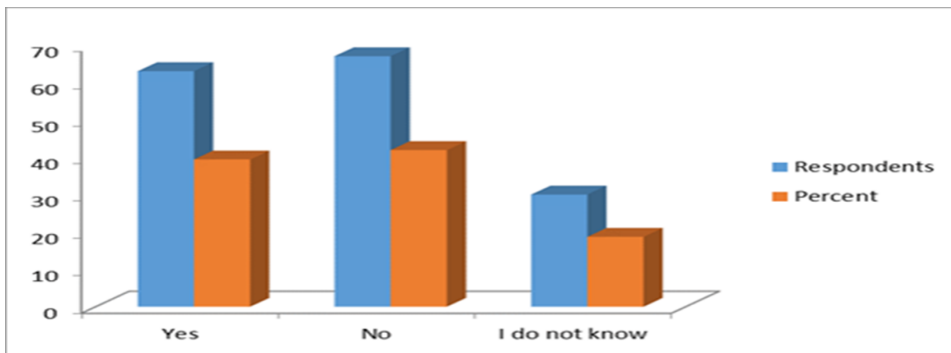
Application of efficient and modern tools in outsourced local government revenue collection

The application of efficient and modern tools was assessed by examining the availability of devices, such as POS machines, and the capacity to integrate these electronic collection tools with the Local Government Revenue Collection Information System (LGRCIS). Efficacy was evaluated by comparing the use of such modern tools against non-digital methods, such as manual receipt books. Effective revenue collection is highly dependent on the utilisation of efficient and modern tools.

The Government of Tanzania has increasingly emphasised the adoption of modern tools in local government revenue collection through the introduction of LGRCIS (PMO-RALG, 2015; PO-RALG, 2016; CAG, 2017). Currently, POS machines are prioritised as a key tool for LGRC. For example, letter number ED/151/297/01/92 of 14 June 2016 from PO-RALG mandated that all local government authorities in Tanzania employ POS machines for revenue collection and provide electronic receipts. This initiative aimed to ensure that all revenue transactions could

be monitored directly via the council dashboard (CAG, 2019; PO-RALG, 2016). Figure 2 presents respondents' feedback on the application of modern tools in outsourced local government revenue collection.

Figure 2
Application of Modern Tools in Outsourced LGRC in KDC

Source: Field Data

The findings presented in Figure 2 indicate that the level of application of modern tools was moderate. Of the respondents, 63 (39.4%) reported substantial use of efficient and modern tools, such as POS machines; 67 (41.9%) indicated limited application; and 30 (18.7%) were unsure. This suggests that the adoption of modern technologies, including electronic payment systems and digital databases, enhances both the efficiency and accuracy of revenue collection.

Conversely, the absence of modern tools reduces performance in local revenue collection. These results are consistent with prior studies on electronic payment implementation. For example, Ndekwa et al. (2022) observed that the adoption of e-payment systems across public institutions led to increased revenue, reduced costs, enhanced transparency, and strengthened trust, thereby minimising leakages and substantially improving local government revenue collection.
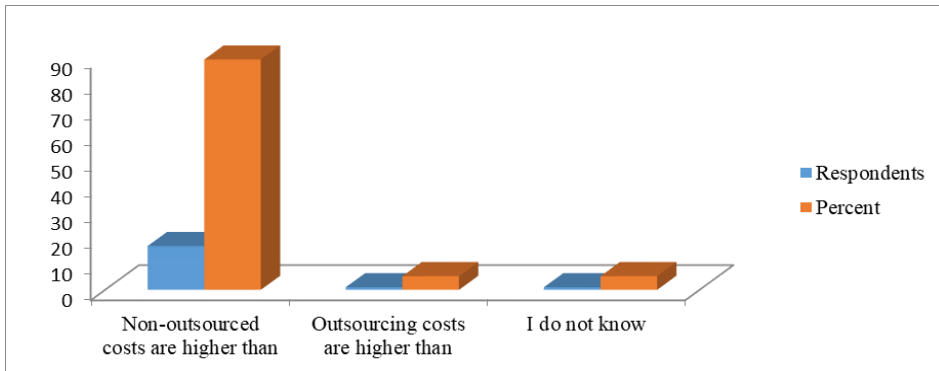
Cost-effectiveness in local government revenue collection
The literature suggests that outsourced revenue collection can lead to cost savings, as it reduces administrative expenses for local government authorities by transferring revenue collection responsibilities to the private sector rather than relying on council employees (Abdulkader, 2016). In this part of the study, council officials and revenue collection supervisors were interviewed to compare the costs associated with

