

ST. JOHNS UNIVERSITY OF TANZANIA



**OUTSOURCING OF LOCAL GOVERNMENT SERVICES IN TANZANIA:
A CASE OF REVENUE COLLECTION IN DODOMA BUS STAND,
DODOMA MUNICIPALITY**

SILVESTRY JANUARY

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS IN BUSINESS
ADMINISTRATION-CORPORATE MANAGEMENT OF ST. JOHN'S
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CERTIFICATION

I, the undersigned, certify that I have read and hereby recommend for acceptance by St. John's University of Tanzania a dissertation entitled Outsourcing of Local Government Services in Tanzania: A case of Revenue Collection in Dodoma Bus stand in fulfilment of the requirements for the degree of Masters in Business Administration

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DECLARATION

I, the undersigned hereby declare that this research is my own work towards the Master's Degree of Business Administration and that to the best of my knowledge, it contains no materials previously published by another person nor materials which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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Date:

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DEDICATION

To my Father and mother who laid the foundation for my education and my beloved wife and children for their tolerance towards the whole course of this study.

ABSTRACT

Local government authorities in Tanzania have transformed its service delivery and tax collection systems so as to enhance its effectiveness and efficiency on such areas through outsourcing these functions. The work major objective was to assess outsourcing LGA services particularly revenue collection service as well as service delivery in Tanzania using Dodoma bus stand as a case study. The specific objectives were to examining working relationship between outsourced agents and the municipality, investigating the general public satisfaction before and after outsourcing of LGA services and comparison between the revenue collected through outsourcing and those collected via outsourcing.

The study used mixed methods in which data were collected in the field through questionnaires, interviews, observation and passing through different Municipal documents and the same data were processed using spread sheets and Statistical Package for Social Sciences. It was cross sectional survey design.

The processed data were analyzed and interpreted. In this case, there is contractual relationship between revenue collections but the problem is poor contract management between the two parties. On the other hand, the general public gets more satisfaction on the services provided by agents than those provided by Municipal officials. More revenues are collected when using agents than when Municipal officials collect by themselves.

It is recommended that, revenue collecting agents must be obtained through a competitive tendering process. Proper contracts management will add value to the LGA in Tanzania. Corruption and bribery should be discouraged by all means for LGA sustainability.

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LIST OF ABBREVIATIONS AND ACRONYMS

DMC	Dodoma Municipal Council
ESRF	Economic and Social Research Foundation
FGD	Focus Group Discussion
FY	Financial Year
LGAs	Local Government Authorities
LGR	Local Government Reform
LGRP	Local Government Reform Programme
PMO-RALG	Prime Minister's Office-Regional Administration & Local Government
PO-RALG	President's Office-Regional Administration and Local Governments
REPOA	Research on Poverty Alleviation
SCM	Supply Chain Management
SPSS	Statistical Packages for Social Sciences
SRS	Simple Random Sampling
URT	United Republic of Tanzania
WEO	Ward Executive Officer

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CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter deals with Local Government context in Tanzania, Background of the study, Statement of the Problem, Objectives of the study, Research Questions and the Significance of the study.

1.2 Local Government Context in Tanzania

Local government refers as an administrative body for a small geographic area, such as city town, country, or state. A local government will typically only have control over their specific geographical region, and cannot pass or enforce laws that will affect a wider area. Local government only acts within powers delegated to it by legislation or directives of the higher level of government (Fjeldstad, 2004).

Local Authorities in Tanzania struggle in order to provide effective and efficient services to its local communities. To achieve this objective, some of the services are outsourced. In this case, some of the services which are outsourced are provision of bus stand services and collection of its related revenue. The services encompasses public toilets, refuse collection and sanitary services, packing services and other minor services (REPOA, 2009)

Local government authorities in Tanzania outsource its services and collection of its related revenue in various areas. The main areas in which services are outsourced

include; the use of agents to collect revenues, refuse collection and sanitary services in health sector, slaughtering services and parking services. For the purpose of this study, I have investigated the way the LGAs outsource revenue collection in the Dodoma bus terminal and the provision of related bus terminal services. In this case, I have investigated the problems, benefits, challenges and therefore, suggestions have been made as the way forward towards sustainable development.

1.3 Statement of the Problem

Local authorities are responsible for delivering services to public especially in mainland of Tanzania; some of the public services delivered by LGAs are Primary education, Secondary education, Local Health services, agriculture extension and livestock, Water supply and local road maintenance (Fjeldstad, 2003). On the other hand, there other related services accompanying these fundamental services which are bus stand services which entails the car parking services, public toilet services, collection of refuse in bus stand areas, sanitary services in bus stand area and so on. All of these services can be outsourced to enhance effectiveness and efficiency as well as improving revenue collection. However, there are some problems which may be encountered in outsourcing these services and collection of its related revenues. Some to highlight are agency-principal problems and private-public-partnership.

Many councils in Tanzania use agents to provide some services which in turn leads to revenue between the two parties i.e. the principal and the agents. The problem is whether these agents fulfill properly their principal's objectives or not. The contractual

formation and relationship between the two parties may form a great problem towards its sustainability. On the other hand, the satisfactions to the general public on the services provided by the Local government authorities may also be in question.

1.4 Objectives of the Study

1.4.1 Overall objective of the study

To assess outsourcing of the LGA services particularly revenue collection service as well as service delivery in Tanzania: A case of Revenue Collection in Dodoma Bus Stand.

1.4.2 Specific objectives

The research specifically addresses the following:

- i. To examine working relationship and contractual formation between outsourced agents and the Municipality.
- ii. To investigate the general public satisfaction on the service provided before and after imposition of agents on collection of revenue and provision of the related services in Dodoma bus stand within the Municipality.
- iii. To compare revenue collection trends before and after outsourcing in Dodoma bus stand.

1.5 Research Questions

1.5.1 Overall question

What are benefits, challenges and weaknesses faced by LGAs on outsourcing its services and collection of its related revenue?

1.5.2 Specific questions

The study was guided by the following specific research questions:-

- (i) What are the challenges faced by LGAs towards outsourcing of its bus stand Revenue Collection?

Variables

- The use of service provision and Revenue collecting agents-agency and principal relationship
- LGAs Policies, Local government policies and Laws/regulations
- Political interferences
- The way the agents are obtained

- (ii) What are the problems/weaknesses faced by agents on collection of bus-stand revenue and provision of the related services?

Variables

- Community as a whole/general public (customer perception)
- Legal operating environment

(iii) Is outsourcing more effective than LGAs self service delivery?

Variables

- Percentage of revenue collected using agents compared with LGAs self-collection.
- General public satisfaction

1.6 Scope of the Study

The study was carried out in Dodoma Municipal Council. The study focused in exploring information on issues relating to outsourcing of local government services particularly bus stand services in Tanzania. It was focused on how agents play their roles towards fulfillment of its principal's goals, the procedures in which these agents are obtained, contract management between revenue collection agents, financial Policies, Acts and regulations and strategies to ensure community satisfaction on outsourced of LGAs services. Dodoma Municipal Council was selected by the researcher as the study area by considering convenience in terms of accessibility and cost affordability with the limited financial and time resources. Due to these facts the study was limited to non-experimental design which made easy for the researcher to manage the study. However, the findings and conclusion of the study reflects the opinions and information received from respondents.

1.7 Significance of the Study

The study will have the following outcomes:-

Firstly, it will help the management of Dodoma Municipal council to know their weakness and strength towards outsourcing of its services and collection of its revenues.

Secondly, the study helped researcher to identify various areas for further research. It also used as an additional reference to researcher to measure the effectiveness in outsourcing LGA services.

Thirdly, the study will help to know causal shortage of funds in LGAs and how to combat that problem.

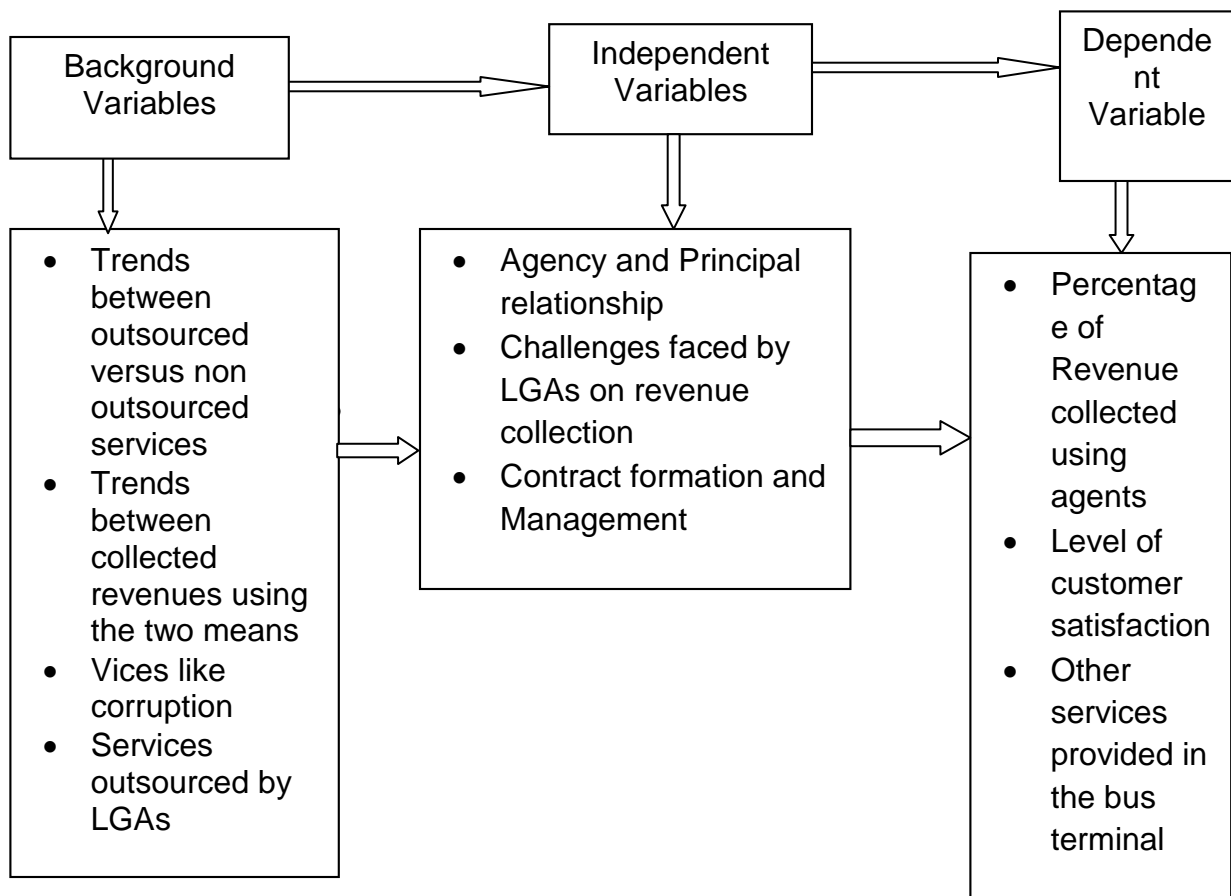
Last but not least, it measures the customer perception on the availability of agents in their daily undertaking and hence development of a proper mechanisms for their sustainability.

1.8 Conceptual Framework

The framework explains the relationship between dependent and independent Variables in another side. It is narrative outline of variables. The types of variables

shown in the conceptual framework are background variables; independent variables and a dependent variable. The variable of primary interest to this study is the dependent variable which is Evaluation of outsourced LGAs services and collection of related revenue using bus stand services in particular and DMC as a case study. Some of the variables which have been studied in an attempt to explain the dependent variable are the use of Revenue collecting agents i.e agency and principal relationship, awareness of fees/tax-payers, collection rates, tax base as well as taxable capacity, Financial Policies, Laws and regulations, and local tax rates. This framework can be summarized as shown below.

