# STUDY ON PRODUCE CESS TAXATION SYSTEM IN TANZANIA

**FINAL REPORT**


**Commissioned to:**
Centre For Sustainable Development Initiatives (CSDI)
Old Bagamoyo Road – Serengeti/Ngorongoro Street
Plot No. 37, Mikocheni B
P.O Box 34210 Dar es Salaam, TANZANIA
Phone (255) 22 2760341 Fax: 255 22 2760344
E-mail mail@csdi-tz.org  Web: www.csdi-tz.org


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TABLE OF CONTENTS

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# EXECUTIVE SUMMARY

Tanzania has been able to sustain economic growth of not less than 6 percent for a decade. Despite recorded impressive performance, the success story has remained a controversy one on account of prevailing level of poverty and a pace at which it has been declining over time. Major attributing factor for a slow pace in poverty reduction is accounted by rather unimpressive performance of the pro-poor sector which is agriculture. Policies and strategies emphasize on a need to facilitating agricultural development as the most reliable way of achieving poverty reduction. This sector suffers from a number of constraints and thus desired level of economic growth can only be achieved through elimination of all constraints which derails its performance. Produce cess taxation system is one of the factors that affect negatively the agricultural sector development in the country.

The Local Government Finance Act of 1982 and subsequent amendments provides the legal basis for imposition of produce cess taxation by local government authorities (LGAs) in Tanzania. Produce cess is the tax that is charged by LGAs on agricultural produce. The Act has, over several years, fixed the cess charge at a rate of 0-5% of the farmgate price. In accordance with the law, LGAs are mandated to impose produce cess on any agricultural produce at a rate within the prescribed range. Various stakeholders such as farmers have been pointing out problems associated with the cess taxation system in the country. These include high tax burden on agricultural produce, weaknesses in the cess collection system that discourages production and marketing of agricultural produce, differences in cess rates across LGAs that result into unfair competition in the market, and weak accountability mechanisms which affect negatively compliance on the part of taxpayers.

The purpose of this survey study was to assess the implementation of the cess taxation system in the country and to recommend the necessary improvements as well as the strategies that can be employed in advocating for the reforms. The study has covered nine districts / local government authorities, namely Kilosa, Babati, Monduli, Mvomero, Mufindi, Iringa, Mtwara, Moshi, and Mbinga.

The study has used both primary and secondary data. Primary data was gathered through unstructured and structured interviews with various stakeholders in the agricultural sector. The interviewees included officials at central government ministries and local government authorities, councillors, crop boards, farmers, leaders of farmers' association, traders in agricultural produce, and cooperative unions. A total of 135 interviews were conducted.

The main findings from this study are as follows. First, produce cess contributes only 2% of the total revenue of all LGAs in the country. However, the tax contributes an average of 24% of aggregate own source revenue of all LGAs. Its contribution to own source revenue of the surveyed district councils varies from 87% to 6% in Mbinga and Monduli districts respectively.

Second, generally all the surveyed districts have been complying with the rates prescribed in the law. However, in the year 2010, some of the district councils were charging 5% contrary to the law which fixed the rate at 3%.

Third, the surveyed district councils have been charging produce cess rates ranging from 3% to 5% over the last four years, although the actual amount payable has been in certain cases equivalent to 0.34 - 2% (this was because payments are based on physical quantities rather than prices).

Fourth, produce cess and other direct charges on crops impose a high tax burden with respect to price payable to farmers, especially on coffee, cashew nut, and sugarcane. The tax burden on coffee, cashewnut, and sugarcane is 12.6%, 12.3% and 9.5% respectively.

Fifth, in most cases different amounts of produce cess are charged on similar crops across the district councils which is claimed to affect negatively the production and marketing of some agricultural produce. For example, cess charged on maize was TZS 2,250 (per 100 kilograms) in Moshi, TZS 1,000 in Mvomero, Kilombero, and Iringa, TZS 1,500 in Kilosa, and TZS 400 in Babati. Farmers in Kilosa indicated that traders seemed to prefer to buy maize and paddy from Kilombero and Mvomero districts were cess charges on the two crops are lower as compared to Kilosa.

Sixth, revenues from produce cess is actually used to finance the general operations of the district councils and are specifically used for the payment of sitting-in allowances to councillors and hence does not contribute directly to the development of the agricultural sector.

Seven, cess collection and control mechanisms in the district councils involve serious weaknesses in control measures such as inadequate controls on issue of receipts and lack of inspection and auditing of the activities of the private cess collectors.

Eighth, ineffective control measures reduce the revenue collected from produce cess. More important, the study has established that the current tax rate can be reduced without affecting negatively revenue in the district councils.

Ninth, Tanzania can learn from the experience in Zambia in the sense that political influence is very crucial in the process of advocating for reforms in the administration of produce cess. Also, any decision to abolish produce cess should be accompanied by the introduction of a reliable alternative source that would cover for at least the amount of lost revenue. Zambia abolished produce cess in September 2009 replacing it with grants from the central government. However, in July 2012 the government has decided to re-introduce the levy on agricultural commodities.

On the basis of the findings, the main recommendations are that produce cess contributes only 2% of the aggregate revenue of local government authorities and given its negative consequences, the tax should be abolished or reduced. However, the central government will need to provide additional grant to the LGAs to compensate for the lost revenue. If the strategy of reduction in produce cess rate is adopted, then it should be accompanied with improvement in the administration of the tax. Hence strategies for lobbying and advocating for reforms in the produce cess taxation system should target on the abolition or reduction in the tax rate.

## ACRONYMS

*Note: Acronyms which are only mentioned once in the text are not listed*

| | |
|---|---|
| ASDP | Agricultural Sector Development Programme |
| DADPs | District Agricultural Development Plans |
| DC | District Council |
| DT | District Treasurer |
| FPC | Finance and Planning Committee of the council. |
| GPG | General Purpose Grant |
| LGAs | Local Government Authorities |
| MAFS | Ministry of Agriculture and Food Security |
| MoFEA | Ministry of Finance and Economic Affairs |
| NAO | National Audit Office |
| NGOs | Non Governmental Organization |
| PMORALG | Prime Minister’s Office - Regional Administration and Local Government |
| TCB | Tanzania Coffee Board |
| TZS | Tanzania Shillings |
| VEO | Village Executive Officer |
| WEO | Ward Executive Officer |

## PART I - INTRODUCTION

### 1.1 Background of the Study

Adopted economic reforms have enabled Tanzania to attract private investment in various sectors such as mining, telecommunication, banking, hotels and so forth. Public investment which had dwindled due to slumping of the economy has increased with an expansion of public infrastructure and provision of social services. Overall macroeconomic performance has been impressive as the country has been able to sustain a growth rate of not less than 6 percent for a decade. Sectors which have demonstrated relatively high growth rate include mining, services and manufacturing.

Unfortunately, agriculture is lagging behind with a growth rate of 4 percent, which is comparatively low. Despite the performance, the sector provides employment to almost 70 percent of the population and thus considered as a comfort zone of the poor. The fastest growing sectors are generally not labour intensive and present a superficial linkage with major economic activities of the poor which is agricultural production. In view of the situation, transformation of agriculture is one of the most reliable means of achieving poverty reduction.

The National Vision 2025 and its medium –National Strategy for Growth and Reduction of Poverty or MKUKUTA emphasize on a need to fostering agricultural development and enhancing linkage among sectors in order to realize the dream of turning Tanzania into a middle income country by 2025. Effort to developing agriculture has taken various initiatives including formulation of sector specific policies and strategies. The agricultural policy was established in 1997 with a view of providing guidance on development of agriculture and livestock. However, a need to put more effort on each area demanded formulation of a separate policy framework. Thus in 2006, livestock policy was developed. Following the detachment of the policy, a need arose of establishing a new policy that will guide development of agriculture alone, thus currently the agriculture and livestock policy of 1997 is under review. The agricultural policy was followed by a designing of the Agricultural Sector Development Strategy (ASDS). The ASDS is a broad framework which intends to create an enabling and conducive environment for improving profitability of the sector as the basis for improved farm incomes and rural poverty reduction in the medium and long term (URT, 2001). In order to operationalize the ASDS, the Agriculture Sector Development Programme (ASDP) was developed in 2006. ASDP is being implemented at a district level. The initiatives has received support of the development partners such as; World Bank, Government of Japan, Irish Aid, International Fund for Agricultural Development (IFAD) and African Development Bank. Funds allocated for the ASDP are disbursed to Local Government Authorities (LGAs) based on the District Agricultural Development Plans (DADPs).

*Kilimo Kwanza* is an initiative adopted by the government in 2009 to promote the implementation of ASDP. This campaign comprises a set of policy instruments and strategic interventions that are intended to address various challenges in the agricultural sector and to exploit the available opportunities to modernize and commercialize agriculture. The campaign has itemized ten pillars that are considered important to enable transformation of the sector. Among them is the review of fiscal and other incentives that are essential for stimulation of agricultural development such as review of taxation policies, review of the cost of doing business in the sector in order to make it more competitive and removal of market barriers to agricultural commodities. One of the controversial agricultural taxation systems in Tanzania is the produce cess. This tax is charged by Local Government Authorities (LGAs) in accordance with the law.