outsourcing LGRC, such as tender advertisement and evaluation, contract monitoring and design, and enforcement, with the costs incurred by the council in non-outsourced revenue collection, including operational and travel expenses. A total of 19 respondents provided input, and their responses are summarised in Figure 3.

Figure 3
Expenses Incurred between Outsourced and Non-outsourced LGRC

Source: Field Data

The data in Figure 3 indicate that the majority of respondents (17; 89.4%) reported that the costs of collecting non-outsourced revenue were higher than those incurred through outsourced LGRC. One respondent (5.3%) stated that outsourcing costs exceeded those of non-outsourced revenue collection, while one respondent (5.3%) indicated uncertainty. When asked to elaborate, most respondents noted that the new outsourcing system introduced in the 2017/18 financial year had substantially reduced operational expenses. The respondent who reported higher outsourcing costs clarified that these referred to the previous system involving registered companies, rather than the current model.

These findings suggest that cost-effectiveness was more readily achieved under the outsourced model compared to non-outsourced revenue collection. Similar results have been reported in studies of Kinondoni, Morogoro, and Tanga Municipal Councils, where outsourcing property tax and guesthouse levy collection reduced costs, as tendering expenses were lower than salaries and stationery costs for council-employed collectors (Mtasigazya, 2018). However, Fjeldstad et al. (2008) caution that, despite improvements in revenue collection, challenges such as agent non-compliance, corruption, excessive profit extraction by private

collectors, and inadequate assessment of revenue potential may limit the overall effectiveness of outsourcing.

The Impact of the New Model of Outsourcing in KDC
This objective sought to examine the factors that prompted Kilosa District Council to resume the outsourcing of revenue collection in 2017, following a two-year suspension. The study also aimed to identify the innovations introduced in the newly adopted model. The focus was on comparing the former and current outsourcing models, particularly in terms of the level of revenue contribution achieved under the new system over the five years studied.

Factors that motivated the Kilosa District Council to resume outsourcing of local government revenue collection in 2017.
Council officials and revenue collection supervisors were interviewed to identify the factors that motivated Kilosa District Council to resume outsourcing in 2017. Sixteen out of nineteen respondents emphasised that, following the increasing trend of contract terminations observed in 2015, KDC began considering an alternative outsourcing system. One official noted, "For the two years, 2015 and 2016, KDC was in transition from the former system of outsourcing, which relied on registered companies, cooperatives, and associations, to the new system that employs indigenous agents, individually hired and supervised by VEOs and WEOs on behalf of the council" (Interview, February 2023).

The rationale for adopting the new system was that indigenous agents, being residents of the respective localities, possess in-depth knowledge of the value of the revenue sources, the number and type of taxpayers, and their locations. Additionally, these agents are familiar with the strategies of non-compliant taxpayers, particularly those liable for crop and livestock cesses, which constitute the council's major sources of revenue. Interviewees were further asked to compare the effectiveness of the former and current outsourcing models. Sixteen out of nineteen respondents indicated that the new system was superior and had demonstrated promising results relative to the previous model. Key informants highlighted that the former system faced considerable challenges, notably because single contracted agents (companies) were unable to provide close supervision and follow-up for revenue collectors operating across KDC.

Revenue contribution of outsourced sources to the council's revenue

Data on the annual revenue collected following the reinstatement of the new outsourced model in Kilosa District Council were obtained from both primary and secondary sources. Primary data were collected from taxpayers, council officials, and revenue collection supervisors to substantiate the findings. Secondary data were sourced through a documentary review of annual financial reports.

With regard to primary data, taxpayers were asked to indicate the mode of revenue collection, outsourced or non-outsourced and the sources through which they had most frequently paid taxes between 2017 and 2022. The objective was to identify the number and type of taxpayers regularly using outsourced channels, as well as to determine their contribution to the council's revenue. Table 3 presents the responses of the participants.