Figure 1.1: CONCEPTUAL FRAMEWORK



1.9 Ethical Consideration

The research was conducted ethically so as to ensure that either group or participants in any way may not be harmed in any material aspect. It is in this regard therefore, the ethical issues like privacy, confidentiality, risks of identifying group/organization, risks of lack of privacy and risks of participants emotional, physical, spiritual or social distress have been addressed in this research. In this case, approval has been applied from St. Johns' University of Tanzania before collection of data for this research. The names of the respondents do not appear in any part of the report but only their opinions. At the end of data collections, oral thanks and apology were given to the respondents. The data collecting instruments are in proper custodian and no one other than the researcher or upon his approval is able to access such information.

1.10 Brief Review of Existing Literature

Local government authorities in Tanzania are authorities as defined by Local Government Act 1982. It means the districts, urban and Municipal Authorities. LGAs are responsible for provision social and economical services to its citizen in their area

of jurisdiction. Such services include health, education, roads and water. The services may be offered directly or through agents.

1.11 Chapter Summary

The chapter elaborates the statement of the problem, significant of the study, research objectives and questions, conceptual framework as well as ethical consideration. It laid down the foundation of this work and play major part as direction towards other four chapters.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter gives details about the theoretical background and empirical review laid down by the different authors, with respect to outsourcing of Local Government services and collection of its related services.

2.2 Meaning of Outsourcing

According to Vashistha and Avinash (2006), the term outsourcing has been defined as giving the operations of the business as a whole or part to another person to do on behalf. The person in which the part of the business operation is handed over is in many literatures called an Agent while the business entity which owns the operations in which being outsourced is called Principal. The relationship between the two parties forms the agency-principal relationship. The services which are rendered by the government entities can be outsourced so as to deliver efficient and effective services.

The government services that can be outsourced are education services, health services, police, revenue collection services, and construction works (Mclyor, 2005)

According to Burnet (2002), outsourcing is giving the work which the company or entity is supposed to do itself to be performed by another business entity. It involves

an arrangement in which services are given out by other person. Note however that, the outsourced service could be given by the entity's local staff but, because of some reasons, it is contracted to a third part (agents).

According to Barrar and Gervais (2006), outsourcing is defined as the use of resources other than the internally available one to perform a certain function on behalf of the other business entity. In this regard, the external resource will be of other business entity while the internal one is that of the outsourcing company. It involves the use of strategic profit making strategy to make other people to make profit on company's behalf.

2.3 Local Government

According to Tanzania Local Government Authority Act (1982), local government authority means a small part of the political management of a country other than central government. It involves District Councils, Municipal Councils, City Councils and Urban Authorities. It is a group of person that governs politically the society in different parts of the country being local or urban areas. Within LGAs there are rules, regulations, laws, policies and institutions that help the management of the authorities to exercise its power in their jurisdictional power. Local taxes and fees form the major part of the LGAs finances.

According to Fjestad (2004), Local government authorities is political administration of a country in which can govern itself in terms of politics, economics and social

affairs but in some extent depended on the central government as source of additional revenue apart from the fees they collect. LGA do provide the services on behalf of the state as a whole. The small functions of the government ownership and of economic interests are carried out by the local government. On the other hand, some political, social and economic powers are vested into the local governments. It works as per enacted Laws and regulations of the state or as per instructions and guidelines provided by the Central Government Authority being judiciary, parliament and executives.

2.4 LGAs Functions/Services that can be Outsourced

According to van Slyke (2003), the business entity's part or whole operations can be outsourced. In outsourcing, there is a need to identify the area to be outsourced and consideration must be on costs and benefits. The company/entity to be used as an outsourcing agent must be considered in terms of material, manpower and financial capability. The company should measure the benefits against costs and if the benefits are large than costs through outsourcing, then it is better to outsource and vice versa is true.

According different authors before outsourcing, we need to think about the reasons why should we outsource. The following areas within an organization can be outsourced as far as this literature is concerned.

Secretarial Outsourcing

According to van Slyke (2007), secretarial works such as preparation for meetings, seminars and trainings schedules as well as the related facilitations like training material, food, accommodations and bus/air tickets for staff and other stakeholders can be outsourced. Secretarial outsourcing in this case is possible for company with several meetings with stakeholders at different intervals in time.

Typing / Transcription Outsourcing

According to Smith and Smyth (1999), through outsourced agents, words that can be converted into a certain format can be done with little difficult and costs. Preparation of contracts for example needs a personal with skills and therefore the typing can be done through agents.

Accounting / Financial Outsourcing

According to van Slyke (2003), there are many avenues in accounting and financial sector. Accountants and financial officers can prepare different financial reports on behalf of their clients (principals). Such reports may include financial statements and internal control documents like financial regulations, auditing manuals, auditing manuals and Financial Accounting and reporting manuals.

Human Resources Outsourcing

Human resource functions can be outsourced. Such includes recruitments, retrenchments preparations, and preparation of wages, salaries and terminal

benefits. Outsourcing of human resources functions can add value to the company especially those with high labor turnover rate van Slyke (2007).

Customer Support Outsourcing

Many organizations that manufacture or distribute a product that is technical in nature can have a problem in customer support. Customer call may be answered by call Centre instead of using the internal employees. In this case, the employees of the organization can perform other tasks for well-being of the company (Kotler, 2008).

Sales and Marketing Outsourcing

Sales and marketing functions can be outsourced. Organizations can sales its products or services by using agents rather than selling itself. Such marketing and sales functions that can be outsourced include sales promotion tools which are advertisements, personal selling, publicity and sales promotions (Kotler, 2005).

Outsourcing of Information Technologies' (IT) functions

IT services can be outsourced. The provision of hardware and software services and supply of the same can be done by a third party rather than the employee of the company. Maintenance of the IT systems can be done by somebody else rather than the employee of the company. Normally, organizations outsource the functions which do not able to perform because of lack of financial or material or manpower to do it, (van Slyke, 2003).

Distribution Outsourcing

Many organizations outsource product distribution functions. The final consumers need to obtain the goods/services as quick as possible. To facilitate this quickness, the organization may outsource its distribution service (Kotler, 2005).

2.5 Reasons for Outsourcing

According to Mclvor (2005), there are many reasons for outsourcing. These are 'reduction and control of operational costs, improvement of the organization's focus, accessibility to world class capabilities, accessibility of free internal resources for other purposes, minimize time of managers to manage the organization, facilitate control, and it play part where there is no sufficient resources'.

The operation costs when the organization outsources its services are minimized in terms of less employment of labor power, machines and other financial resources. Outsourcing improves the internal capacity since the employees of the company get new knowledge which they do not formally possess. Outsourcing minimizes the management costs in terms of control and coordination. It is through outsourcing world class capabilities are accessed since there is transfer of technology. Where the internal capacities are not sufficient in terms machinery and labor, outsourcing may play major part.

2.6 Areas for Successful Outsourcing

Cloth (2004) proposed some areas to deal with for achievements of outsourcing objectives. These areas are organization's goals and objectives, vision, mission and

plans of the organization, agents selection, managerial relations, and contracts formation; communications with people/entity concerned, executive support and involvement; and focus to manpower availability and taking consideration financial impacts. Of the mentioned issues, communications and executive support plays major part among others.

For successful Outsourcing, there must be open communication between the two parties. The company must examine the requirements of the parties concerned and there must be a clear channel of communication between them. The party which must be considered includes management at all levels, employees, and the agents to be involved.

The executive support is another are of great important to be considered for successful outsourcing. It is the level in which strategic objectives are managed and the decision regarding the company operations are made. The executives must made decisions regarding outsourcing for it to be successful. If the executives does not involved in due course, the lower managers may face a lot of difficulties during implementation since there will be little support.

2.7 Scope of Outsourcing

According to Saxena *et al.* (2009), outsourcing may be on the different arena like information technology, business process, knowledge process, legal, human resource and other evolving forms of information technology based processes and procedures. In information technology, the outsourcing should look on different

issues regarding technologies but care must be on securities on the accessible documents. Legal contents on the contracts are very vital on outsourcing. Human resource functions can be outsourced but again, there is the issue of security since this sector is very important for the well-being of any organization.

2.8 Experience in Outsourcing Local and Central Government Services in Different Countries

2.8.1 Outsourcing of Local Government services in America.

According to www.about.outsourcing.com, government services are outsourced so to ensure an effectiveness and efficiency of the delivered services to its citizen. Outsourcing can act as a cost control measure in an organization. In this regard, there is a problem in the quality of the outsourced service. Corruption and bribes may act as a limiting factor for the successful outsourcing. In outsourcing, the company should look and compare the current situation before taking the decision on outsourcing. On availability of bribes and corruption, it is very difficult to harvest the fruits of outsourcing. But care must be taken on the formation of the contracts and management of the same. The organization may outsource every sector or functions but on if there is mismanagement of the contracts or when the contracts made are full of bribery and corruption, the outcome of it will be bad. On the other hand, if the company's top management is not serious about the issue; the problem will arise during its implementation.

Greene (2002) believed that the government costs can be fall down at a large extent if the outsourcing machinery is used properly. Reductions of costs are not applicable only on the central governments but also to the Local government authorities like municipals and district authorities. When we outsource the LGA services, it reduces the political pressure, increment of the local revenues and reduction of overdependence of the central government support to LGAs.

According to Times Magazine (July, 2014), outsourcing can reduce or completely eliminate the financial crisis among countries or the part of the government concerns. Findings suggest that more than fifty percent of LGAs may suffer on losses in America which can results into a billion of money loss. These losses are harmful to the proper operations of central government activities as well as local government authorities. Therefore, outsourcing is the proper solution to solve these problems of LGA s overdependence to the central government.

Different Authors had different views about outsourcing. They concluded that, outsourcing can be done in different perspectives like police, sanitation, education, administration and debt servicing as it will be explained later in the following paragraphs.

Police

According to Semboja and Therkildsen (2005), Outsourcing can be applied to police functions. The major tasks of police force are maintenance of peace and security of

people and their holdings/belongings. Many municipals and districts authorities has a police division or departments. In many areas, police services may be shared with other areas i.e. can be share outside the LGAs jurisdiction. In large towns, the patrol of police may be difficult or cumbersome. It is in this regard where police services can be outsourced so as to make their functions works properly. Things which municipals can outsource in this case are technology, car services and maintenance, patrol areas and administration costs. Through outsourcing police part of their function, the improvement of their service is enhanced.

Sanitation

The process of refuse collection varies extremely between LGAs. LGAs may have department or division concerning with sanitation services though some may not have. Even those with the department concerning with department, some service rendered through this department may be either insufficient or of lower quality. Some LGA outsource fully or part of the sanitation service. Changes must be done though it takes time to be adopted by community. The local surrounding geography is very complicated and very difficult for the local authority officers to do the cleanliness themselves. Because of this complicated nature, the surroundings need to be cleaned by the people whose major function is sanitation. Outsourcing of this sector is vital for sustainable development (Green, 2002)

Education

According to Semboja and Therkildsen (2005), the education services are not fully provided directly by LGAs. There are various primary & secondary schools and colleges within the LGAs but in facts, the ownership of these sectors of education are not the only LGAs. The private individuals or companies are owners of some educations sectors within the LGA s jurisdiction. The aim of the community as a whole is to see that, their children are in good schools enjoying school livelihood. In fact, it is the responsibility of government to provide education particularly, primary and secondary education to its citizen. When the private individuals are providing this educations are doing that on behalf of the government though in other hand, they are making profit which is opposite from the government which only focus on service delivery for free.

Administration

Administration is another area which can be outsourced but there are some difficulties. Consider the issue of confidentiality and protection of the company's image. Administration includes the political figures and decision makers. The company focus and control are exercised in this area. Mixing politics and business is a problem and in facts, this may limit successful outsourcing. It is better to deal with other areas and administration as a core sector can be improved without outsourcing (Saxena *et al.*, 2009).

Debt Servicing

Outsourcing can be used in order to service the debts. Agents for collecting the periodical debt recovery can be appointed. Because this agents aims at maximizing the profit of their firm, and the company's major objective is to maximize profit; through agents, recoverability of the loan is best in debt servicing. The costs and unforeseen risks and uncertainties may shift to the agents. For many LGAs, debt servicing forms the major part of the budget item. There is a need to transform outsourcing tactics so that it can be applied in debt servicing not only to the central government but also to the central government.

Outsourcing should not be considered as a matter of reduction of costs only, but it should be taken as a very important technique for survival of the firm. The sectors which can be outsourced must be taken into account and be contracted out accordingly (Semboja & Therkildsen, 2005).