This study on the produce cess taxation system in Tanzania has been motivated by several factors. First, various stakeholders have been arguing that produce cess rates are too high for the agriculture sector which is characterised by low profitability margins. Second, there have been arguments that the levy does not contribute to the development of the agriculture sector in the country. Third, serious weaknesses in produce cess collection and accountability mechanisms have been discouraging agricultural production and trade as well as compliance on the part of the taxpayers, and hence reducing the amount of collected revenue from such source. Fourth, there are variations in produce cess rates across the country which distort competitive conditions in agricultural production and trade. Finally, some of the stakeholders have been arguing that Tanzania should learn from other neighbouring countries which have abolished produce cess.

These factors have contributed to the need to assess the cess taxation system in the country with the aim of identifying the necessary improvement in the system and the strategies that can be adopted for advocating reforms.

## 1.2 Objectives of the Study

The general objective of this study was to assess the implementation of cess taxation system in the country and to propose the required improvement in the system as well as the strategies that can be adopted in advocating for the reforms. The specific objectives of the study were:

i. To identify the main actors in relation to the cess taxation system in the districts and at national level.
ii. To examine reasons for introduction of cess.
iii. To examine how the LGAs apply the Act governing cess in the country.
iv. To examine type of cess taxed per crop.
v. To analyze accountability mechanisms which are in place to administer cess.
vi. To investigate how cess is ploughed back into the district and ascertain how agricultural businesses benefit.
vii. To examine the significance of cess to revenue streams of LGAs.
viii. To explore other alternative revenue sources besides cess at a district level.
ix. To provide evidence based recommendations on interventions to improve the situation.
x. To draw key lessons from neighbouring countries in respect to how cess is applied including pros and cons faced.

## 1.3 Methodology employed in the study

The consultant was required to cover a total of nine (9) districts/ local government authorities (LGAs) and focus on specific crops that were selected by the client. These LGAs included Mufindi (tea), Kilosa (maize), Mvomero (paddy), Babati (maize), Iringa rural (maize), Mtwara rural (cashewnut), Moshi rural (coffee), Mbinga (coffee), and Monduli (livestock). In addition, the consultant covered other crops in some of the districts such assugarcane in Moshi and Mvomero and paddy in Kilosa, Moshi, and Iringa.

The study has used both secondary and primary data. Secondary data were collected through review of various policies, literature, reports related to collection and allocation of cess revenues, and other sources of revenue at district level. Amongst the reviewed documents were district councils' by laws, audit reports, quarterly and annual progress reports. The consultants also collected information from the internet particularly on cess taxation system in the neighboring countries. Primary data were gathered through structured and unstructured interviews with various stakeholders in the agricultural sector. The interviewees included officials at central government ministries and LGAs (from the council to village levels), councilors, crop boards, farmers' associations, farmers, traders in agricultural produce, and processors. A total of 135 interviews were made as summarized in **Table 1** below***.***

## 1.4 Limitations of the study

The following are limitations of this study:

i. It has covered only nine district councils/LGAs, which is equivalent to approximately 7% of the LGAs in the country. Hence, the extent to which parts of the findings of the study can be generalized throughout the country is limited.

ii. Data that would facilitate quantitative evaluation of the efficiency of the different cess collection mechanisms was not collected as this was not part of the objectives of the study.

iii. Lack of detailed published information particularly on cess taxation system in other countries.

| **Table 1: Summary of Interviewees (9 Districts)** | |
|---|---|
| District Executive Directors | 8 |
| District Treasurers | 8 |
| District Revenue Accountants/Internal Auditors | 11 |
| DALDOs | 11 |
| District Trade Officers | 4 |
| District Legal Officers | 5 |
| District Planning Officers | 8 |
| Ward Executive Officers | 6 |
| Village Executive Officers | 6 |
| Farmers | 21 |
| Buyers/traders | 19 |
| Farmers/Traders Associations | 11 |
| Government institutions | 5 |
| Cess Collectors - district + private | 6 |
| TAP Coordinators | 2 |
| Subject Metter Specialists | 4 |
| **TOTAL** | **135** |

## 1.5 Organization of the report

The rest of the report is structured as follows. The second section presents the main findings from the study. Section three covers the proposed lobby and advocacy strategy. The final section provides conclusion and recommendations.

# PART II - FINDINGS FROM THE STUDY

## 2.1 The law governing produce cess

The Local Government Finances Act No. 9 of 1982 has specified produce cess as one of the sources of revenue to district and urban councils in Tanzania. Section 7 (1) (g) of the Act states that:

*"All moneys derived from any cess payable at source on any agricultural or other produce produced in the area of district council, imposed under this Act or any other written law except for the major export crops whose produce cess shall range between zero and five percent of the farm-gate price shall be payable at source"*

In accordance with the above Act, a local government authority in Tanzania has the power to impose produce cess on any agricultural or other produce produced within the area of its jurisdiction. The Act has also given authority to the local government authorities to enact by-laws with respect to produce cess rates.

In accordance with amendments in the Local Government Finances Act, the produce cess rates were fixed at: 5% from 2007 to 2009; 3% in 2010; 3-5% in 2011. Thus, the LGAs are allowed by the law to charge cess at any rate as long as it does not exceed the maximum rate specified in the law. However, such by-laws have to be sanctioned by the Minister responsible for local government administration. Proposed cess rates may be initiated by the Finance and Planning Committee (FPC) of the council. The proposed cess rates have to be approved by the full Council. However, these proposals may also originate from the council's management team. The approved produce cess rates are then forwarded to the Minister for Local Government for approval before implementation.

Our survey in the nine district councils has indicated that produce cess rates that are applied in all district councils except for Babati district council, were duly approved by the responsible Minister. The by-laws were generally in compliance with the Local Government Finances Act No. 9 of 1982 in terms of rates and persons upon whom the levy is chargeable. However, some of the surveyed district councils did not adhere to the law in terms of the maximum rate in the year 2010, for example Moshi, Kilosa, and Mvomero continued to charge 5% instead of 3%. Babati district council has not enacted any by-law with respect to cess rates and hence has been applying directly the Local Government Finances Act No. 9 of 1982.

In accordance with the local government officials, proposed produce cess rates are usually approved by the Minister. The main problem encountered is that the approval by the Minister, in most cases are delayed and may be granted beyond the financial year in which the proposed changes are expected to be implemented. The by-laws have stated clearly that produce cess is payable by crop buyers. However, the survey study has found cases whereby farmers were forced to pay produce cess. For instance, in Kilosa district council, some farmers transporting agricultural produce from farms to town were required to pay produce cess. The local government officials in Kilosa district council have indicated that there were some traders who were claiming to be farmers in order to avoid the cess levy. Also the sugar company in Kilosa which is collecting produce cess on sugarcane on behalf the district council is actually charging sugarcane outgrowers. In Mvomero the Mtibwa Outgrowers Association (MOA) collects cess from the sugarcane growers on behalf of Mvomero DC. MOA also charges the sugarcane growers the produce cess.

## 2.2 Reasons for imposition of produce cess

In accordance with the local government officials in all the surveyed district councils, the major reason for imposing produce cess is to generate revenues to finance the operations of the LGAs. They were of the view that produce cess is one of the most important sources of local revenues because agriculture is the main economic activity in their areas of jurisdiction. They indicated that when setting by-laws on produce cess collection, they take into consideration the potential revenues from the identified source as well as easiness in collection mechanism. That is why they have decided to exempt some of the crops from the levy, though chargeable as per the Local Government Finance Act. In all the surveyed district councils there were some crops that are not charged produce cess. Other reasons for charging produce cess identified by the local government officials were that grants from the central government are not adequate. In addition they want to ensure that traders from other districts make contributions to the council from which they buy the crops from, and to protect the environment, for example through the imposition of cess on cattle.

## 2.3 The main actors in relation to cess taxation system

The survey study has also focused on identifying the main actors in the cess taxation system in the country at the district council and at national levels. At the national level the main actors in relation to the cess taxation system in the country that were identified included the Ministry of Finance and Economic Affairs (MoFEA), Prime Minister's Office - Regional Administration and Local Government (PMORALG), Ministry of Agriculture, Food Security and Cooperatives, and the various crop boards. MoFEA and PMORALG are mainly involved in the determination of produce cess rates as well as the allocation of financial resources to the LGAs. The Ministry of Agriculture, Food Security and Cooperative is mainly concerned with the effects of produce cess on the development of the agricultural sector in the country. The various crop boards such as the Tanzania Cashewnut Board, Tanzania Tea Board, Tanzania Coffee Board and Tanzania Sugar Board are also involved either directly or indirectly in the cess taxation system. For instance, the Tanzania Coffee Board acts as cess collection agent for the district councils and hence is directly engaged in the cess taxation system. Crop boards also mainly concerned with the effects of produce cess on the development of their specific industry.