Table 3
Revenue Contribution of Outsourced Sources from 2017-2022

Year	Sources	Estimates (TZS)	Actual Collections (TZS)	Per cent
	Crop cess	1,487,056,028	1,682,541,309	113
	Parking fee	30,120,000	74,384,204.81	247
2017/2018	Bus stand fee	33,099,995	61,565,585.81	186
	Market fee	57,263,000	44,796,700	78
	Open/Auction market fee	33,612,000	48,917,550	146
	Crop cess	2,050,563,400	871,748,812	43
	Parking fee	30,120,000	50,617,320	168
2018/2019	Bus stand fee	15,000,000	35,964,540	240
	Guest house levy	50,000,000	95,396,874	191
	Open/Auction market fee	30,000,000	84,976,625	283
	Crop cess	2,201,082,244	1,274,722,334	58
	Parking fee	90,000,000	46,643,300	52
2019/2020	Bus stand fee	40,000,000	49,893,460	125
	Guest house levy	77,175,052	138,643,511	180
	Open/Auction market fee	37,320,684	40,180,900	108
2020/2021	Crop cess	2,000,000,000	1,117,304,748	56

Year	Sources	Estimates (TZS)	Actual Collections (TZS)	Per cent
	Parking fee	52,920,000	55,451,400	105
	Livestock cess	62,520,000	64,360,180	103
	Guest house levy	111,384,000	146,225,025	131
	Open/Auction market fee	12,588,000	16,789,500	133
	Crop cess	1,996,614,705.66	1,530,412,457.46	77
	Parking fee	53,126,558.99	56,004,500	105.42
	Livestock cess	12,637,229.02	20,015,500	158
2021/2022	Guest house levy	111,819,599.40	174,822,330	156
	Open/Auction market fee	62,764,502.57	63,016,420	100

Source: Kilosa District Council 2017 /18-2021/22

As noted, in the 2017/18 financial year, Kilosa District Council adopted the new outsourcing system, which employs individual agents who are directly supervised by Ward Executive Officers (WEOs) and Village Executive Officers (VEOs) on behalf of the council. The data presented in Table 3 indicate that the collecting agents demonstrated remarkable performance from the outset. Except for market fees, revenue collections from the other four outsourced sources exceeded the projected estimates. Specifically, revenue from crop cesses surpassed estimates by 13%, parking fees by 147%, bus stand fees by 86%, and open and auction market fees by 46%.

High performance in revenue collection was sustained across most sources in the subsequent four years. However, collections from crop cesses the principal source of income for Kilosa District Council, were consistently below estimates in the last four years under study (2018/19 to 2021/22), with shortfalls of 43%, 58%, 56%, and 77%, respectively. The decline in crop cesses during this period was attributed to insufficient supervision and follow-up, resulting from a shortage of transport facilities, such as motorcycles, for revenue collection supervisors and collectors. It should be noted that crop cesses represent dispersed sources of income across Kilosa District, presenting numerous opportunities for taxpayer non-compliance.

Challenges Facing Local Government Revenue Collection under the Outsourced Model in Kilosa District Council

Studies have identified several challenges associated with the inefficient implementation of outsourced local government revenue collection in many councils across Tanzania. Research by Mtasigazya (2017), Ishabairu (2013), and Fjeldstad et al. (2009) highlights issues such as political interference and corruption. Consequently, numerous councils had discontinued outsourcing practices by 2015. However, Kilosa District Council resumed outsourcing in 2017, following a two-year suspension in several revenue streams, with the exception of crop cesses and open market fees.