2.8.2 Outsourcing of Local Government services in Iraq, Kuwait and Syria,

According to REPOA (2009), In Mesopotamia countries (Iraq, Kuwait and Syria), there is high practice of collection of taxes using agents. There is great success in these countries and on the other way round, the named countries economy is high compare African countries were outsourcing tactics are less practiced. Furthermore,

there is transparent in tendering process for obtaining the revenue collectors. Bribery and corruptions is discouraged in tendering process. The community sees the corruption and bribery as against Gods ethics.

2.8.3 Outsourcing of Government services in England and India

According to Burnet (2002), outsourcing is the one of the most successful technique for implementation of governments' fiscal policy. Many taxes are collected using outsourced agents. The agents are obtained through a competitive tendering process in which the highest evaluated bidder is awarded. The named countries are among the one which obtained good and big results on collection of taxes using third parties. Note however that, England for example is an industrialized country and many taxes are collected by third parties. Though there are some grievances in tax collectors and the communities in India, but the government proves success on using these agents.

2.9 Avenues for Successful Outsourcing Project

Several literatures suggest avenues for successful outsourcing. In order to get success in outsourcing, the company should be careful in the whole process of tendering. Before signing the contracts, the company should consider future constraints which may lead to additional costs during implementation of the contracts. The company may award the lowest bidder for revenue collection without taking consideration on the merits in terms efficiency and effectiveness. Time and the amount to be collected should be considered as a factor during evaluation.

Several Reasons has been suggested by different authors for effectiveness and efficient outsourcing.

Outsource for the Right Reasons

According to Greene (2002), outsourcing changes the profitability and capital structure of the organization. The entity should consider the reasons for outsourcing and not only relying on the outcomes. The technique may involves solving the business and not only relying on the advantages. Before entering into the contracts regarding outsourcing, the entity should consider the whole process of tendering and see whether all necessary issues are attended in it. But on the other hand, overdependence of the outsourced agents can fix some problems in the smooth running of the business in long run.

Thorough Agents Selection Process

As per Deloitte Report (2008), the business entity must spend enough time during selection of successful bidder for outsourcing purpose. This must be done before signing a contract regarding outsourcing. The decision can be destroyed or interrupted by company's government political atmosphere. A careful agent selection process will remove the problems which can be encountered after contractual agreement is enforced and control the organizations' political environment thus obtains the good results of outsourcing.

Make Outsourcing Measurable

Outsourcing tactics must be evaluated in terms of measurability. Unless the business entity considered this core factor, the outsourcing tactics will not bear good results to the principal and it may hinder the outcomes of the entity in future. During evaluation for the successful agent, qualitative characteristics of the agents must be considered in terms of service delivered. Considerations of these qualitative characteristics of the prospective agents will help the business entity to come out with relevant outsourced agent who can perform their duties in light of their principals and therefore, the company's objectives and goals can be achieved (Plunket, 2008).

Follow Up the Implementation

There are indicators for unsuccessful outsourcing. The most to mention is weakness in follow up. Once the outsourcing contracts are made, the follow up tasks falls to the participating two parties. The results may be bad if follow ups are not made during implementation of these contracts. In order to avoid these problems, the principal should set timetable to review agents' performance. There should be personnel who will be responsible in follow up the performance of the agents. If the business entity do not have personnel with technical skills to deal with the agents work, capacity building is vital to be made to internal staff so that they can perform monitoring and follow-up the activities of the agents properly (Mclyor, 2005).

Future and internal capacity

The business entity should consider the future. Future normally can associate with risks and uncertainties. Government political environments must be considered before reaching the final decision. On the other hand, the size of the firm is another avenue to be taken into consideration. The business entity's in terms of capacity and technical know-how is vital for the decision to be made. Consideration of these mentioned issues will influence the decision to be made regarding outsourcing (Deloitte, 2008).

2.10 Advantages of Outsourcing

According to literature findings, there are some merits of outsourcing. Before making a decisions and choices for outsourcing, the business entity needs to consider such advantages. Outsourcing helps the business entity in terms of growth and building the internal capacity. There are other advantages associated with outsourcing rather than growth and capacity building as it will be highlighted below.

Focus on Core Activities

According to Kotler (2005), in the business cycle, there are two important periods. These are boom and recession periods. The boom period is when all the activities of the business entity are at the maximum capacity and profit/revenue is the highest contrary to recession period where there are economic problems in the business activities within the business entity. During the boom, further expansion of the business may lead to financial resources loss. It is in this period where outsourcing of

core activities proves successful since less of internal financial and manpower resources are exploited in the business.

Cost Savings

According to Kelman and Stevens (2002), the business entity's office functions are complicated in nature, but the size of it prevents the management and employees to perform their tasks consistently and reasonably thus to minimize costs. Through outsourcing, the performance of organizations operations can be improved with little input costs.

Reduced Overhead

According Kelman and Stevens (2002), there are many overhead costs associated with business entity operations. Through using the internal staff and internal financial resources, these costs may vary considerably compared with outsourcing some of operations. For instance, operational costs of hiring personnel to provide a security services in the organizations requires extra payments to such employee such as extra duty allowances, pensions, medications, leave travel costs, funeral and other benefits to himself/herself and his/her legal dependents.

Operational Control

According to Economic and Social Research Foundation Report (2002), there are some operations which the business entity cannot control by itself. The kind of these operations can be outsourced for sustainable development of the entity. Managerial

skills can be copied from the outsourced agents and be used in future development of the company as a whole. The material resources which could be used on the internal operations can be used to produce/perform something else with economic value to the business entity.

Staffing Flexibility

Operations which vary with time and which requires a number of personnel to do it may be done through outsourced agents. Outsourcing in this case will enhance staff stability. These will minimize costs of recruitment and labor costs since some office tasks are only busy during some periodical time and thus maintaining the staff of this nature for the whole period is a sort of disguised employment which can increase the costs of operations to the entity and thus reduction of the profit as well. Therefore, outsourcing operations with time variations will maintain the existing staff and increase the profitability of the business entity (Plunket, 2008).

Risk of Business Failure, Management and Continuity

According to Smith & Smyth (1996), the business entity with high employee turn-over is exposed to the risks of business failure since no experienced personnel can be maintained for long run operations of the company. The economies of scale being internal and external cannot be enjoyed by the entity with such problem. Outsourcing will minimize this risks and the continuity of the company operations is no longer in question.

Develop Internal Staff

Less internal staff technical capacity can limit the organization to undertake projects of high value to the business entity. Outsourcing of the business activities to the third part will build the internal capacity of the business entity through transferring of technology from the outsourced agents to the company employees. This will increase the company's turnover in future through using the acquired skills (Saxena, 2009).

2.11 Disadvantages of Outsourcing

Outsourcing in the other side has disadvantages. Some disadvantages have negative impacts to the business. But in decision making, the business entity must make evaluation on the costs and benefits of outsourcing and hence making proper decisions for sustainable development of the business.

Literatures suggest that, outsourcing can lead to loss of managerial control, there are some hidden costs, threat to security and confidentiality, quality problems and bad publicity.

Loss of Managerial Control

According to Saxena (2009), outsourcing involves making managerial function of the part of the organization concerns to be made by another person/entity. Some of the organization activities in this case are carried out by another entity/person. Because of that, if the business entity's management do not make a closely follow up to the

agents, they may lose the control of the part being outsourced which in future harms the organizations' operations.

Hidden Costs

According to Smith and Smyth (1996), once the contract for outsourcing is signed, the issues which the agents should concern with will be stipulated in. If there are some items or issues which are not in the signed contracts and which should be covered or performed by the agent during the course of the contracts shall be accounted as additional charges and the principal should pay for it.

Threat to Security and Confidentiality

According to Plunket (2008), the information that the business entity keeps is the back bone for it to survival. In today's business, there are high competitions about customers, quality of products, employee's remunerations, markets of the products, products royalties, availability of raw materials, pricing and so many others. When the business entity lacks confidentiality on the key important issues of the business, it will be exposed to high competitions and hence made its going concern into difficulties. Once we outsource, the agents may not have a good concern about the confidentiality of the principals' business issues. To avoid or minimize this, there should be clause in the contracts addressing the issue of security and confidentiality and the way it can be handled.

Quality Problems

Any agent who works on behalf of his principal aims maximizing profit. The agents will try to minimize expenses so that the contracted price is maintained in order to maximize profit. The principal will be forced to pay to the agents as per the contracts. The issue is whether the agents meets the expectations of the customers and at the same time that of the principal. To minimize quality maintenance problems the contracts should explain about it and the consequences of not meeting the conditions about the quality (Plunket, 2008).

Going Concern issues

Going concern means principal can be defined as the assumption in accounting in which the operations of the company is infinitive. When the business entity outsources its function, or part of its operations, the controller of the operations will be the agents who exercise their duties on behalf of their principal. But in any business, there is a risk of failure due to many reasons like customers, markets failure and so on. In this case, if the agents' main business collapsed, it can left to continue operating the activities of the principal and in this facts, the principal will be forced to take this function itself. This will immediately costs the principal in terms of preparation times, financial and manpower (Semboja & Therkildsen, 1995)

Bad Publicity

According to Greene (2002), people believe differently about outsourcing. Some believes that, the companies which outsource its functions are weak in terms of

financial and manpower. But the fact is that, the aim of outsourcing is to increase profit of the firm. Outsourcing also aims at efficiency and shareholders' equity maximization.

2.12 Chapter Summary

Different authors have different views on outsourcing. Some merits and demerits has been elaborated clearly and from this views the researcher has abled to collect the ideas and views altogether in conformance with this work and hence managed to have clear say about outsourcing of Local government Authorities in Tanzania.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter explains the methodology which was used in data collection on the assessment of outsourcing of Local government services process Particularly bus stand services in Dodoma Municipal council. This chapter also discussed primary and secondary sources of data, sampling frame, sample size, sampling procedure, data collection instruments, validity and reliability of data and data processing, analysis and presentation.

3.2 Research Design

According to Kothari (2003), research design is defined as the strategy which is used to answer the research questions. This includes the plans and investigative methodology, the overall program, the way the hypothesis are built up and the analysis of data. In this work, the researcher used two methods of research design which are descriptive research design and case study research design.

Through cross sectional research design, the researcher asked some questions to the respondents at one point at a time. This design allows an in-depth data collection on different groups of respondents at a single point in time. A cross-sectional research design, as suggested by Brewerton and Millward (2001), was adopted in this study because it is the most appropriate design for descriptive studies like this

one that determines the effectiveness in outsourcing of revenue collection service by Local Government system. Also it gives room to make comparison.

3.3 Sources of Data

The researcher collected both primary and secondary sources of data.

3.3.1 Primary source

Primary data was collected using structured and semi-structured questionnaires supplemented with the checklists. The structured closed-ended questions were used to solicit information from all the respondents who are staff from each department, while the remaining respondents including council's Mayor, treasurer and other departmental heads were asked unstructured questions through open-ended type of questions which help for clarification of responses from other staff in terms of follow-up/probing questions.

3.3.2 Secondary source

Documentary review and analysis was chosen as another major source of data. The usefulness of documents is based on their stability, in that they were reviewed repeatedly to validate information obtained from other sources. In this study, key documents related to revenue collection, outsourcing policies and municipal policies in general were scrutinized.

3.4 Location of the Study

The study was conducted at Dodoma Municipal council (DMC). The choice of DMC was deliberated due to time, financial constraints and ease of access to intended data.

3.5 Population of the Study

According to Trochim (2005), research population is generally a large collection of individuals or objects that is the main focus of a scientific query. It is for the benefit of the population that researches are done. However, due to the large sizes of populations, researchers often cannot test every individual in the population because it is too expensive and time-consuming. In this research the researcher has taken 140 people to represent the total population.

3.6 Sampling Plan

3.6.1 Sample frame

According to Trochim (2005), sampling is the process of selecting units (people, organizations, and non-living things) from a certain population of interest which can be studied on behalf of all population and its representation results will be used to generalize the issues regarding the whole population in which were selected. The sample frame used were the list of all proficient staff based in all departments and other from general public including bus stand revenue collecting agents.