The identified main actors in the cess taxation system at the district council level were the councilors, local government officials, farmers, crop traders, private cess collectors, farmers' association, processors, and cooperative societies. The councilors are elected representatives from different areas in the district. They are responsible for proposing the agricultural products that should be charged to produce cess and the chargeable rates. However, the proposed rates are supposed to be within the limit specified by-law and have to be approved by the Minister responsible for local government. Furthermore, the study has established that the revenue from produce cess is mainly utilized for payment of sitting allowance to councilors for the council and committee meetings. The local government officials are responsible for recommending to the council the chargeable agricultural produces and the respective rates. They also are responsible for designing and implementing cess collection mechanism. The councilors together with the local government officials make decision on how the collected local revenue is to be spent. As detailed later in this report, the survey study has established that in certain cases farmers pay produce cess directly and sometimes indirectly through reduced prices. This is despite the fact that legally farmers are not required to pay produce cess. The basic law as well as the bylaws of the surveyed district councils have pointed out clearly that produce cess is payable by the crop traders/buyers including crop processors.

Other actors in the cess taxation system at the district level include private cess collectors, cooperative societies, processors, and farmers' association. For instance, produce cess on sugarcane in Kilosa and Mvomero district councils is collected through the sugar company (processor) and the Mtibwa Outgrowers Association (farmers' association) on behalf of the councils. In Moshi district council produce cess on coffee is collected through the Tanzania Coffee Board (TCB) and private companies that buy coffee from farmers.

## 2.4 Legal enforcement of produce cess collection

The Local Government Finance Act has empowered a local government authority to recover unpaid produce cess as a civil debt together with costs and penalties that may be imposed in accordance with the law. In accordance with the Act, a person who fails or refuses to pay any rate payable by him to a local government authority, commits an offence and is liable on conviction to a fine not exceeding fifty thousand shillings or to imprisonment for a term not exceeding three months unless he proves that the apparent failure was due to provable circumstances beyond his control. The by-laws of all the surveyed districts have imposed penalties for failure to pay produce cess, for instance in Iringa and Mufindi district councils the penalties are payment of fine of TZS 50,000 or imprisonment for a period of six months or both. However, the local government officials in all the surevyed district councils have indicated that in practice the penalties are not enforced in most cases. The local government officials or the private cess collection agents usually negotiate with the traders for the payment of the levy, sometimes even at lower than the actual rates. They have argued that it would be expensive for the district councils to handle such cases in court and that the cases may take a long time to be concluded. And that their main objective was not to prosecute individuals but rather to collect revenues/ taxes!. Negotiations with those who have failed to produce cess may minimize transaction costs on the part of the district councils or the collection agents. However, such negotiations may lead to discrimination among the cess payers (traders) as they end up being charged different amounts, and there is a potential opportunity for rent seeking behavior. Generally this approach portrays a lack of good governance in the enforcement of produce cess in the district councils.

## 2.5 Applicable produce cess rates over the last four years

The produce cess rates stated in the by-laws of the surveyed district councils over the last four years were as follows:

*Iringa district council:* 5% on all agricultural produce in financial years 2008/09 and /10 and 3% in the financial year 2010/11 and 2011/12.

*Mvomero district council:* 5% on all agricultural produce over the last three years.

*Moshi district council:* 5% from year 2008 to 2012 with the exception of a few crops which have been charged at either 3% or 4% (beans, tomatoes, and onions).

*Mtwara district council:* 5% on all agricultural produce over the last four years.

*Babati district council:* 5% on all agricultural produce over the last four years except in the year 2010 when 3% was used.

*Kilosa district council:* 5% on all agricultural produce over the last four years.

*Monduli district council:* In accordance with the by-laws of 2008 which are currently in use, all crops have been charged at a rate of 5% of farm-gate price cess. However, cess on livestock does not depend on the price or value but is a fixed amount per animal, which per head of cattle and goat are Tshs. 2,000 and 1,000 respectively.

However, the rates provided in the by-laws of the district councils are not necessarily applied in practice. In most cases, the surveyed district councils have been charging produce cess at amounts lower than actual amounts payable as percentages prescribed in the bylaws. This is mainly because in practice even though percentages are applied, the schedules of payment indicate amounts payable per quantity which may not always reflect the prevailing prices in the market. In Babati, for example the private collector has been, in most cases negotiating with the traders for payment of produce cess at an amount that is lower than the amount that should be paid. In Mufindi, according to the by-law the applicable cess rate is 5% of the purchase price. However, in practice tea cess has been charged at TZS 8.50/- per kilogram (which is equivalent to 0.34%) of made tea for the past two years instead of TZS 125 per kilogram. This rate was fixed after discussions between the district council's officials and variuos stakeholders in the tea industry, which took into consideration other contributions payable by the farmers. The study has also noted that some crops are not charged cess in some of the surveyed district councils, for example, in Mvomero district produces such as beans, sunflowers and onions were not charged cess in practice, though chargeable in accordance with the bylaws.

## 2.6 Significance of produce cess to the revenue streams of district councils

This part provides results of the analysis of the contribution of produce cess in each of the nine district councils in relation to the district total revenues (including central government recurrent transfers). It also explains the contribution of revenues from produce cess to the aggregate revenue of all LGAs in the country.

Over the last five years, produce cess represented only 2% of the aggregate own source revenue of all LGAs in the country. However, produce cess contributes on average about 24% of the aggregate own source revenue of all LGAs in Tanzania mainland. Own source revenue contributes about 8% of the total revenues of all LGAs while recurrent transfers from the central government contribute about 92% as shown in **Table 2** and **Figure1** below.

The study indicates that the significance of produce cess to the revenue streams of LGAs in the country varies. Revenues from produce cess contribute significantly to own source revenue streams of seven out of the nine district councils that were covered in this study. On average produce cess generates about 87% of own source revenue in Mbinga district council, which is the highest out of the nine district councils. The contribution of produce cess to own source revenue is below the average in the country in Monduli and Mufindi district councils whereby it is approximately 2.6% and 9% respectively. The crops with the highest contribution in revenue from produce cess are coffee in Mbinga, sugarcane in Kilosa, coffee in Moshi, livestock in Monduli, sugarcane in Mvomero, cashewnut in Mtwara, maize in Babati, maize in Iringa, and log cess in Mufindi.

The study also indicates that recurrent transfers from the central government contribute between 92% and 98% of the total revenues of the seven district councils. However, Mufindi and Monduli district councils obtain about 26% and 49% respectively, of their total revenue through central government grants.

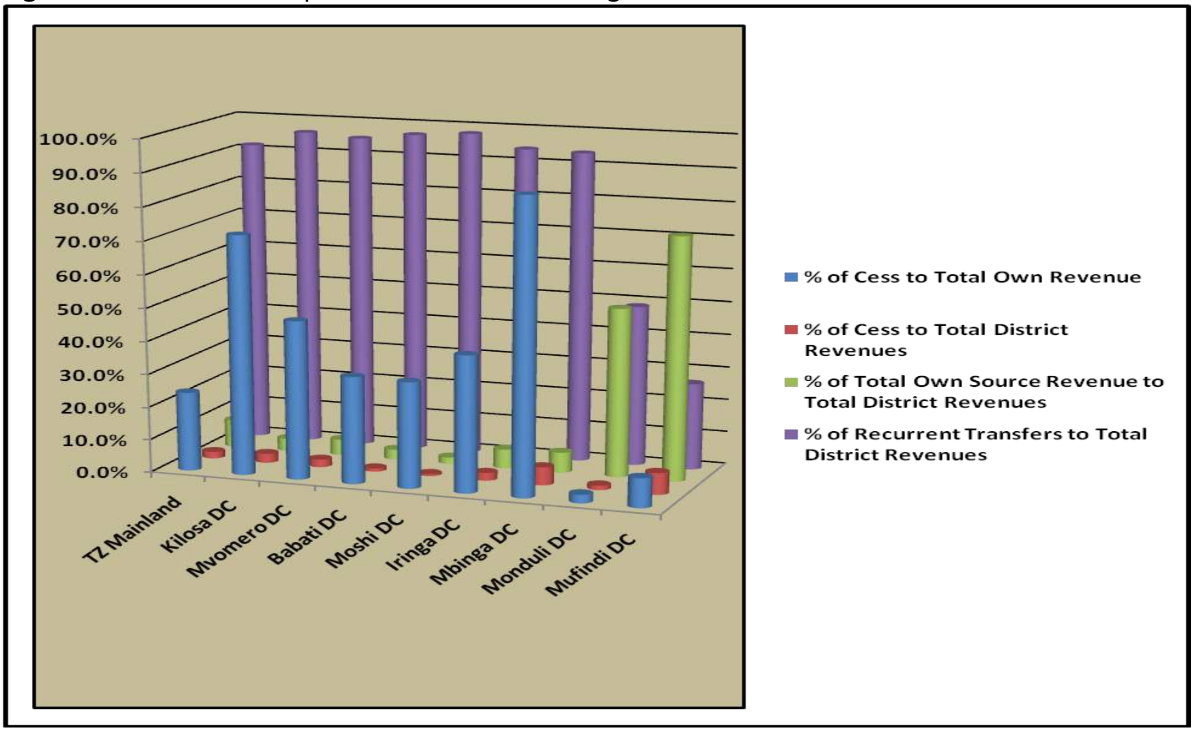
**Table 2 and Figure 1** provide a summary of the contribution of the revenues from produce cess as well as the central government recurrent grants to revenue streams of the nine district councils.