This section analyses the challenges confronting outsourcing in Kilosa District Council. The challenges identified are presented, examined, and discussed based on data collected from respondents and corroborated through documentary evidence

Challenges related to the application of the Local Government Revenue Collection Information System (LGRCIS) and Point of Sales Machines (POS)
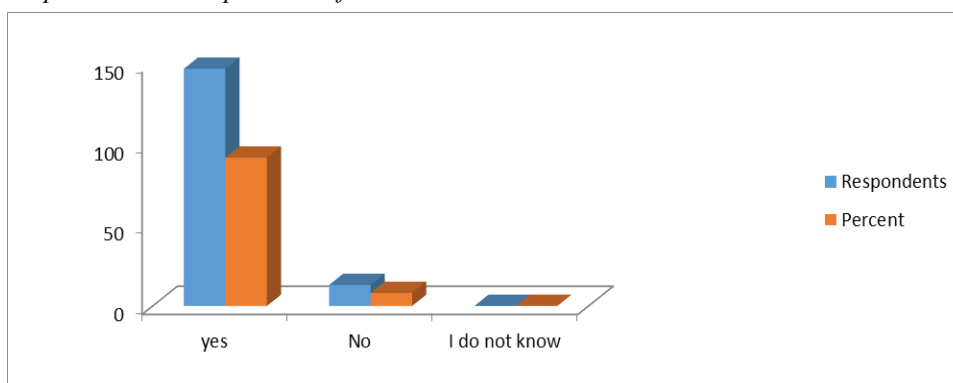
Respondents were asked about the challenges experienced in using LGRCIS and POS machines within the outsourced revenue collection system in Kilosa District Council. The challenges cited included incomplete transactions when generating receipts and the failure to print payment receipts. Additional issues reported were the printing of duplicate payments, receipts displayed in a foreign language (e.g., Chinese), and receipts reflecting incorrect payment amounts. For instance, a payment of TZS 10,000 was occasionally recorded incorrectly as TZS 100,000 due to an extra digit being added by the device.

Taxpayers' perception of the importance of tax

Figure 4 shows that the majority of respondents, 147 out of 160 taxpayers (91.9%), indicated that they were aware of the importance of paying taxes. Conversely, 13 respondents (8.1%) reported that they were not aware of the significance of taxation. These findings suggest a high level of taxpayer awareness in Kilosa District Council, which is likely to enhance compliance and willingness to pay. For example, Mwenisongole (2013) argues that increasing revenue collection through outsourcing requires educating taxpayers on the importance of tax payment, alongside maintaining an up-to-date taxpayer database.

Figure 4
Responses on the Importance of Tax

Source: Field Data

Furthermore, the study examined the extent of educational sensitisation received by taxpayers. It was posited that taxpayers' awareness of the

importance of taxation and their compliance could be linked to the educational interventions provided. Consequently, respondents were asked whether they had ever received guidance on the significance of paying taxes. Table 4 presents the responses of the participants.

Table 4

Responses on Educational Sensitization on the Importance of Paying Tax

Response	Frequency	Percent (%
Yes	87	54.4
No	73	45.6
Total	160	100

Source: Field data, 2021

Table 4 shows that the majority of respondents, 87 (54.4%), reported having received educational sensitisation on the importance of paying taxes, whereas 73 respondents (45.6%) indicated that they had never received such education. Among the farmers (n = 80) and livestock keepers (n = 20), 48 farmers (60%) and 14 livestock keepers (70%) stated that they had not received any educational sensitisation. This suggests that educational efforts were more frequently directed towards taxpayers located in or near the town centre, such as traders and hotel or guesthouse owners. However, in Kilosa District Council, farmers represent the largest group of taxpayers, as agricultural activities account for approximately 88% of economic activity and significantly contribute to the council's revenue through tax payments (KDC, 2018).

Taxpayers' Resistance to Paying Tax

The study sought to determine whether the outsourcing model had contributed to reducing taxpayers' resistance to paying taxes in Kilosa District Council. Existing literature emphasises the critical role of taxpayers in revenue collection and identifies factors that may either mitigate or intensify their reluctance to comply. A principal factor in reducing taxpayers' resistance is the cultivation of a positive and cooperative relationship between taxpayers and revenue collectors (LARAM, 2019; Kimario, 2014). Figure 5 illustrates respondents' perceptions concerning the occurrence of resistance to tax payment.