3.6.2 Sample size

The size of the sample was 140 people from different occupations. Out of these, five of them were key top Municipal and District official, 50 were municipal officials, 20 mtaa and ward Executive officers, 5 revenue collecting agents and the rest were 60 people from the general public. These sizes were more efficient, representable, reliable and flexible and hence facilitated the study

Table 3.1: A table showing a sample size

<i>Respondent classes</i>	<i>Population</i>	<i>Sample</i>	<i>Number of respondent</i>	<i>Percentage of respondent</i>
District Commissioner	1	1	1	100
Municipal Director	1	1	1	100
District Administrative secretary	1	1	1	100
Municipal treasurer	1	1	1	100
Accounts & Economist staffs	30	30	30	100
Revenue Collection Agents	5	5	5	100
Municipal Mayor	1	1	1	100
Ward and Mtaa Executive Officers	20	20	20	100
The general Public (male and females)	60	60	60	100
Internal audit staff	2	2	2	100
Staff from other Departments	18	18	18	100

3.6.3 Sampling procedures/techniques

According to Kothari (2003), sampling is defined as a selection of element/elements from a larger group of objects. In this case, objects may be living or non-living things. The study used both probability and non-probability sampling methods. The probability sampling techniques specifically simple random sampling was used to obtain respondents to take part in the study. This technique was used because it gives equal chance to respondents to be involved in the study hence, reduced bias in sampling of respondents. The Purposive (or judgment) sampling as a non-probability sampling technique was used to obtain respondents from Municipal staff working in the in different areas/sections/divisions/departments as well as the revenue collecting agents because these are the main revenue outsourcing stakeholders with different expertise. Simple Random Sampling as a probability sampling technique was used to obtain respondents from other groups possessing primary information, and they were the main target and beneficiaries of the findings of this study.

3.7 Data collection instruments

Data collection instruments were questionnaire, interviews, documentary review and observation.

3.7.1 Questionnaires

A questionnaire refers to a number of questions printed or typed in definite order on a form or set of forms where respondents were required to respond on those questions (Researcher, 2014)

3.7.2 Interview

According to Wolf and Pant (2005), an interview is a conversation between two or more people where questions are asked by the interviewer to elicit facts or statements from the interviewee. An interview was the second approach used to collect data. This was face-to-face interview. It was facilitated by the use of checklists which had a set of outlined open ended questions that guided the interviewer. The approach was used because the in-depth knowledge was required for the study. The unstructured open-ended interview was compared to an informal conversation initiated and guided by the researcher but with a focus of inquiry clearly in mind. This methodology were used to interview the departmental heads and top management officials. This approach helped the researcher to make best use of the limited time available while at the same time interviewing different people more systematically.

Additionally, it enabled the researcher to probe and ask follow up questions thereby gaining a deeper understanding of interviewee's experiences, feelings, and perspectives. In this research an interview were done to Municipal Director, Municipal treasurer, District Commissioner, Municipal Mayor and other Heads of Department.

3.7.3 Documentary review

In this study, documentary analysis was chosen as another major source of data. The usefulness of documents is based on their stability, in that they are reviewed repeatedly to validate information obtained from other sources. In this study, key

documents related to contracts between the agents and DMC, revenue collection trends and documents relating to different statistics were scrutinized. Consideration of some documents before the interviews helped the researcher to come up with refined interview questions and analysis.

3.7.4 Observation

According to Joppe (2000), observation can be defined as the visual study of something or someone in order to gain information or learn about behavior, trends, or changes.

Observation method has been used in this study in collection of data for the information. Observations became a scientific tool and the method of data collection for the researcher. The researcher collected data on what is currently happening. In this study, I have Observed how different transactions and activities were being carried out and the manner on which revenue are collected, reported and recorded.

3.8 Reliability and Validity of the Data

3.8.1 Reliability

Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under the study. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.

Kirk and Miller (2006) identify three types of reliability referred to in the research, which are: - the degree to which a measurement, given repeatedly remains the same, the stability of a measurement over time and the similarity of measurements within a given time period.

In this research the all three means were used in estimating the reliability of any measure.

3.8.2 Stability

In determining stability test have been made by administering a test at two different points in time to the same individuals and determining the correlation or strength of association of the two sets of scores.

3.8.3 Internal consistency

In this case, the internal consistency has been determined by giving an estimate of the equivalence of sets of items from the same test (e.g., a set of questions aimed at assessing quality of revenue collection trends). The coefficient of internal consistency provides an estimate of the reliability of measurement and is based on the assumption that items measuring the same construct should correlate.

3.8.4 Validity

Wainer and Braun (1998) define validity as the extent to which the instrument measures what it purports to measure. For example, a test that is used to screen applicants for a job is valid if its scores are directly related to future job performance. To ensure validity interviews, questionnaire survey and focus group discussion were conducted. More than one method were used to validate the information collected like secondary data, interviews, discussion and physical visit in order to come up with valid conclusion.

3.9 Data Processing, Analysis and Presentation

3.9.1 Data processing

The collected data were processed through edition, classification, coding and tabulation through the use of a computer Spreadsheets and Statistical Package for Social Sciences (SPSS). This enabled the researcher to obtain a clear picture and outcome contained in the data.

3.9.2 Data analysis

Data analysis were done using computer, with the execution of relevant data analysis programmes such as Statistical Package for Social Sciences and spreadsheet. Descriptive analysis was conducted basing on data and information that were collected from primary and secondary sources. The analysis involved computation of frequencies (numbers and percentages) of the distributions.

3.9.3 Data presentation

The processed data were put into graphs, charts and tables to look at the data visually and see what happened and make interpretations. These forms of data presentation help to draw understanding and bring into user's memory as well as interpretations.

3.10 Research Limitations

The study faced a number of limitations. The data were gathered in one council only. The homogeneity of the sample implies that the findings on outsourcing of revenue collection service and provision of services may be valid for DMC only. Similar data is needed to be gathered from other Councils in order to draw conclusion to all Local authorities. Time constraints; the period provided to carry out the study is not enough for exhaustive enquiry. To gather sufficient and relevant information more time is needed. Some of those concerns with Revenue collection in the DMC were not ready to provide accurate information. They were not willingly to disclose their internal weaknesses. To address all these, the researcher explained to the respondents the

important of their views and ethical issues on the data collections in which all of them were satisfied and hence gave out the relevant data.

3.11 Chapter Summary

The whole chapter describes the research methodology in which the researcher used for this work. It dealt with research design in which the whole plan and structure of investigation in which facilitated answering research questions. It explains the way the primary and secondary sources of data were obtained. On the other hand, the population size, sampling procedures and sample size are described. The data collection instruments which are questionnaire and other means i.e observation, interview and documentary review are explained. It is in this chapters were validity and reliability of collected data are explained. Data processing, analysis and presentation are detailed elaborated and research limitation on data collection and the way these limitations were handled are described as well. The whole process of data collection, analysis, processing and presentation were carried out taking regard ethics for conducting research.

CHAPTER FOUR

RESEARCH ANALYSIS AND FINDINGS

4.1 Overview

This chapter presents research findings, analysis and discussion of the findings. Data were presented and analyzed by using excel according to the research objectives and research questions. The overall objective of this work is to assess outsourcing of the LGA services in Tanzania; a case of revenue collection in Dodoma Bus Stand.

The findings are described in detail and effort has been made to answer the research questions. The questions were set in such a way of answering the specific objectives which was to examine working relationship and contractual formation between outsourced agents and the Municipality, investigation of the general public satisfaction on the service provided before and after imposition of agents on collection of revenue and provision of the related services in Dodoma bus stand within the Municipality and the comparison between revenue collection trends before and after outsourcing in Dodoma bus stand.

4.2 General Characteristics of Respondents

This part tries to concentrate on the respondents and their characteristics including sex, age, education, marital status and participants' occupation.

4.2.1 Age of the respondents

The age of respondents was categorized into four groups with those who are below 18 years of age, 18 to 25 years old, 26 to 45 years old and above 45 years old. In table 2, the majority of respondents were those who are in age of 26 to 45 years representing 57% followed by age between 18- 25 years (20%); the age of above 45 years old covers 16% while the minors covers only 7%. This implies that the respondents were matured enough to provide relevant information needed by the researcher. On the other hand, the large percentages of the participants fallen into 26 to 45 years old which also indicates the people who are the taxpayers category and hence facilitate the validity of the information they provided into this research.

Table 4.1: Age distribution of the respondents

Age (Years)	Frequency	Percentage
Below 18 years	10	7
18-25 years	28	20
26-45 years	80	57
46 years and above	22	16
Total	140	100

4.1.2 Occupation of the respondents

The total of respondents were divided into Council Employees 33(24%); Councilors 10(7%), citizen within the Municipality 72 (51%), revenue collecting agents (5(4%)

and others 20(14%). The distribution of respondents was done so that results capture the characteristics of the intended population of the study. This distribution of the respondent's opinions into occupation helps the researcher to obtain relevant information from them. It seems from this distribution that majority of the respondents' falls into the Citizens within DMC. This is also true facts since the general citizens are many than any other group. On the other hand, this group category indicates the facts that the major fee/taxpayers are the general citizen as well and therefore relevant information has been given out from this group as well as other groups. This distribution is shown in Table 4.2 below.

Table 4.2 Occupation of the respondents

<i>Occupation</i>	<i>Frequency</i>	<i>Percentage</i>
Council Employees	33	24
Councilors	10	7
Citizen within DMC	72	51
Revenue Collecting Agents	5	4
Others	20	14
Total	140	100

4.2.3 Gender distribution of the respondents

The aim of looking on the gender distribution is based on the roles and relationship between men and women in the general economy. In this study, the participation of

women is low compared to male. The survey includes 140 respondents. The male respondents were 95 (68%) and female were 45 (32%). DMC statistics through documentary reviews indicates that, major category of the citizens are males. It is from this researches in which proof have been made to support this information through this data. On the other hands, it is true fact that even the majority of fee/tax payers are males. This indicates that, data were collected from the relevant and reliable source.

Table 4.3 Gender distribution of the respondents

Sex	Frequency	Percentage
Male	95	68
Female	45	32
Total	140	100

4.2.4 Level of education of the respondents

The study areas was Dodoma Municipal Council; a case of Dodoma bus stand. The respondents had different level of education where the majority went to secondary school education 56(40%) followed by post graduate/degree holders 38(27%) Primary school 26(19%) and the last are Diploma holders 20(14%). 100% of the respondents shows that they have attended a formal school; it is believed that, all of them provide their opinion on this work with highest degree of accuracy and therefore helps the researcher to rely on their opinions. The summary of the level of education is shown below.

Table 4.4 Level of education of the respondents

<i>Education</i>	<i>Frequency</i>	<i>Percentage</i>
Degree/Postgraduates	38	27
Diploma	20	14
Secondary School	56	40
Primary School	26	19
Total	140	100

4.3 Working Relationship and Contractual Formation between Outsourced Agents and Municipality.

The first objective of the research was to examine working relationship and the contractual formation between the revenue outsourced agents and the Municipality. This objective lead to research question that are; ways in which agents were obtained, and challenges in which LGAs face through outsourcing its services.