**Table 2: Contribution of produce cess and central government recurrent transfers to local revenue**

| | % of Cess to Total Own Revenue | % of Cess to Total District Revenues | % of Total Own Source Revenue to Total District Revenues | % of Recurrent Transfers to Total District Revenues |
|---|---|---|---|---|
| **TZ Mainland** | 24.0% | 2.0% | 8.4% | 92% |
| **Kilosa DC** | 72.5% | 2.8% | 3.8% | 96% |
| **Mvomero DC** | 48.1% | 2.3% | 4.9% | 95% |
| **Babati DC** | 32.5% | 1.0% | 3.1% | 97% |
| **Moshi DC** | 32.2% | 0.6% | 2.0% | 98% |
| **Iringa DC** | 41.4% | 2.4% | 5.8% | 94% |
| **Mbinga DC** | 88.6% | 5.5% | 6.2% | 94% |
| **Monduli DC** | 2.6% | 1.3% | 51.2% | 49% |
| **Mufindi DC** | 9.0% | 6.6% | 73.6% | 26% |
| **Mtwara DC** | 32.3% | 2.3% | 7.2% | 92.8% |

**Source:** Field data plus PMORALG website data.

**Figure 1:** Contribution of produce cess and central government recurrent transfers to local revenue




## 2.7 Alternative and potential sources of revenue

**Table 3** provides a summary of the extent to which the other sources contributes to the local revenue in the surveyed district councils. In the case of Monduli and Mufindi district councils, the contribution of revenues from produce cess is not significant as compared to the other surveyed LGAs (2.6 % and 9% respectively). The local sources which contribute significantly to the local revenue streams in Mufindi were cess logs (43.2%) and other income (47.8%). The significant sources of local revenue in Monduli include: charges (28.2%); fees (25.3%); livestock cess (11.5%); and licence (10.9%).

**Table 3: Contribution of other sources to local revenue**

| Revenue Source | Kilosa | Mvomero | Babati | Moshi | Iringa | Mbinga | Monduli | Mufindi | Mtwara |
|---|---|---|---|---|---|---|---|---|---|
| **Property Tax** | 0.0% | 0.3% | 0.0% | 0.0% | 0.0% | 2.1% | 6.4% | 0.0% | 0.0% |
| **Land Rent** | 0.0% | 0.0% | 0.0% | 0.0% | 4.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Produce Cess** | 72.5% | 48.1% | 32.5% | 32.2% | 41.4% | 88.6% | 2.6% | 9.0% | 32.3% |
| **Livestock Cess** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 11.5% | 0.0% | 0.0% |
| **Tea Cess** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Log Cess** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 43.2% | 0.0% |
| **Service Levy** | 0.0% | 0.0% | 5.3% | 0.0% | 0.0% | 0.3% | 0.0% | 0.0% | 0.6% |
| **Guest House Levy** | 5.1% | 0.0% | 2.2% | 0.8% | 0.2% | 0.4% | 0.9% | 0.0% | 0.1% |
| **Licences** | 2.5% | 0.1% | 2.5% | 2.8% | 5.1% | 1.2% | 10.9% | 0.0% | 2.0% |
| **Fees** | 6.3% | 33.1% | 0.0% | 36.8% | 16.3% | 0.9% | 25.3% | 0.0% | 1.0% |
| **Permits** | 1.3% | 0.0% | 0.1% | 0.0% | 0.0% | 2.1% | 0.0% | 0.0% | 0.0% |
| **Charges** | 2.1% | 0.0% | 25.3% | 27.4% | 6.4% | 1.3% | 28.2% | 0.0% | 0.0% |
| **Rents** | 0.0% | 0.0% | 0.0% | 0.0% | 0.9% | 1.0% | 13.7% | 0.0% | 0.0% |
| **Fines & Penalties** | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Other Income** | 10.0% | 18.4% | 31.9% | 0.0% | 25.7% | 2.1% | 0.4% | 47.8% | 64.1% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100%** |

**Source**: Field data

When asked on the possibility of replacement of produce cess revenues with other potential local sources, almost all of the interviewed local government officials were of the view that the opportunities for alternative sources are very limited given the existing regulatory framework. According to them the most practical alternative source would be additional compensation grants from the central government, as in the case of the abolished nuisance local taxes. However, they were also doubtful of the capacity of the central government to cope with the additional grant, given the fact that during the current financial year, the government has failed to disburse the budgeted general purpose grant to the surveyed district councils.

## 2.8 Differences in produce cess rates between district councils

In some cases different produce cess rates are charged by district councils for similar agricultural commodities. For instance, in Kilosa the cess on sugarcane was TZS 200 per ton while in Kilombero the charge was TZS 120 per ton. **Table 4** provides examples of the differences in produce cess charges on agricultural commodities in some of the surveyed district councils.

**Table 4: Differences in produce cess charges between district councils (in TZS)**

| Crop | Kilosa | Kilombero | Mvomero | Moshi | Babati | Iringa |
|---|---|---|---|---|---|---|
| **Sugar (per ton)** | 200 | 120 | 1,275 | 100 | - | - |
| **Paddy (per 100kg bag)** | 2,500 | 1,000 | 1,000 | 4,500 | 1,000 | 1,000 |
| **Maize (per 100kg bag)** | 1,500 | 1,000 | 1,000 | 2,250 | 400 | 1,000 |

**Source:** Field data

The interviewed farmers and traders in the surveyed districts have indicated that the differences in produce cess rates across neighboring district councils influence the competitiveness of the agricultural produce in the market. For example, farmers in Kilosa district council were of the view that most buyers of paddy/rice and maize have decided to buy the produces from other nearby district councils such as Mvomero and Kilombero, where produce cess charges are lower. And as a result they have been losing potential revenues from the sale of paddy/rice and maize or have been forced to sell at lower prices. They also argued that some farmers have been discouraged from engaging in commercial maize farming.

Some of the buyers of maize in Iringa district council have been paying cess in Iringa municipal council where the rate is lower, instead of paying the same in the district council. Thus due to such practices, the revenue that in reality belongs to Iringa district council is actually earned by the municipal council. Therefore the differences in produce cess rates seemed to encourage compliance in one district council while discouraging the taxpayers' willingness to pay in another neighboring council.

## 2.9 Tax and other direct charges burden on the focused crops

This part presents our evaluation of the tax and other direct charges burden on the focused crops based on the data obtained from the surveyed district councils. The analysis takes into consideration the amount of produce cess charged on each crop, and the other direct charges that are paid by the farmers. The objective is to establish the relationship between produce cess and other direct charges and the price payable to the farmers.

In the case of tea in Mufindi, produce cess is TZS 8.50/- per kilogram and other direct charges payable by the farmers include TZS 5.50 and 22.00 per kilogram for research and contribution to farmer's association respectively. The price of tea per kilogram has been TZS 2,500 and hence the tax and other direct charges burden on the crop was 0.88%. The tax and other direct charges burden on tea is extremely low because the actual cess charged is equivalent to 0.34% instead of 5% as stated in the bylaws of the district council.

Cess and other charges on coffee in Moshi were as follows:

| Clean Coffee Price per kg | 4,500.00 | Percentage |
|---|---|---|
| TACRI Research Fee 0.75% | 33.75 | 0.8% |
| Ushuru wa Vyama | 200.00 | 4.4% |
| Ushuru wa chama kikuu | 100.00 | 2.2% |
| Usafirishaji wa kahawa | 26.00 | 0.6% |
| Usafirishaji wa fedha | 9.00 | 0.2% |
| Bima ya Mazao | 1.25 | 0.0% |
| Bima ya Fedha | 1.25 | 0.0% |
| Riba ya Benki | 150.00 | 3.3% |
| Ushuru wa serikali za mitaa | 135.00 | 3.0% |
| Ukoboaji bila VAT | 63.00 | 1.4% |
| Export Bags | 65.00 | 1.4% |
| Bima ya Afya | 70.00 | 1.6% |
| VAT | 23.00 | 0.50% |
| Uboreshaji wa kahawa(Organic) | 50.00 | 1.10% |
| Vocha za pembejeo | 100.00 | 2.20% |
| Mfuko wa kutuliza Bei | 100.00 | 2.20% |

The computation of the tax burden on coffee in Moshi has considered produce cess and other direct charges which include research fee, contribution to cooperative society and union and price stabilization fund. Thus the total of these charges amount to TZS 567 per kilogram which represents 12.6% of the tax payable by coffee farmers.