Figure 5
Responses on taxpayers' resistance to paying tax in Kilosa District Council

Source: Field Data

Figure 5 shows that 120 (75%) of the 160 respondents believed that taxpayers' resistance had been reduced through the outsourcing of local government revenue collection in Kilosa District Council, while 32 respondents (20%) indicated that it had not, and 8 respondents (5%) stated that they did not know.
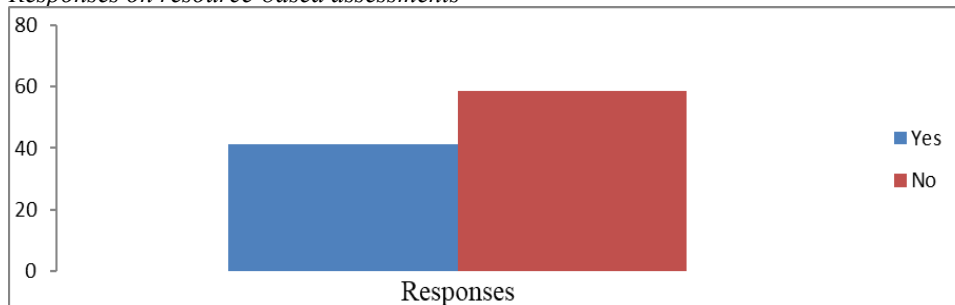
Two key observations emerge from these responses. First, the majority of respondents emphasised that outsourcing had reduced, rather than entirely prevented, taxpayers' resistance to paying taxes. Second, a distinction was noted between the two phases of outsourcing. The first phase demonstrated a moderate reduction in resistance, whereas the second phase, which commenced in the 2017–2018 financial year, showed more pronounced improvements. For example, a revenue collection supervisor at the village level noted that under the new system, the relationship between taxpayers and collecting agents had improved. This improvement was attributed to the fact that many collecting agents are residents of the areas where they operate, and thus familiar with the taxpayers, fostering trust and cooperation.

Weak resource base assessment

According to the Presidential Guidelines for Outsourcing Revenue to Collecting Agents (2016) and Circular No. 16 for Local Councils and Collecting Agents (2016), local government authorities (LGAs) are required to conduct comprehensive feasibility studies or resource-based assessments prior to outsourcing revenue collection (PO-RALG, 2016). In this study, taxpayers were asked whether tax officials had assessed their businesses before outsourcing. Figure 6 presents the responses of the participants.

Figure 6
Responses on resource-based assessments

Source: Field Data, 2023

Figure 6 indicates that the majority of respondents, 94 (58.75%), reported that tax evaluators had not assessed their businesses. This group included 73 farmers (91.25%), six lorry drivers (60%), 11 livestock keepers (55%), and four market sellers (25%). Conversely, 66 respondents (41.25%) indicated that their businesses had been assessed, suggesting that feasibility studies had been conducted for these enterprises. This group comprised seven farmers (8.75%), 20 licensed traders (100%), 10 hotel and guesthouse owners (100%), nine livestock keepers (45%), 12 market sellers (75%), four lorry drivers (40%), and four bus company owners (100%).

The findings suggest that feasibility studies were largely conducted for trade-related businesses, such as licensed traders, hotels, guesthouses, and transport companies, where assessments were carried out fully (100%). Farmers, who constituted the largest group of taxpayers in KDC (80 respondents, 50%), were the most affected by the lack of assessments, with only seven large-scale farmers evaluated. Smaller-scale farmers were largely excluded from the feasibility studies, as their plots were considered minor. Overall, the results indicate that feasibility studies were not adequately conducted for the majority of sources outsourced to private collectors.

These findings align with those of Kimario (2014), who asserts that one of the primary challenges facing privatised revenue collection in LGAs is the inadequate assessment of revenue potential across different tax bases. Kimario notes that such assessments are often conducted on an ad hoc basis, typically relying on historical revenue collection reports rather than systematic evaluation.

DISCUSSION

The study examined outsourced local government revenue collection in Tanzania, using Kilosa District Council as a case. It analysed the meaning and implications of the findings, their relationship to existing literature, and their support for the study's conclusions.

The results showed that the council lacked sufficient internal human resources to manage non-outsourced revenue effectively, unlike private collectors handling outsourced sources. This justified continued outsourcing and aligned with resource-based arguments that inadequate internal capacity can prompt outsourcing to enhance efficiency. The findings underscore the need for councils to balance outsourcing with efforts to strengthen internal capacity through recruitment, training, and retention.