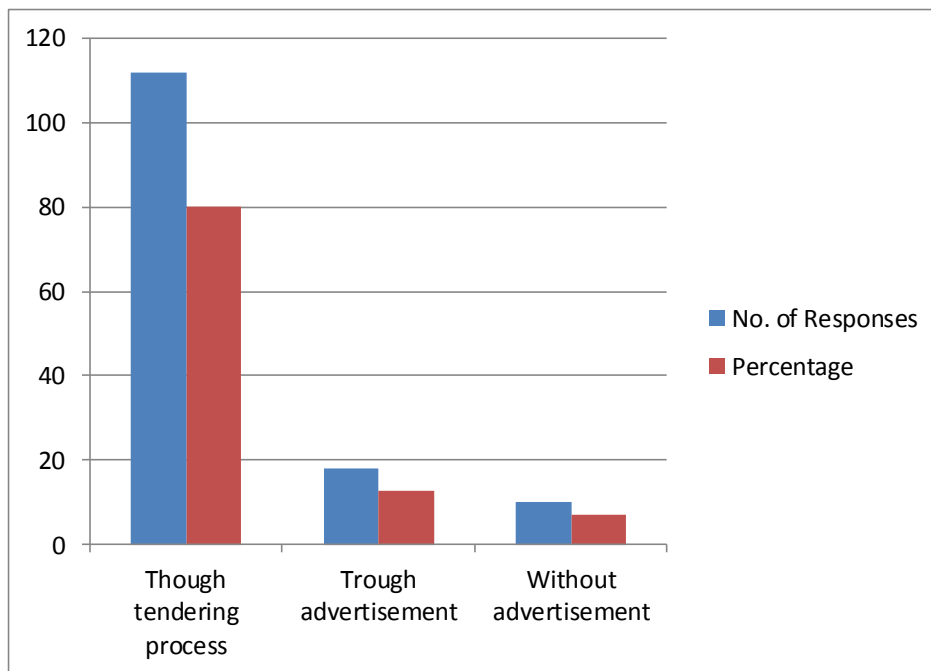
4.3.1 Contractual formation between Revenue Collection agents and DMC

The findings, indicates contractual formation between the Municipal Council and the agents. The agents were obtained through tendering processes. Advertisements were made so as to invite bidders to express their interests for the revenue collections for the different revenue sources. Having expresses their interests, the tender board meeting held to discuss the qualified bidder. Before this discussion, the evaluation teams are selected to evaluate the tender documents and their

suggestions are discussed in the tender board meeting. Out of 140 respondents, 80% proves that the agents are obtained through tendering process. Others respondents said by other means.

The major weaknesses scrutinized in these findings are the lack of enough skills to the members of the tender board and the way they are obtained. Documentary reviews and Focus group discussion reveals that, tender board members are not well equipped and skilled in procurement matters and therefore hinders its proper function-ability. On the other hand, there is some lobbying in order to manipulate the tender documents so that a prospective agent wins a certain tender. This again indicates corruptions and bribery or lack of transparency in general. Following this respondents opinions, it reveals some weaknesses in contract formation between the DMC and outsourced revenue collection agents. Capacity building should be built against tender board members so that they can be able to participate fully in selection and evaluate the appropriate revenue collection agents according to their merits on revenue collection.

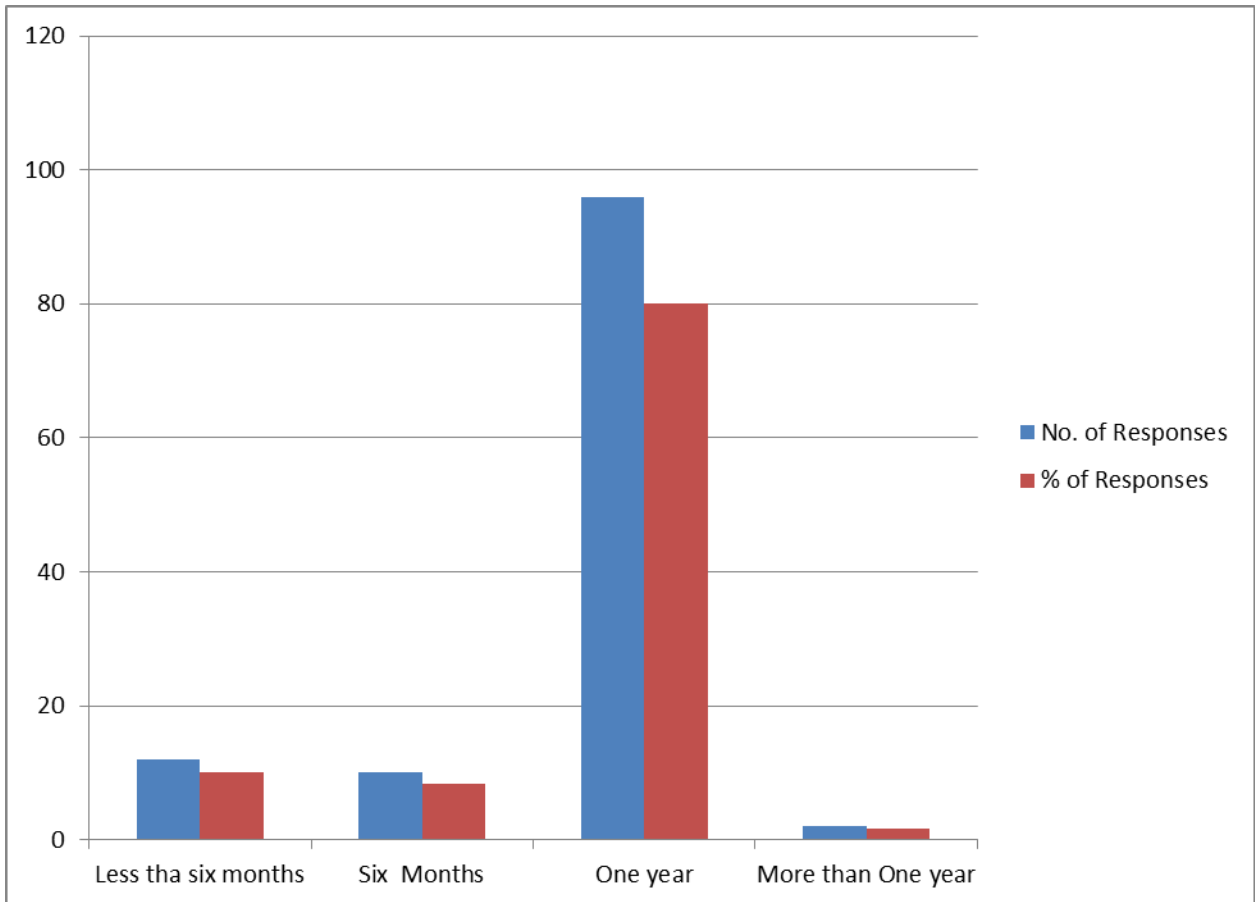
Figure 4.1: Respondents opinion on means in which Revenue Collection Agents are obtained



4.3.2 Contractual relationship between the Revenue Collection Agents and DMC

In this case, there is contractual relationship between the two parties regarding revenue collection. Out of 130 who respond on this issue, 70% shows that there is contractual relationship between the two parties. Documentary reviews evidenced these formations as well as data collected through questionnaires. The terms of contacts varies from six months to one year. In specific, the bus-stand Revenue collecting agents agreed on the term of one year while those deals with public toilets are of six months period.

Figure 4.2 Respondents opinion on duration of contracts formations between the DMC and Revenue Collection Agents



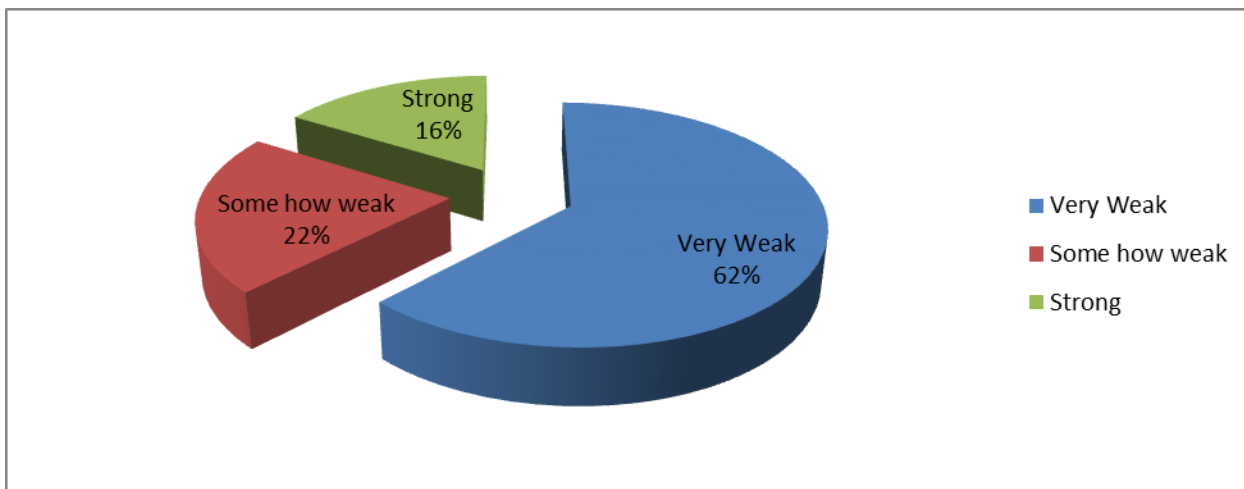
From the above graph, it was revealed that, many contracts are of one year as far as they follow up budgetary period.

4.3.2 Contract management between the DMC and Revenue Collection Agents

The contractors are managed by the Municipal Officials. The Findings reveals Weak contractual managements. The mismanagement of these contracts is attributed by the corruptions and bribery. Discussions with general public indicate this weakness. On the other hand, there is political interference to the agents the facts which made

little revenue collection. About 62% of respondents interviewed out of 130 samples taken, shows concerns about corruption and bribery among revenue collecting agents and municipal officials. The problem harms the DMC on its estimates since they could not know exactly trend about revenue to be estimated to the Agents in future.

Figure 4.3: Respondents opinion on contract management between DMC and Revenue Collecting Agents



4.4 General Public Satisfaction on the Services Provided Before and After Outsourcing

To investigate the general Public satisfaction on the services provided before and after outsourcing Revenue Collection and provision of Related Services in Dodoma Bus Stand.

The Second Objective was to investigate the general public satisfaction to the general public before and after outsourcing revenue Collection and provision of related service at Dodoma bus stand. On investigating these issues, the work has been divided into; General public satisfaction before outsourcing revenue collection and services, general public satisfaction after outsourcing revenue collection and service delivery as well as trend analysis on the revenue collection. In consideration of these objectives, the research questions assist the researcher as guidelines. These questions include; whether the outsourcing is effective than none outsourcing, whether the general public satisfies with the outsourced service or not, as well as benefits accrued as a whole by the DMC.

4.4.1 Satisfaction on none outsourced revenue collection and service delivery before outsourcing

The revenue collections in this case were done using the Council staff. The services were rendered by council staff as well. It costs DMC in terms of manpower that directly collects the revenue and supervisions. The balanced score cards were used to measures the general public satisfaction. The level of satisfaction was based on availability of the service, affordability, quality, promptness, sustainability, relevancy and reliability (Figure 4.4 below)

Quality of the Services Offered Directly without Outsourcing

In these findings, 90% has a reasonable doughty on the services rendered without outsourcing in terms of quality. The rest respondents out of 134, 10% respondents

said that the services so rendered without agents are less reasonable in terms of quality.

Promptness of the Services Offered Directly without Outsourcing

On measuring the promptness of the non-outsourced services the 130 (97%) respondents out of 134 who raise concerns on these shows it is not reasonable.

Sustainability of Non Outsourced Services in DMC Bus Stand

The findings show that, 76 (57%) respondents satisfy reasonably with none outsourced services while 58 (43%) were satisfied less reasonably in terms of sustainability.

Relevancy of None Outsourced Service to the General Public

The respondents show concern on the relevancy on none outsourced services basing on the reasonability. Out of 134 participants who responded on this matter, 119 respondents equivalent with 89% of total showed that the non-outsourced service is not reasonably relevant. The rest 11% of the respondents says that it is less reasonable.