Tax and other direct charges burden on sugarcane in Mvomero is 9.5 % of the price payable to farmers. Tax and other direct charges on sugarcane include produce cess, contribution to farmers' association, and contribution towards infrastructure development at farmland.

Tax and other direct charges burden on cashew nut in Mtwara is 12.3 % of the price payable to farmers. Tax and other direct charges on cashew nut include produce cess, contribution to cooperative society and union, and storage charges.

The tax and other direct charges burden on livestock (cattle) in Monduli is 0.9 % of the price payable to livestock keepers at the primary auction. Tax and other direct charges on cattle include cess, and cost of permit payable to the central government.

## 2.10 Cess collection methods

The survey in the nine district councils has identified three main approaches that are employed in collecting revenues from produce cess. **The first approach** is whereby produce cess is collected through the local government administrative structures. Under this approach cess collection is organised around three levels: council headquarters, wards and village levels. At the council headquarters cess collection is headed by the District Treasurer (DT). At the ward and village levels, cess collection is handled by the Ward Executive Officer (WEO) and Village Executive Officer (VEO) respectively.

In practice, at village level, the organisation of cess collection varies within and between the district councils. For instance in Kilosa, some of the Village Executive Officers have contracted agents to collect produce cess at the village level while in other villages the collection is done by the Village Executive Officer using local militia (Mgambo). It was noted that in some cases the agents are contracted to collect produce cess by the village governments without any written contracts.

**The second approach** employed in the collection of produce cess in the surveyed district councils was through co-operatives, farmers' association, or private companies that buy the agricultural produce from farmers. This approach is applied by the district councils to collect produce cess on sugarcane, tea, cashewnut, and coffee. Produce cess on sugarcane in Kilosa and Mvomero district councils is collected through sugar company (a private company) and Mtibwa Outgrowers Association (farmers' association) respectively on behalf of the councils. The sugar company deducts cess from the price it pays to the cane growers in Kilosa district council. Similarly, the Mtibwa Outgrowers Association deduct the cess from the amount payable to cane growers in Mvomero district council. In Moshi district council, produce cess on coffee is collected through the Tanzania Coffee Board (TCB) and private companies that buy coffee from farmers. Farmers sell coffee to the co-operative unions at indicative prices which are determined by the TCB and the co-operatives. At this stage no produce cess is charged. The co-operatives handle the processing and packaging of coffee. Coffee is then auctioned by the co-operative unions after processing, under the supervision of the TCB. The co-operatives charge the farmers cess on coffee at the rate of 5% on the price received in the auction which they submit to the TCB. The TCB then pays the collected cess on coffee to Moshi district council. The TCB is paid by the district council 5% of the cess collection as fee to cover for the collection costs. In the case of coffee bought through private companies, the cess is paid directly to the district council by the companies.

**The third method employed** in the collection of produce cess in the sureveyed district councils was through private collection agents (outsourcing).  The survey in the nine district councils has found that the approach of outsourcing of cess collection to private companies was applied in Kilosa, Monduli, Mbinga, Mtwara, and Babati district councils.

In accordance with the local government officials in the district councils, the reasons for  outsourcing cess collection included, firstly, the potential of maximizing cess revenue collection and the assurance of obtaining a predetermined level of income. Secondly, lack of capacity on part of the district councils to administer cess collection given the size of the district councils such as Kilosa. Thirdly, to shift part of the costs of collecting cess from the distrcict council to the private collectors  and therefor reduce operating costs. Finally, the local government officials in the district councils were of the view that outsourcing  would minimize loopholes and corruption in cess collection.

Generally, private cess collectors in the sureveyd district councils have been engaged over a period of less than two years by time of this study and therefore there were limited expriences on the impact of the arrangement on revenue collection. For instance, Kilosa and Babati district councils had engaged private cess collectors over a period of less than a year during the survey.

Generally, produce cess is collected in the district councils at the selling points and markets. However, roadblocks or checkpoints are frequently used to control and ensure payment of cess by traders. For instance, in Kilosa, Iringa, Babati, and Mvomero ditrict councils, several roadblocks used as cess collection points were observed. At these  checkpoints traders are required to produce receipts before they are allowed to transport agricultural produce outside or within the district council.

## 2.11 Control measures in the collection of produce cess

Control mechanisms over cess collection in the surveyed district councils were examined under each of the main three methods employed in the collection process. Observed control measures under collection through cess private collectors included: contract that specified the amount of cess that the collectors were required to pay to the district council; guidelines issued by the district council on rates chargeable on each agricultural produce; the requirement that the private collectors use receipts books issued by the district council; periodic submission to the district council of copy of receipts issued by the private collectors, surprise checks by officials from the district councils, and checkpoints or roadblocks.

Control measures under the approach whereby produce cess is collected through co-operatives, farmers' association, or private companies included: periodic reports from the entities to the district councils; surprise inspection by district councils' officials; inspection of records and annual reports of the entities by the internal auditors of the district councils; examination by the internal auditors, of the receipts issued by the district councils for the amount submitted by the entities.

Control measures under the system whereby cess is collected through the district councils' administrative structures included: setting collection targets for each village and ward; the use of receipt books provided by the district councils; surprise inspection by district councils' officials; internal audit checks; and checkpoints at roads.

## 2.12 Weaknesses in produce cess collection mechanisms

Several significant weaknesses in produce cess collection were noted in all the surveyed district councils under each of the three main collections methods. As for the case of outsourcing of cess collection to the private collectors, the following main weaknesses were noted in Kilosa, Monduli, Mbinga, Mtwara and Babati district councils.

Firstly, a lack of a proper feasibility study on the potential amount of revenues which could be collected from produce cess from the areas allocated to the private collectors. The local government officials indicated that they relied on past performance data when setting collection targets for the private collectors.

Secondly, there was limited competition particularly in terms of number of bids submitted by the private collectors, probably due to inadequate advertisement by the district councils or lack of such companies in the localities. For example, the consultants were informed by the local government officials in Kilosa and Babati district councils, of the existence of such challenge.

Thirdly, apparently there were weaknesses in the contracts, although the consultants were not provided with the actual contracts between the district council and the private collectors. However, the consultants were informed by the local government officials in Kilosa and Babati that some private collectors in the district councils have decided to cancel the contract after realizing that they could not meet the specified collection target.

Fourthly, the private collectors in Kilosa, Monduli, Mbinga, Mtwara and Babati district councils were not submitting monthly reports and receipts as required.

Fifthly, our discussions with local government officials have indicated a lack of adequate arrangements for monitoring, inspection, and auditing of the activities of the private cess collectors in all the surveyed district councils. This was partly due to limited capacity of the internal audit section in the district councils. Lack of effective monitoring mechanism provided an opportunity for the private collectors to exercise discretions when collecting produce cess. For instance, the consultants were informed by the private collectors that sometimes they negotiate with traders on the amount of produce cess that should be paid. Consequently, the approved rates for charging produce cess are sometimes not applied in the actual collection process.

The National Audit Office (NAO) conducted a performance audit on the management of outsourced revenue collection in 14 LGAs, after realizing that revenue earned by many councils has been declining despite the use of private collectors (NAO, 2012). The report on this performance audit identified weaknesses in revenue collection through private collectors that were similar to those observed in the survey of the nine district councils. The shortcomings reported in the NAO report included poor planning before outsourcing decision, inefficiencies in the process of procuring the collectors, weaknesses in the contracts and inadequate monitoring of the performance of the private collectors.

Several shortcomings were also noted in the case of collection through the district council's administrative structures as well as through co-operatives, farmers' association, or private companies such as the sugar and coffee companies in the surveyed districts. These shortcomings included, firstly, lack of adequate control mechanism to ensure that receipts were properly issued. Secondly, some of the copies of receipts issued at ward and village levels were not submitted to the district council headquarters. Thirdly, there were fewer collectors in the surveyed district councils than the number of marketing or selling points which indicated that collection was not that effective. Fourthly, the district councils were not checking thoroughly the amount of produce cess that should be received from their collection agents such as the sugar company in Kilosa district and the Mtibwa Outgrowers Association in Mvomero district.

In accordance with the terms of reference, the consultants were not required to compare the impact of the different collection meachnisms on local revenue collections, and hence this issue was not addresed. In addition, data obtained from the field could not allow for such analysis. However, based on the evaluation of the control measures and shortcomings of each of the observed collection mechanisms, one can provide general propositions on the appropriateness of the collection mechanisms.

The use of collection agents such as coopereative unions/societies, in the case of the traditional cash crops such as coffee, tea, sugarcane, and cashew nut seemed to be the most appropriate in terms of effectiveness and efficiency in revenue collection. However, there is a need for the district councils to address the identified weaknesses in the control mechanisms in order to enhance revenue collection.

As for the case of collection of produce cess from the other agricultural commodities, hiring of private collection agents may be better than collection through district councils' officials. This is due to the fact that it may take long time for the district councils to develop the capacity necessary for effective and efficient collection of revenue from produce cess. Furthermore, well organized engagement of private collection agents supported by appropriate contract is likely to provide apportunities for establishment of effective control measures and to reduce huge operation cost on the part of the district councils.