The study further revealed minimal differences in the use of modern technological tools between outsourced and non-outsourced systems. This contradicts New Public Management assumptions that outsourcing automatically enhances technological adoption. For instance, scholars of the New Public Management (NPM) contend that one of the benefits of outsourcing is the application of advanced technology in Local Government Revenue Collection (Haas, 2017). Both systems were constrained by limited information and communication technology capacity, suggesting the need for deliberate investment in digital infrastructure, staff information and communication technology competence, and consistent technological standards.

Regarding cost-effectiveness, outsourcing through companies and associations proved inefficient, leading to frequent contract terminations. From time to time, these companies were not doing well in terms of the amount of revenue remitted to the council. As a result, there were frequent terminations and changes to the contracts of outsourcing, and by 2014, all contracts of outsourcing were stopped, except contracts in crop cesses and in auction market fees (KDC, 2018). A new model introduced in 2017–18, using individually contracted agents supervised by Ward and Village Executive Officers, improved oversight and cost-effectiveness, supporting co-production arguments. This model also reduced opportunities for tax evasion and improved revenue performance, particularly for guesthouse levies, although crop cess revenues remained hampered by weak supervision and inadequate transport.

Results on the impact of the new model of outsourcing in Kilosa District Council revealed that there were many easier ways of escaping paying tax for unloyal tax defaulters. Now the situation is quite different with the new model because the collecting agent works in a small area, for example, a village, and it becomes easier for him or her to identify and control some loopholes that can be used by tax defaulters.

In respect of revenue, the contribution of outsourced sources to the council's own revenue it was depicted that the new model that was adopted by Kilosa District Council in 2017 has brought about positive changes in revenue collection when compared to the former system of outsourcing. This is depicted in the increase in revenues remitted from most sources that were collected for five years.

The study identified persistent challenges linked to Local Government Revenue Collection Information Systems and Point of Sales (POS) machines taxpayer perceptions, resistance to paying tax, and weak assessment of revenue potential. Many LGAs lacked feasibility studies before outsourcing, resulting in inaccurate revenue projections. The findings tally with those of the CAG report (2018). The report stipulates that in some Local Government Authorities, there were no records to justify that feasibility studies were conducted before the outsourcing of revenue to collecting agents. What was noted was that most Local Government Authorities relied on budget guidelines from 2015 and used previous performance to project the revenues of various sources without conducting feasibility studies (CAG, 2018). Kimario (2014) contends that this situation may result in an underestimation of the revenue potential of the outsourced sources. Thus, strengthening technical capacity for systematic resource assessment is therefore essential.

CONCLUSION AND RECOMMENDATIONS
Based on the research conducted on local government revenue collection in Tanzania under the outsourced model, specifically focusing on the case of Kilosa District Council, the study concludes that outsourcing revenue collection in Kilosa District Council has shown some positive outcomes. It has improved revenue mobilisation and enhanced the efficiency of revenue collection processes. The outsourced model in combination with resource-based theory has helped to reduce corruption and improve transparency in revenue collection by introducing third-party accountability. The revenue collection agents have brought in specialised

expertise and technologies, which have positively affected the overall revenue generation for the council. However, some challenges still hinder the revenue collection process and its outcomes, including taxpayer resistance, a weak resource base assessment and the lack of modern tools in outsourced revenue collection. The study suggests that Kilosa District Council needs to establish a robust supervision and follow-up, as well as adequate transport facilities for revenue collection supervisors and collecting agents. The council needs to invest in capacity-building programmes for its staff to enhance their skills and knowledge in the application of new technology, such as POS and Local Government Revenue Collection Information System (LGRCIS), in revenue collection. The council needs engage in public awareness campaigns to educate citizens about the importance of paying taxes and the benefits it brings to the community. Thus, the Kilosa District Council, with an outsourced model with adequate human and physical resource, can further enhance its revenue collection efforts, leading to increased revenue generation, improved service delivery, and overall socio-economic development in the district.

ACKNOWLEDGEMENTS

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