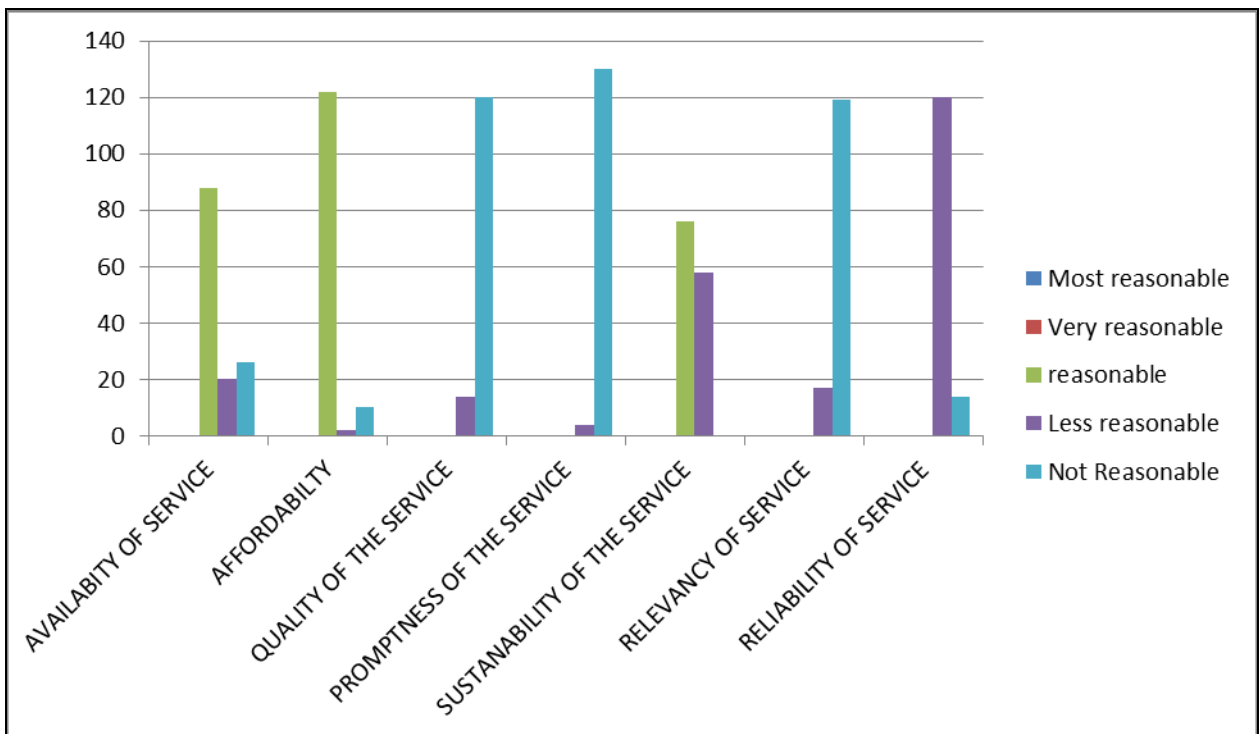
Reliability on Non-Outsourced DMC Bus Stand Revenue Collection Services and Provision of Related Services

The respondents show concern on the reliability on none outsourced services basing on the reasonability. Out of 134 participants who responded on this matter, 120

respondents equivalent with 89% of total showed that the non-outsourced service is not reliably relevant.

The bar chart below presents the response of the respondents on these findings.

Figure 4.4: Respondents opinion on Level of Satisfaction of General Public on Non-Outsourced Revenue Collection and Service Delivery.



Basing on the above findings and discussions, it is proved that, there is less satisfaction of the service rendered directly by the by the council own staff in terms of quality, service availability, affordability, promptness, sustainability, relevance, and reliability.

4.4.2: Level of satisfaction of general public on outsourced revenue collection

The Revenue collection was done by the Council staff. The services were rendered by the Council staff as well. It costs DMC in terms of manpower that directly collects the revenue and supervisors. The balanced score card was used to measure the general public satisfaction. The level of satisfaction was based on availability of the service, affordability, Quality, promptness, sustainability, relevancy, and reliability (Refer graph on Figure 4.4).

Availability of the Revenue Collection and Provision of the Related Bus Stand Service without Outsourcing

Out of 134 who responded on this issue, 88 (67%) participants shows reasonable satisfaction on availability of revenue collected service provision of related service by the DMC officials without using agents in the bus stand. The rest portion shows 13% and 20% less and not reasonable availability of the service delivery by DMC without agents respectively.

Affordability of the Revenue Collection Service and Provision of the Related Bus Stand Service without Outsourcing.

Out of 134 who responded on this factor 122 (91%) showed the reasonability on the cost of the services rendered directly by DMC while about 9% said that, it was not reasonable.

Quality of the Service offered Directly without Outsourcing and Service Delivery

The outsourcing of Revenue collection and provision of the related services has a positive significant influence on the Municipal Own source revenue collection campaign. According to these findings, the following mentioned and explained issues has been evaluated by the researcher ranking the findings according to service availability, affordability, qualitability, promptness, sustainability, relevancy as well as reliability using most reasonable, very reasonable, reasonable, less reasonable and not reasonable as the criteria. General response on this has been obtained through oral interviews, questionnaires and documentary overview.

Through Oral Interviews, out of 55 people interviewed, 50 of them equivalent to 91% show positive concern about good function-ability of the outsourced revenue collection and service delivery. Documentary evidence show that, outsourcing has led to increase in revenue collection. This documentary evidence has been explained in detail on the third objective of this work.

The details of Level of Satisfaction on Outsourced Revenue Collection provision of the Related Service in DMC bus stand has been explained below.

Availability of the Revenue Collection and Provision of the Related Bus Stand Service through Outsourcing

Out of 140 respondents, 120 people equivalent to 86% show that, the availability of the outsourced revenue collection service is very reasonable. On the other hand, 20 people equivalent to 14 percent respondents' shows that, availability of the outsourced revenue collection service is reasonable. This finding suggests the use of outsourced revenue collection agents so as to enable the fee payers to get easier availability of the service the fact which will increase revenue to DMC.

Affordability of the Revenue Collection Service using Agents

In this study, out of 140 respondents, 130 equivalents to 93% suggest the services which are being outsourced being reasonably affordable. By affordability we mean the cost of obtaining the service, this includes price, time and other economic resources. On the other hand, 7% of the respondents show their concern on the affordability of the service as less reasonable. However, because of the suggestions of the majority, we can conclude the outsourced services to be affordable than non-outsourced service. The Municipal Councils should outsource its Revenue Collection to enable them to offer affordable service to its citizen.

Quality of the Outsourced Service

In this case, the quality of the collected revenue through agents can be quantified by the rate of collectability of fees. Many of respondents who respond on this issue said that, there is high quantity of collectability of revenues using agents and the quality of

the service rendered is good as well. Out of 140 respondents, 138 (99%) satisfied with the quality and Quantity of the revenue collected and service delivered by agents. Only one percent of this finding indicates an average of satisfaction in terms of quality and quantity.

Promptness of Revenue Collection and Service Delivered through Outsourcing.

All of 140 respondents equals to 100% show satisfaction in terms of promptness in collection of revenues and service delivery through agents. This indicates that outsourcing of revenue collection is vital for promptness of service delivery and revenue collection.

Sustainability on Revenue Collection and Service Delivered through Outsourcing

In this study, out of 140 respondents, 130 equivalent to 94% suggest the services which are being outsourced being sustainably sustainable. On the other hand, 6% of the respondents show their concern on the sustainability of the service not reasonable. However, because of the suggestions of the majority, we can conclude the outsourced services to be sustainable than non-outsourced service. The Municipal Councils should outsource its Revenue Collection to enable them to offer sustainable revenue collection and service to its citizen.

Relevancy of the Outsourced Revenue Collection Service

Out of 140 respondents, 110 people equivalent to 79% show that, the service of revenue collection through outsourcing is relevant compared to non-outsourced one. On the other hand, 20 people equivalent to 21% percent respondents' shows that, relevancy of the outsourced revenue collection service is reasonable. This finding suggests the use of outsourced revenue collection agents so as to enable the fee payers to get relevant service the fact which will increase revenue to DMC.

Reliability of the Outsourced Revenue Collection Service

The respondents show concern on the relevancy on outsourced services basing on the reasonability. Out of 140 participants who responded on this matter, 119 respondents equivalent with 82% of total showed that the outsourced service is most reasonably relevant. The rest 18% of the respondents says that it is very reasonable. All in all, basing on this findings, outsourced revenue collection service and service delivery is relevant to the DMC. It will enhance revenue collection as well as general public satisfactions.

Figure 4.5 Respondents opinion on Satisfaction on Outsourced Revenue Collection and service delivery to the general Public After outsourcing

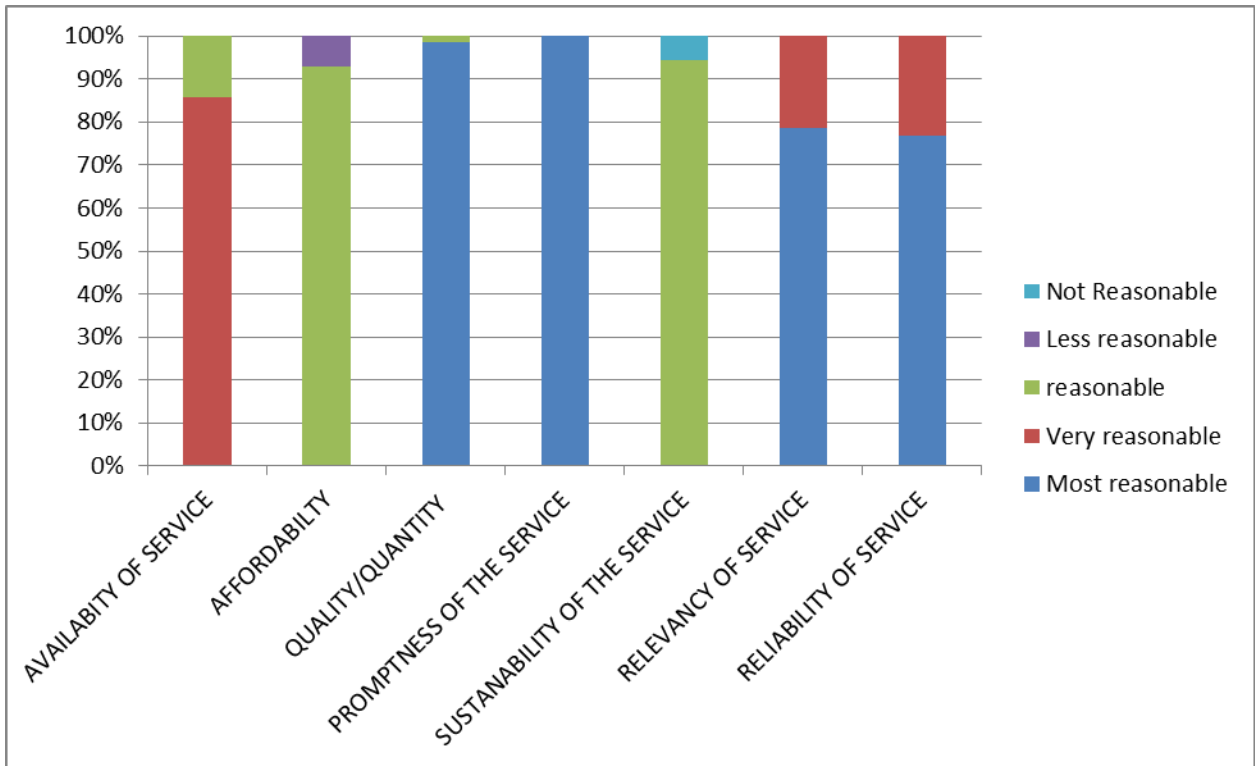


Figure 4.5 above shows the responses which have been elaborated earlier about level of general public satisfaction on the outsourced revenue collection service as well as the delivered service. Clear picture has been elaborated on that graph. It can be concluded that, outsourcing of government services is more worthwhile in terms of affordability, quality, promptness, sustainability, relevancy and reliability. Effective and efficiency service can be obtained through outsourcing.

In case of Revenue Collection, outsourced agents can collect more revenue than using the DMC own staff. Evidences from the field which has been collected through interview shows that when the DMC use their own staff to collect its revenue, more

than 50% were uncollected while using agents only 30% to 40% remain uncollected. With reference to Controller and Audit General (CAG) annual report (2010/11) the DMC abled to collect only TZS 35,612,100/= compares to its budgeted TZS 90,400,000/= equivalent to 39% as bus stand packing fees; the revenue in which has been collected directly by the DMC own staff on that period. On 2012/13 Financial year, DMC managed to Collect 108,282,000/= compares to its budget of TZS 102,070,000/= equivalent to 106% of the total budget. This altogether can be elaborated as shown below.