## 2.13 Impact of weaknesses in the collection mechanisms on revenue

Evidence gathered from the surveyed district councils suggests that produce cess rates can be reduced from 3-5% to 2%. The lost revenue as a result of the reduction in the rate can be compensated by the potential increase in revenue due to improvement in collection mechanisms. This argument is supported by a number of factors.

Firstly, statistics on production of agricultural commodities in the district councils indicate that huge amounts of potential revenues are not collected due to inefficiency in the collection mechanisms. For instance, based on the analysis of production statistics, the potential revenue at the existing produce cess rate of 5% amounts to almost TZS 4 billion against a projected collection of TZS 200 million by the Babati district council. Even if the produce cess rate is reduced to 2% the revenue that is expected to be generated based on the production (approximately TZS 1.38 billion) will be greater than the current and projected revenues provided that collection mechanisms are improved to ensure all potential revenues are collected.

Secondly, the local government officials in all the surveyed district councils have acknowledged that they were unable to collect all potential revenues from produce cess .

Thirdly, a report provided by the National Audit Office on the study of management of outsourced revenue collection in LGAs has shown that the amount of revenue not remitted by the collecting agents was TZS 2,609 million in 43 LGAs during the financial year 2009/2010 (NAO, 2012). The National Audit Office has also established that twenty two LGAs could not collect a total of TZS

8,332,986,175 of own sources revenue during the financial year that ended on June 2011 (NAO, 2011). The report has also indicated that TZS 4,227,984,618 of revenues from collecting agents was not remitted to 47 LGAs during the financial year 2010/11. For instance, Kilosa and Mvomero district councils which are covered in this study, could not collect TZS 1,270,628,385 and 375,826,802 respectively from cane produce cess.

Fourthly, produce cess rates that are actually applied in practice in some of the district councils ranged from 0.34% to 5%. For instance, actual produce cess rate on sugarcane in Mvomero district was 2% (in 2009/10), 1.6% (in 2010/11) and 3% (in 2011/12) while the rate in accordance with the bylaw was 5%. According to bylaws of the Monduli district produce cess on crops is charged at a rate of 5% of farmgate price, however in practice all crops are charged cess of Tshs 1000 per sack irrespective of the value (which is equivalent to between 1-2%). Mufindi district charges cess of TZS 8.50 per kilogram of tea which is equivalent to 0.34% of the price.

Finally, revenue collection is expected to be increased due to improved compliance given the existing perceived high rates that encourage evasion and avoidance.

On the basis of the above evidence, it can be argued that the amount of revenue currently collected by the district councils may be increased significantly despite a decrease in produce cess rates, if collection mechanisms are improved.

## 2.14 Perceptions of the stakeholders regarding produce cess

This study focused at gauging the perceptions of various stakeholders regarding produce cess particularly the local government and central government officials, farmers, and traders. The local government officials' perceptions regarding the rationality of produce cess were attributed to the law that empowers the LGAs to enact by laws to collect revenue from produce cess and the need for them to reduce reliance on grants from the central government to finance their operations. They argued that following the abolishment by the central government of nuisance taxes such as development levy, compensation revenue known as a general purpose grant (GPG) was introduced. They informed the survey team that the compensation grant was disbursed for several years, but during the current financial year no disbursements have been made.  They considered produce cess as an important source of revenue given the fact that agricultural production is the primary economic activity in the district councils. The local government officials also emphasized the need for every citizen including farmers to pay tax by citing the example of income tax which is payable by employees. However, the local government officials in all the surveyed district councils acknowledged inefficiency in the collection and hence the need for improvement in the administration of produce cess.

The central government officials were of the view that the local government authorities have been given sufficient flexibility in the collection of revenue from produce cess and other sources, as long as the prescribed law and regulations are observed. The district councils are not forced to charge produce cess but are allowed to administer it in a suitable manner given the specific environment. Thus the district councils which can come up with other sources of local revenue may decide to abolish produce cess. The central government officials were not in favor of the idea of replacement of produce cess revenue with additional central government grants as this would be against the spirit of creating sustainable financing of the LGAs from local sources. More important, the central government officials noted that generally district councils were not efficient in the collection of local revenue.

Some of the interviewed farmers indicated that produce cess is actually charged on them rather than traders. They stated that sometimes the traders talked of produce cess when negotiating for reduction in prices. Thus, they argued that in most cases the traders could manage to shift the burden of produce cess to them through reduced prices or charge them directly. A complete value chain analysis could reveal the validity of this argument. However, even without such a comprehensive study, literature suggests that most of the crops marketing systems in Tanzania are not efficient as they are characterized by information asymmetry, few buyers who often form cartels, and lack of crop storage facilities to mention just a few. On the basis of that there is reason to believe that produce cess is passed over to farmers by traders. Under such a situation, arguments in favor of abolition or reduction of produce cess may not necessarily guarantee farmers better market prices.

Surprisingly, most of the interviewed farmers were not against the payment of produce cess as long as the charge is reasonable, cess revenue contributes to the development of agricultural sector or quality of public service, and the district councils facilitate marketing of agricultural produces. Some farmers also called for harmonization of produce cess between district councils on the basis of the argument that differences in the rates result into unfair competition. However, farmers complained that the produce cess rates were very high and in addition to cess, they were required to pay other charges or contributions for their produce. For example, sugarcane growers in Kilosa and coffee farmers in Moshi and Mbinga are required to pay other charges such as research costs, contribution for infrastructure development at farmland, and membership fees to cooperatives.

As for the case of traders, main complains as regards produce cess were firstly, the produce cess rates are high especially taking into account that the basis of computation is the gross revenue rather than net profit. Secondly, in practice produce cess is charged based on specified fixed amount per unit of agricultural product (physical quantities) which may sometimes be higher or lower than the rates imposed in the bylaws due variation in market prices of the produce over time. This is due to the fact that the charges fixed on the basis of physical quantities are not usually adjusted periodically in order to accommodate movements in market prices. Generally, the interviewed farmers and traders proposed produce cess rates between 0% and 1% of the price.

## 2. 15 Contribution of cess to the agriculture sector

Revenue from produce cess is channeled to the general basket of the district councils. Funds from this basket are utilized in financing the general operations of the district councils which include mainly payment of sitting allowances to councilors for council and committee meetings. In all the nine district councils there was no direct ploughing back of the revenue from produce cess to agricultural sector. Although as a matter of policy a portion of all local revenue in district councils is to be distributed at ward and village levels and allocated to various development activities including the agricultural sector.

In accordance with the local government officials in all the surveyed district councils, own source revenue is not sufficient to meet the operating costs which are not covered by the central government. They further indicated that any attempt to lobby for ploughing back of the revenue from produce cess directly to the agriculture sector would not be successful. The local government officials in the surveyed district councils argued that the revenue from produce cess contributes indirectly to the development of agriculture sector through financing of administration costs of the district councils.

The agriculture sector within the district councils is financed through basket fund which is channeled according to the District Agricultural Development Plans (DADPs) under the framework of Agricultural Sector Development Programme (ASDP). This basket fund includes donor funds and central government grants. Another source of funding for the agriculture sector in the district councils are Non Governmental Organization (NGOs). For instance, in Babati district council, FarmAfrica had designed a project which was promoting production and marketing of sesame within the district.

## 2.16 Experience from other neighboring countries

This section explores cess taxation in neighboring countries namely Zambia, Kenya and Uganda focusing on collection methods, its contribution to revenue of local government authorities, and challenges faced.

Zambia is one of the countries that border Tanzania, whereby agriculture is one of the main economic activities. Up to 1992, the local government authorities in Zambia were empowered by the law to collect on behalf of the central government various taxes such as motor vehicle license, and sales tax. The local authorities were allowed to retain a certain percentage of the collected revenue to finance their operations. This was by then, one of the major sources of financing the activities of local government authorities in the country.

Following the establishment of the Zambia Revenue Authority in 1994, and the review of the Local Government Act of 1992, the local government authorities in the country were relieved of the role of collecting taxes on behalf of the central government and were given the authority to raise revenue from local taxes.

The local government authorities in the country introduced various taxes and charges to raise local revenues. The most common types of these taxes and charges particularly in rural district councils have been levies on agricultural commodities such as maize, cotton, tobacco, rice, and livestock (Mwiinga et al., 2005). The other main sources of revenue to the local government authorities have been property tax, personal levy, user fees and charges, donor funding, and central government grants. Of these sources, the most buoyant and reliable source has been property rates, which has been contributing on average between 50% and 60% of the total revenue of the local authorities particularly those in the urban areas. User fees and charges which included market fees, refuse fees, burial permit fees etc have been generally stagnant over time and not enough to sustain the operations of the local government authorities. Grants from the central government have been generally provided for specific uses, and in most cases not reliable in terms of actual cash disbursements. Currently the aggregate grant from the central government to the local government authorities in Zambia represents about 3% of the aggregate revenues of the authorities.