Figure: 4.6 Outsourced revenue collected versus non outsourced revenue collected

<i>Variable</i>	<i>Budget</i>	<i>Actual</i>	<i>%</i>
<i>Revenue collected without Outsourcing</i>			
Collections FY 2010/11	90,400,000	35,612,100	39
<i>Revenue Collected Using Outsourced Agents</i>			
Collections FY 2012/13	102,070,000	108,282,000	106

On the other hand, documentary review indicates that, the toilet fees which were formerly collected by agents are now collected by the DMC staff but the rate of collection has fallen from about 160,000/= per day in the year 2012/13 to average of 140,000/= per day in the year 2013/14. This short fall is about 12.5%.

Basing on the above findings, it is better DMC to outsource its revenue collection service so as to increase its revenue and to enhance general public satisfaction.

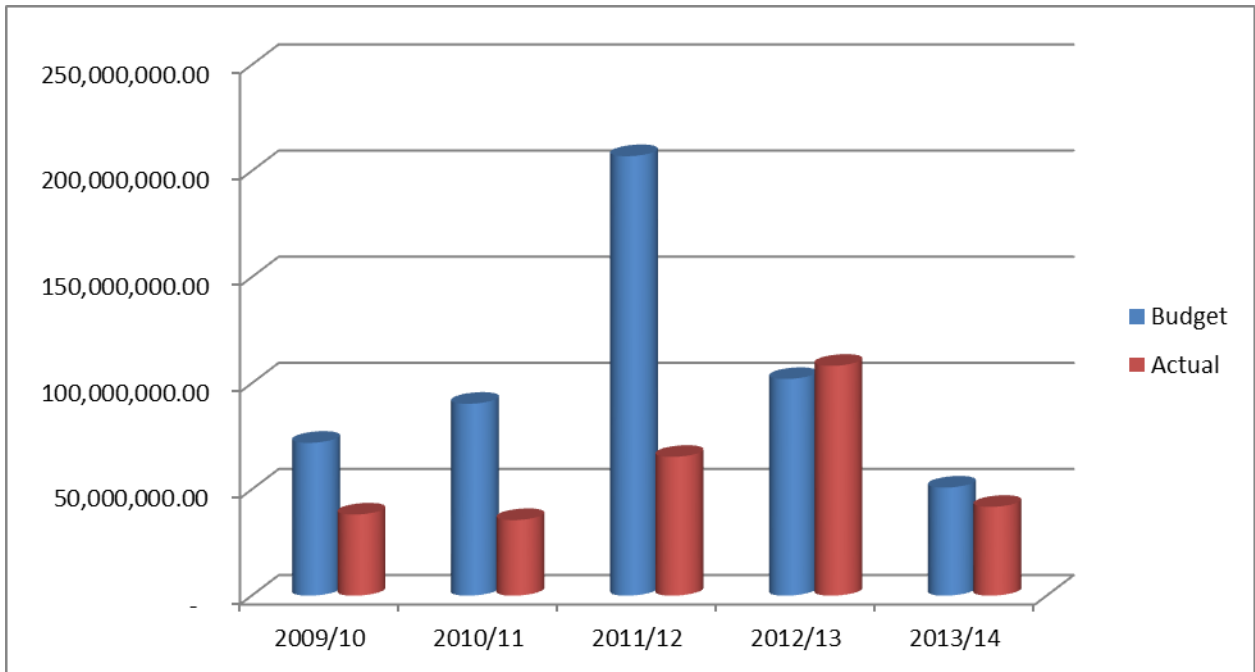
4.5 Comparison of Revenue Before and After Outsourcing in DMC Bus Terminal.

In these findings, there was significant deviation between the collected revenue before outsourcing and after outsourcing. In practice, the outsourced revenue collected service may differ with non- outsourced one. The former may be better than the current one or not depending on the environment in which the collection of revenue can lie upon. The graph below shows revenue collection trends by five different years. The 1st three financial years (2009/10, 2010/11 and 2011/12) were revenue collected without using agents while the following two years were collected through outsourced agents. The last financial period i.e. year 2013/14 was the period in which the DMC bus stand was being under rehabilitation and therefore they budgeted less and they collected 82.17% of the total budget up to the end of third quarter of the financial period. Figure 4.7 below shows the percentage of collection of these revenues through outsourcing and none-outsourcing.

Figure 4.7: Comparison of Revenue Collected before and after Outsourcing in DMC bus stand

<i>Year Of Income</i>	<i>Budget</i>	<i>Actual</i>	<i>Percentage On Collection</i>
<i>Revenue Collection trend before Outsourcing</i>			
FY 2009/10	72,000,000	38,230,000	53.10
FY 2010/2011	90,400,000	35,612,100	39.39
FY 2011/2012	207,000,000	141,602,432	31.59
<i>Revenue Collection Trend after Outsourcing</i>			
FY 2012/2013	102,073,000	108,282,000	106.08
FY 2013/2014(to 3 rd Quarter)	50,930,000	41,847,000	82.17

Figure 4.8: The comparison between the outsourced revenue collection service in DMC bus stand versus none outsourced basing on budgeted revenue and actual revenue collected under different years (Figures in TZS)



Conclusively, bus stand Revenue Collection trend between past five financial years indicates that through outsourcing, more revenue has been collected and therefore makes DMC to achieve their budget by more than 82% (Figure 4.8 above.)

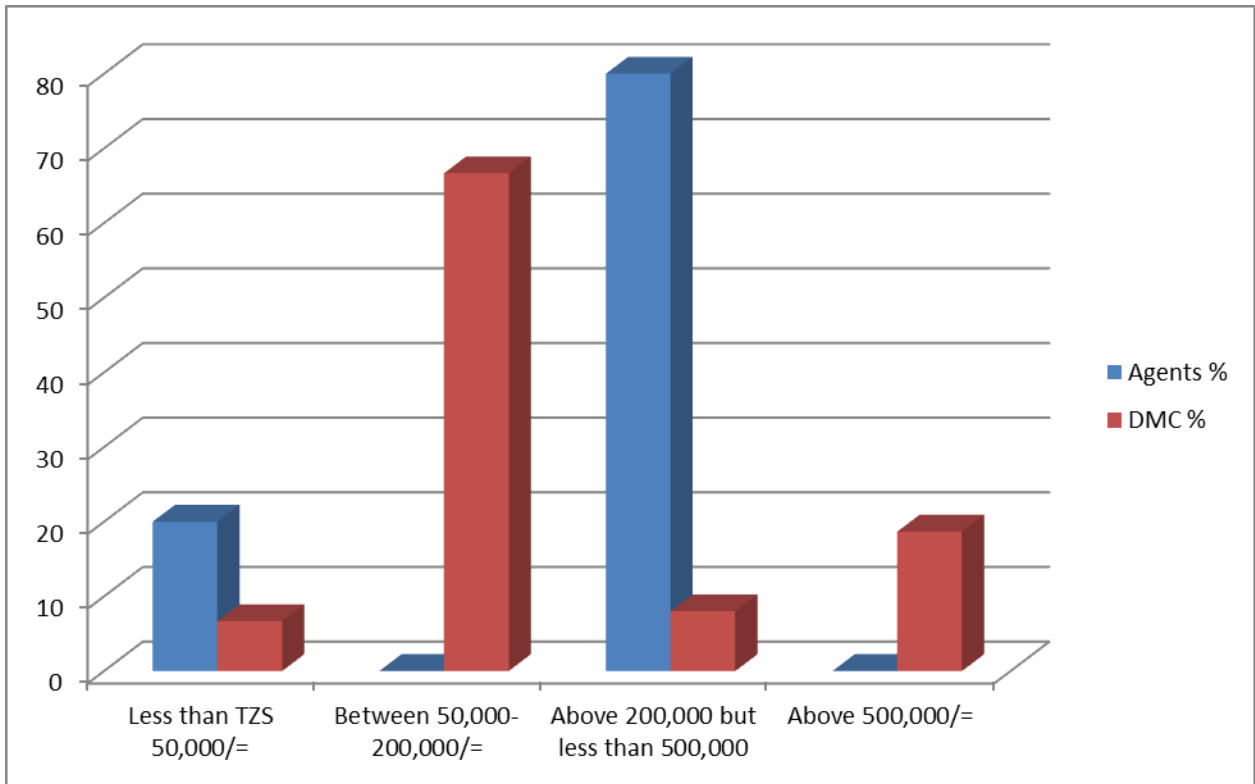
4.4.1 Average daily revenue collected through outsourcing and by DMC.

The findings suggest that, there are two periods in a year in which Bus stand Revenue may vary in Collections. In this case, there are peak periods and non-peak periods. Peak periods are the months of April to December while January to April is the non-peak periods. In this regard, 80% of the respondents says that they can collect between TZS 200,000 to TZS 500,000.00 through outsourcing compares to

66.67% whom said that they can collect between TZS 50,000.00 to TZS 200,000.00 through the use of DMC own staff.

On this regard, we can see that, through outsourcing, more revenue can be collected by DMC bus stand revenue source.

Figure 4.9: Respondents opinion on daily DMC bus stand revenue collection through outsourcing and non-outsourcing.



Strategies for Effective LGAs Revenue Collection through Outsourcing

On discussing this strategy more than 85% out of total respondents shows their major concern on the following.

One is the misuse of fund whenever the LGA officials collect the revenues themselves other than using agents. In this case, majority shows mis-reporting of the collected funds as well as non-documentation of the same.

Secondly, others show that, there is poor supervision to the revenue collecting and service delivery agents. This implies the weak contracts management.

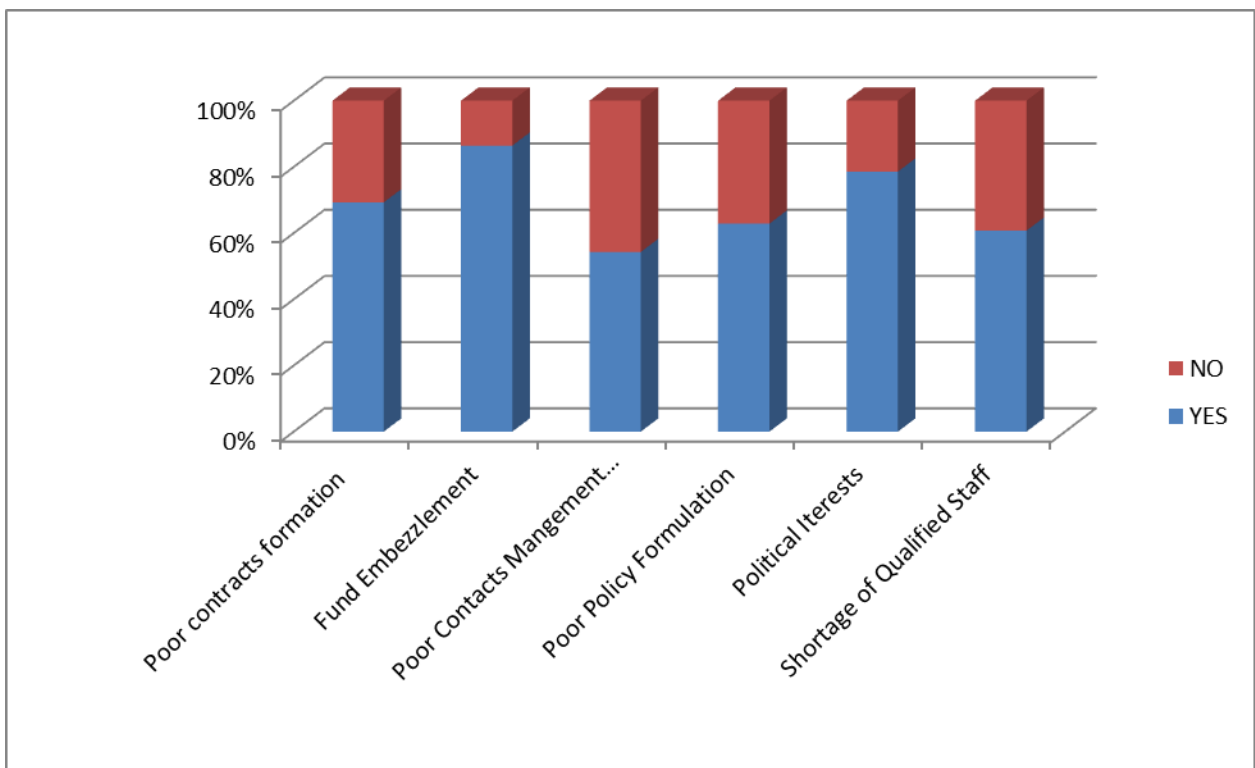
Thirdly, there is poor policy formulation by LGAs on the Revenue collection and service delivery. Discussion findings shows that some policies for revenue collection and service delivery may contradicts each other and hence difficult to apply the outsourcing techniques. For instance, the outsourced health and local security guards services may replace the work which can be performed by own staff and hence contradicts to the policy of creating more employment to the citizen.