Levies on agricultural commodities have been the main source of revenue in some of the district councils especially in the rural settings, whereby its contribution to the total revenue in certain cases has been up to 86%. The two main methods employed in the collection of levies on agricultural commodities have been firstly, through collection points set up on roads, and secondly, at source especially for large commercial farmers and companies. However, most of the local government authorities have relied mainly on the first method, whereby individuals have been contracted on commission basis, to collect the levies at the established check points (Mwiinga et al., 2005). In some cases the collectors have been supported by the local police service in order to ensure compliance.

In September 2009, the government of Zambia abolished the collection of crop levies by the local government authorities. Crop levies in Zambia involved several problems which included inefficiency in collection, negative effect on internal redistribution of agricultural commodities due to differences in charges across councils, negative impact on production and marketing of agricultural produces, and reduction in the profitability to farmers(Tschirley et al., 2004; Mwiinga et al., 2005; Jayne et al., 2005).

The government decided to provide additional grants to the local government authorities as a compensation for the revenue they would have raised from crop levies. However, during the financial year 2010, there was evidence that the government was failing to fulfill its promise to disburse adequate funds to the local government authorities to cover for the lost revenue from crop levies (*Lusaka Time*, Tuesday, February 2, 2010). Consequently, some of the local government stakeholders such as the Zambia United Local Authorities Workers Union (ZULAWU), members of parliament, and the Minister responsible for local government started to question the rationale for the abolition of crop levies by the previous regime.

Recently the President of the Republic of Zambia, his Excellency Mr. Michael Satta has announced that crop levies and other council revenue sources which were abolished by the previous administration will be brought back. He observed that crop levy made a significant contribution to the revenue of most district councils prior to its abolishment (*Time of Zambia,* Tuesday, 17 July 2012).

The Local Government Act (Cap 243) of Uganda provides for the sources of local revenue which includes cess on produce. The other sources of local revenue are rent, rates, royalties, local service tax, hotel tax, fees on registration and licensing and any other source that the Parliament may prescribe. Grants from the central government are the major source of funding to local government in Uganda. Grants contribute over 90% of the total budgets of local government (Local Government Finance Commission- Annual Report, 2010). However, produce cess was banned in 2010 through Presidential proclamation (*New Vision*, 5th March 2010).

Local government authorities in Kenya collect revenue from different taxes, fees, and charges. The sources of local revenue to the authorities in the country include property tax, business permits, vehicle parking, market fees, rent, and agricultural cess. The local authorities also receive grants from the central government through the Local Authorities Transfer Fund (LATF) and the Road Maintenance Levy Fund (RMLF). Produce cess is one of the sources of local revenue to local government in Kenya which contributes about 3% of local revenue. Produce cess is collected by local government authorities in the country at collection points set up on roads, and through collecting agents such as the Tea Board of Kenya (Nzuma, 2011). About 40% of the total revenue of local authorities in Kenya is generated locally and hence grants from the central government contribute 60%.

The Agricultural Sector Development Strategy 2010-2020 prepared by the Government of Kenya has identified several negative consequences of cess on agricultural produce administered by local government authorities in the country. These included distortion of market prices of agricultural produce, creation of artificial barriers for movement of crops to different parts of the country, corruption, discouragement of private sector investment in agriculture, and weakening the competitiveness of crops in the domestic and international markets. The Agricultural Sector Development Strategy proposed rationalization in agricultural taxation system in order to create favourable environment for production and marketing of agricultural produce. Various stakeholders in the country have also be arguing for review of cess taxation system, for instance, the Kenya Flower Council has been negotiating with the Ministry of Local Government on the review of cess on flowers, charged at different rates by local authorities in the country.

From the experience on levies on agricultural commodities and local government financing in Zambia, Uganda, and Kenya the following can be learned:

- Local government authorities in Uganda and Tanzania rely more heavily on grants from the central government than their counterparts in Kenya and Zambia. Over 90% of the local government revenues in Tanzania and Uganda come from the central government transfers. Central government grants contribute about 15% and 60% of the local government revenues in Zambia and Kenya respectively (Hoffman, 2005).

- Methods that are employed in the collection of produce cess in the countries are similar to the ones that are currently used in Tanzania.

- Problems that are experienced in the countries as a result of imposition of produce cess are similar to those faced in Tanzania.

- Various stakeholders such as farmers associations in the countries that maintain cess taxation system have been demanding for reforms in the system in order to promote agricultural production and marketing of crops. For instance, The Kenya Flower Council has been in negotiating with the Ministry of Local Government following the imposing of produce cess on flowers, charged at various rates by various Local Authorities around the country.

- Political will is very crucial for any required reforms with respect to levies on agricultural commodities. The abolition of produce cess in Zambia and Uganda points to this reality. Thus strategies for advocating for reforms in the produce cess taxation system in Tanzania should focus on those stakeholders with significant political influence.

- A decision to abolish produce cess or to reduce the chargeable rates would involve significant loss of revenues to the local government authorities and hence should be accompanied by proposed reliable new sources which should at least compensate for the lost revenues. The government of Zambia which abolished crop levies in September 2009 has made a decision in July 2012 to re-introduce them after realizing that the central government transfers cannot cover for the lost revenues from the levies.

# PART III: PROPOSED LOBBY AND ADVOCACY STRATEGY

## 3.1 Rationale for lobby and advocacy

The study findings on sampled local government authorities reflect a number of weaknesses in produce cess taxation system in Tanzania mainland. The main problems include: over reliance on revenue from produce cess by the district councils; imposition of cess on farmers instead of traders in some cases which is contrary to the law; relatively high chargeable rates; differences in produce cess rates on similar crops across district councils which affects production and marketing of crops as well as compliance; and ineffective and inefficient collection and control mechanisms.

Addressing the above mentioned hurdles in the cess taxation system may lead to the improvement in revenue collection from own sources in the district councils. Produce cess rate can be abolished or reduced from the current level in order to promote agricultural sector development. The local government authorities can be advised to use appropriate and efficient cess collection and control mechanisms. However, the reliance of the local government authorities on central government grants is likely to be increased.

## 3.2 Objectives of lobby and advocacy

The core target of the lobby and advocacy strategy should be to achieve abolition or reduction in the produce cess rate and ensure improvement in the administration and collection of the tax in the district councils. The specific targets of the lobbying strategy should include:

- Achieved abolition or reduction in the produce cess rate from the current level
- Enhanced capacity of the local government officials to identify, plan and collect local revenue from existing and alternative sources.
- Achieved harmonized produce cess charges on similar produces across neighboring district councils

## 3.3 Concerns of the main stakeholders

The study findings have established divergent views and concerns amongst the stakeholders on issues related to produce cess taxation. Such views and concerns amongst the important stakeholders are as follows.

### 3.3.1 Central government

Upon establishment of the local government authorities, it was anticipated that they will be able to collect sufficient revenues that would finance administrative functions as well as some development activities. In view of that, LGAs were vested with power to collect revenue from different sources within their area. Ever since they were established, LGAs have remained too dependent on central government for financial transfers. There is a genuine concern by central government that, LGAs have not been innovative enough to identify other sources of local revenue, and to design and implement appropriate revenue collection mechanisms. Consequently, the amount of own source revenue has continued to remain comparatively low.

### 3.3.2 LGAs

LGAs regard agriculture one of their important sources of revenue although the tax base is still narrow. Some of the local government officials were of the view that farmers should also be required to pay taxes such as produce cess because they earn an income just like civil servants. The officials in the district councils acknowledged weaknesses in cess collection and control mechanisms. LGAs perceive that the abolishment of the levy will create more problems, given their experience with the General Purpose Grant (GPG) which was introduced to substitute the abolished nuisance taxes such as development levy. The surveyed LGAs complained that GPG is not forthcoming as it was initially envisaged, a situation which impedes smooth execution of operations.

LGAs perceive that all forms of taxes which are easy to collect have been shifted to the central government, and so LGAs have been given a mandate over all forms of taxes or charges which appear to be difficult to collect. Revenues are collected through engaging relatively high level effort, a fact which is not appreciated by the central authority. Notwithstanding that, when LGAs design strategies of increasing own revenue, the central government may decide to abolish, reduce the tax rate or may opt for a tax exemption. Consequently, LGAs remain discouraged and often fail to implement a sustainable own revenue collection policy within their area. Officials in the LGAs were concerned with the low level of tax education among the tax payers (traders and general community). This was perceived as one of the factors that causes tax evasion.

The study found that the district councils lack correct statistics to enhance proper planning. For example, statistics on crop harvest provided by the department of agriculture differs from those maintained by either trade or treasury department. In addition, local government officials also demonstrated relatively low of innovation in establishing new alternative sources revenue.

### 3.3.3 Farmers and traders

Generally the main concerns of farmers and traders were not about why they are being charged produce cess rather they were complaining on the rate and the system of administering the tax. They were of the view that produce cess rate is too high and does not take into consideration costs that are incurred by farmers or traders. Also produce cess collection mechanisms involve several hurdles such as delays and harassment at the roadblocks. Some farmers and traders proposed that the central government should increase financial transfers to the district councils so that produce cess is abolished. Alternatively, LGAs should be assisted to scale their capacity and be able to broaden their tax base in order to reduce the overdependence on produce cess as a source of revenue.