Fourthly, political interference plays vital problems on applying the outsourcing techniques. Local leaders like village chairman ward councilors and mtaa chairman may have different political interests on the collection of revenues from the local people who are their voters.

Lastly but not least, it have been proved that there is shortage of qualified staff to manage the revenue and service outsourced agents.

To address this issue, respondents suggest the strengthening of the internal control system to protect the embezzlement of revenues, there should be proper contact management by the qualified personnel and the policy formulation should consider political and economic atmosphere on the palace concern. The researcher agrees with these suggestions since it can be used to improve both services rendered through outsourcing and revenue collection as well. The graph below elaborates the respondents opinion other explained shortfalls and strategies explained above

Figure 4.10: Respondents opinion on shortfalls and strategies for effective outsourcing of revenue collection service



4.5 Chapter Summary

The findings suggest that, DMC should outsource its revenue collection service in order to enhance its revenue collection. Taking the DMC bus stand as a case study, other revenue sources can be outsourced in order to facilitate its collectability. On the other hand, it has been proved through these researches that, the general public get more satisfaction on the services offered through outsourcing than those offered directly by the LGA officials.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Overview

The report analyses data on outsourcing of local government revenue collection services a case of Dodoma Municipal Council in particular. The findings were based on the key issues which are working relationship and contractual formation between outsourced agents and the municipality, general public satisfaction before and after outsourcing, and the analysis on the trend on outsourced and none outsourced revenue collection service.

5.2 Conclusion

There is good working relationship between revenue collection agents and DMC. By having this relationship, it facilitates good communication between the two parties and therefore enhances proper revenue collection for the municipal sustainability. Apart from this good relationship, the DMC have enforceable contracts with the revenue collecting agents but the major problem which still has negative impacts to DMC is inadequate contracts management systems which in turn lead to less revenue to both parties. This improperly contracts management system is attributed by corruption and bribery between the revenue collection agents and some municipal officials. About 62% of the formed contacts ended up with mismanagement of the same and therefore is a major concern for less revenue collection by the LGAs.

General public are more satisfied with the outsourced services than no-outsourced one. The satisfactions are in terms of availability, affordability, quality, promptness, sustainability, relevance and reliability of the service. Findings suggests this satisfactions of the general public as the catalyst for revenue collection enhancement and therefore outsourcing of services is proper means for attainability of the municipal revenue collection objectives. It is difficult to collect enough revenues without highly satisfaction of those who pays those fees/taxes. The general public should satisfy first in order to encourage them to pay the fees/taxes without evasion or avoidance. Provision of unsatisfactory service will encourage avoidance and evasion which altogether will lead to less revenue to the municipality. Apart from that, it will encourage the social crimes like the use of local streets for toilet service and roads.

Much revenue can be collected through outsourcing means than through using municipal officials to collect the same revenue. Outsourcing of the revenue collection services leads to win-win situation between revenue collection agents and the Municipality.

5.3 Recommendations

Revenue collection agents should be obtained through a competitive and transparent means. Lobbying and corruption must be discouraged and combated at every opportunity. There must be a mechanism to trace all loopholes for corruption and put a means which can be removed or minimized at a great extent particularly on the

contracts formation and procurement of revenue collection service. Public procurement regulations should be adhered to whenever the procurement of revenue collection service is made. LGA in Tanzania should put forward mechanisms for contracts management during their policy formulation so as to ensure that there is effective follow up of such policies.

LGA in Tanzania should outsource the Revenue collection service and at the same time, proper mechanisms should be put on the management of such contracts for sustainable development. The services given out by LGAs are more efficiency and effective when given out through outsourced means. Therefore, LGAs should outsource not only its revenue collection service but also other services for sustainable development.

5.4 Chapter Summary

LGA in Tanzania should outsource the Revenue collection service and at the same time, proper mechanisms should be put on the management of such contracts for sustainable development. The services given out by LGAs are more efficiency and effective when given out through outsourced means. Therefore, LGAs should outsource not only its revenue collection service but also other services for sustainable development. More revenues can be collected through outsourcing means than when by LGA officials. Corruption and bribery should be discouraged by all means especially during tendering process for obtaining the agents.

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ANNEXURES

Annexure 1: QUESTIONNAIRE

St. John's University of Tanzania

This questionnaire has been designed purposely for Collection of information which is purposely for research for partial fulfillment of Master's Degree in Business Administration. All information collected shall be treated confidential to the researcher and no part or wholly of the information collected shall be used other than the intended purpose.

PART I: Background information

- 1) Name of the respondent..... *(Not necessary if you don't wish to disclose your name)*
- 2) Age of the respondent 1) Below 18 years old () 2)18-25 (), 3)26-45 (), 4) Above 45 ()
- 3) Gender: 1. Male () 2. Female ()
- 4) Marital status: 1. Married () 2. Divorced () 3. Widower () 4. Never married ()
- 5) What is the highest level of education you have attained? *(Tick whichever appropriate)*
 1. No formal school ()
 2. Primary ()

- 3. Secondary (Form 1-4) ()
- 4. Secondary (Form 5-6) ()
- 5. College
- 6. University ()

6) Participant Occupation (Tick whichever appropriate)

- 1. Council Employee ()
- 2. Councilor ()
- 3. Citizen within the Council ()
- 4. Revenue/Services Collecting/Provision Agent ()
- 5. Other (Specify) ()

PART II: Outsourcing of LGA Services in Dodoma Municipal Council

(Please, select the most appropriate answer/response)

A: Direct Questions to the Outsourced agents (To be attempted by agents only)

7) How the agents for revenue collection/services provision are obtained?

- 1) Through tendering process
- 2) Through advertisements
- 3) Through application without advertisements
- 4) Though other means, Specify.....

8) Do you have a contractual agreement with Dodoma Municipal Council on Revenue Collection?

- 1. Yes
- 2. No

If Yes, Of How long per term.....

9) How much by average do you able to collect per day as packing fee?

- 1) Less than Tsh 50,000/=
- 2) Between 50,000/= to 200,000/=
- 3) Above 200,000 but less than 500,000/=
- 4) Above 500,000.00
- 5) Other; Specify.....

10) Is there any grievances between Revenue Collecting Agents/service delivery agents versus the Dodoma Municipal Council?

1. Yes () 2. No ()

If yes, specify.....

11. Apart from Revenue Collection Service, what do you think are other bus Terminal services outsourced by DMC? Please, mention them

.....
.....
.....
.....

B: Direct Questions to the General Public (To be answered by Local Community other than agents and Municipal Officials)

12) Do you know how the Council collects its Revenue and delivering its services?

1. Yes 2. No 3. I don't know

If yes, how?

13) How can you compare the services provided by the agent who supervises cleanliness and collects revenue from public toilets to the period in which the service where saved directly by the Council?

1. Excellent. 2. Very Good () 3. Good () 4. Moderate ()
5. Bad ()

14) Do you issued with acknowledgement receipt from the office or collector when you pay taxes and user charges?

1. Always () 2. Sometimes () 3. Never () 4. Don't pay taxes ()

15) You have been given the information below regarding outsourcing of the revenue collection and service delivery. There are some factors which may be affect/not affect the service delivery by the LGAs though using agents. Please, rank on the scale as: 5=most Reasonable, 4=very reasonable, 3=reasonable, 2= Less reasonable, 1=Not reasonable. Tick only one per one factor

Factor	Most Reasonable	Very Reasonable	Reasonable	Less Reasonable	Not Reasonable
Availability of the service					
Affordability of the service (price)					
Quality of the service					
Promptness of the service					
Suitability of the service					
Relevancy					
Reliability					

C: Direct Questions to the Municipal Officials

16) How can you compare the effectiveness of the collection of bus stand packing fees using agents and when the same tasks were performed directly by the DMC officials?

- 1. Very good nowadays ()
- 2. Very bad Nowadays ()
- 3. Somehow improving ()
- 4. I don't know ()

If yes, please specify.....

17. Do the Revenue Collection Agents pay their dues timely?

- 1. Yes
- 2. No
- 3. Sometimes

If no, why?

18. Who are the members of the tender Board by title?

.....
.....
.....
.....

19. Are the tender board members and Procurement Management Unit being knowledgeable with tendering process? 1) YES () 2) NO ()

20. Are your agents 1) A company () 2) Individual () 3) Group of people ()

4. Other (), Specify.....

.....

21. Do you supervise the works of the outsourced agents regularly? 1) YES ()
2) NO ()

If YES, how.....

.....

Who supervises them.....

.....

.....

22. Is there any penalty or punishment imposed to the agents who goes contrary to your agreements? 1) YES 2) NO

If yes, please mention them.....

.....

.....

23)Is there any grievances between Revenue Collecting Agents/service delivery agents versus the Dodoma Municipal Council?

1. Yes () 2. No ()

If YES, elaborate

please.....

**PART III: Strategies for effective LGAs Revenue Collection through
outsourcing**

24) Major problem facing most of the local government authorities in Tanzania nowadays are directly linked to ineffective of the collection of its revenue using its own staff. If you agree with this statement please give your own views on the following:

- a. Poor contract formation to Revenue collection agents 1. Yes () 2. No ()
- b. Misuse of fund (Fund embezzlement): 1. Yes () 2. No ()
- c. Poor supervision of the revenue Collection and service provision Agents
1. Yes () 2. No ()
- d. Poor policy formulation by LGAs 1. Yes () 2. No ()
- e. Political interest; 1. Yes () 2. No ()
- f. Shortage of qualified personnel: 1. Yes () 2. No ()

Annexure 1: CHECKLIST FOR OUTSOURCED REVENUE COLLECTING AGENTS

1. Responsibility of Contracting agencies
2. Qualification of entering into contract in revenue collection
3. Amount and characteristics of members in contract/participants in the contracts (company/individual/partnership)
4. Conflicts arising on implementation of contracts
5. Penalties for not fulfilling terms of contracts

Annexure 2: CHECKLIST FOR DMC OFFICERS

1. Responsibility of DMC officer in the company.
2. Amount of Revenue Collected as per Contacts.
3. Conditions of contract between DMC and Revenue Collecting agents.
4. System that is used in Revenue collection.
5. Types of Services Rendered by Agents
6. How do you make sure that the revenue collected and service delivered are in favor of general public and DMC as well?
7. Challenges that DMC are facing in the contract

Annexure 4: LIST OF TABLES

Table 1: Risks, Uncertainties and Mitigations in Outsourcing

S/N	Risks Description	Mitigation Plan
1	Poor Selection of bidder	Study about vendors including current processes and customer references
2	Scope of the project	Phased approach with milestones and tradeoffs at various stages
3	Process and Quality standards incompatible with vendor.	Agreed upon standards and processes must be part of the binding contract
4	Security breach including Confidentiality.	Vendors must meet security standards and management should monitor through auditing
5	Infrastructure breakdown	Review and approve Business Continuity
6	Poorly designed disaster recovery systems/processes.	Review and approve Business Continuity and disaster recovery plans of the vendor. Audit data from simulated disaster drills
7	Reduced Employee motivation as outsourcing is perceived as loss of job.	Establish Employee retention strategies such as retention bonus, performance map etc
8	Political/Cultural unrest.	Be sensitive to cultural issues.

9	Process non-alignment and differing governance model.	Establish compatible and agreeable processes and include them as part of the contract.
11	Legal and Regulatory risks.	Increase awareness about region specific laws and regulations to better plan for incompatibilities and allowable tradeoffs.
12	Lack of control or insight into vendor progress.	Well planned milestones, immediate deliverables along with appropriate documentation plan.