Some farmers also called for harmonization of produce cess charges between district councils as the differences in the rates result into unfair competition. Farmers and traders suggested that a reduction in the rates would enhance compliance. In addition, they also complained that they were not consulted when setting produce cess rates. Furthermore, they argued that produce cess do not contribute to agriculture sector development and demanded transparency in the allocation and use of such revenue in various activities undertaken by the district councils.

### 3.4 Lobby and advocacy framework

Despite of the divergent concerns and views of the stakeholders, it is proposed that a lobby and advocacy framework should be designed to achieve the specific targets identified under section 3.2.

#### 3.4.1 Stakeholder Analysis

The Agriculture Council of Tanzania (ACT) will need to identify potential partners who will be engaged in the lobby and advocacy assignment. However, prior to inclusion of other stakeholders in the process, it should assess its own power in carrying out a lobbying process. Thereafter it will need to influence other stakeholders to join aboard.

Obviously, not all stakeholders who have interest in the issue will be engaged rather the organization will need to undertake power analysis and establish the influence of each partner over different activities which will be conducted. It is important to recognize that, stakeholders are endowed differently; hence a network will harness resources such as skills and influence, which are essential in the process.

ACT will need to identify whom it will be speaking to (in this respect it's the relevant officials of various government organs- such as Ministry of Finance, Prime Minister's Office- Regional Administration and Local Government, the members of Parliament, and councilors) and again whom to form a coalition in lobbying process. Stakeholder analysis will help to establish whom to include and their position in the process (e.g. members of parliament will be involved when a Finance Bill is tabled in the National Assembly). List of partners may constitute those which are formal and even informal institutions provided that they have an influence in turning the campaign process successful.

#### 3.4.2 Lobby and Advocacy campaign

Advocacy and lobby campaign may take different approaches; one of them is through engagement of Non Governmental Organizations (NGOs) representing traders and farmers to undertake campaign aiming at achieving the identified targets.

In order to ensure that there is no duplication of efforts among different organizations which may have an interest over the issue, a proper planning of the entire exercise and assigning specific tasks and responsibilities between partners will be necessary.

Before the campaign is unveiled, ACT will have to establish a realistic communication strategy which is targeting the general public and the government which is the main stakeholder in this endeavor. The lobbying process may be designed to begin with creating awareness on the negative consequences of cess on the agricultural sector. The idea is to demonstrate on the possibility of abolition or reduction in produce cess rate and the need for reforms in cess administration.

Deliberations of Finance Bill which is participatory in nature and involves different organizations provide a good forum to influence the change. However, strategic campaign need to have been done prior to this forum, otherwise it may not be easy to succeed. Another possibility is to establish a different forum which is well organized to ensure that the main agenda penetrates through the government corridor.

### 3.4.3 ACT status in respect to the campaign

ACT commands respect within the entire society and maintain good relationship with the government of Tanzania. Besides that the organization is endowed with well experienced workforce in forming partnership with other organizations as well as undertaking lobby and advocacy campaign.

ACT will need to solicit and allocate resources for the assignment that include financial and human resources. Effective monitoring and evaluation system need to be designed with clear measurable indicators for a proper follow up.

### 3.4.4 Risk Assessment

ACT needs to take into account of potential risks ahead of the campaign. A table below provides a summary of the main such risks and proposed strategic measures that may be considered.

| Potential Risks | Strategic Measures |
|---|---|
| • Damage reputation by promising to abolish or reduce produce cess rate, but finally failing to deliver in accordance with the interest of the affected group. In the beginning of the campaign, the organization may earn trust and confidence from the wider group. However, in the event that it fails to deliver its promises it may find itself ruining its credibility in the society. | • Put clear and achievable targets<br>• Build strong coalition with both local and international organizations including development partners. |
| • Produce cess may be abolished or the rate may be reduced and yet LGAs may fail to collect sufficient revenue. This may end up creating more problems and complains particularly when service provision to the society is compromised due to lack of funds. | • Ensure that lobby campaign focuses also on capacity building intervention to LGAs to improve efficiency in revenue collection. |

# PART V: CONCLUSION AND RECOMMENDATIONS

## 4.1 Conclusion

This study has assessed the produce cess taxation system in Tanzania with the objective of identifying and recommending the necessary improvements as well as the strategies that can be employed in advocating for reforms. The study has involved nine district councils, namely Kilosa, Babati, Monduli, Mvomero, Mufindi, Iringa, Mtwara, Moshi, and Mbinga.

The study has been motivated by arguments provided by various stakeholders that cess taxation system in the country discourages investment in agriculture sector, produce cess rates are too high, weaknesses in the cess collection system discourages production and marketing of crops, and that high produce cess rates and weak accountability mechanisms affect negatively compliance on the part of taxpayers. Generally, the findings from this study are in support of these arguments.

The following are the main findings from this study. In general the surveyed district councils have been complying with the basic law as well as the rates prescribed in their bylaws. However, some of the district councils were charging 5% in the financial year 2010/11 while the basic law reduced the rate to 3%. Over the last four years, produce cess rates have ranged from 3% to 5% in the surveyed district councils. However, the study has established that in practice, actual amounts payable for produce cess have been in certain cases equivalent to 1% of the price payable to farmers.  This was because the payment schedules for produce cess are based on physical quantities rather than the value of crops, and hence sometimes they may not reflect changes in prices of the crops over time.

The survey study has found cases whereby farmers were forced to pay produce cess, though this was contrary to the bylaws.  For instance, in Kilosa, some farmers transporting crops from farms to town are required to pay produce cess while sugarcane growers are charged cess by the sugar company which collects the levy on behalf of the district council.

The major reason for imposition of produce cess in the district councils is to generate revenue to finance the operations of the councils. The tax is considered as one of the most important sources of own revenue due to the fact that agriculture is the main economic activity in the surveyed district councils. The identified actors in cess taxation system include: at national level-the Ministry of Finance and Economic Affairs (MoFEA), Prime Minister's Office- Regional Administration and Local

Government (PMORALG), Ministry of Agriculture, Food Security and Cooperative, and the various crop boards (Tanzania Cashew nut Board, Tanzania Tea Board, Tanzania Coffee Board and Tanzania Sugar Board); at the district council level- councillors, local government officials, farmers, crop traders, private cess collectors, farmers' association, processors, and cooperative societies.

Produce cess contributes to an average of 24% of the aggregate own source revenue of all the local government authorities in the country. However, its contribution to the total revenue of all LGAs is only 2%. The significance of revenue from produce cess in the surveyed district councils varies, for example it generates about 87% and 6% of own source revenue in Mbinga and Monduli district councils respectively.

Produce cess and other direct charges on crops impose a high tax burden with respect to price payable to farmers, especially on coffee, cashew nut, and sugarcane. The study has also found that in most cases different amounts of produce cess are charged on similar crops across the district councils. This seemed to affect negatively production and marketing of some agricultural produce especially across neighboring district councils whereby other transaction costs are not significantly different.

Revenue from produce cess is used to finance administrative costs in the district councils particularly the payment of sitting-in allowances to councilors and hence does not contribute directly to the development of the agricultural sector.

Several serious weaknesses were observed in produce cess collection and control mechanisms in all surveyed district councils. Such shortcomings seemed to reduce the revenue collected from produce cess. The collected data indicate that the current produce cess rate can be reduced and the district councils may still manage to generate the same level of revenue or will even be able to generate more revenue due to enhanced compliance.

Tanzania can learn from the experience on the administration of produce cess in Zambia, which had encountered similar problems with respect to the collection and control mechanisms, and the negative impact on agricultural production and marketing (Mwiinga et al., 2005). Zambia abolished the produce cess in September 2009 replacing it with a grant from the central government. However, in July 2012 the government has decided to re-introduce the levy on agricultural commodities due to inadequate capacity of the government to provide compensation grants to the local government authorities.

## 4.2 Recommendations

In light of the findings from the study, the following are the proposed recommendations:

(i) Produce cess contributes only 2% of the total revenue streams of all LGAs in the country. Given the negative consequences of the tax on the agricultural sector, it is recommended that it should be reduced to 1% while practicing compliance, increasing efficiency in collection and innovations in searching for new sources of revenues. This is built on the Babati case where the projections at 5% were about 4 billion in the last year. Surprisingly, the actual revenue collected was only 200 million, which is only 5% of the projected amount. With only 1% the District Council will be able to collect 690 million. In fact, there is a possibility of increasing the revenue through a reduction of the tax due to enhanced compliance.

(ii) Based on the fact that the industrial sector is paying 0.3 %, the produce cess rate charged to farmers can be gradually reduced to match with the amount payable by the industrial sector. This can be attained through gradual improvements in the LGAs internal financial control systems in as much improved cess administration procedures and efficient collection. This will be enhanced by a well coordinated system of tax collection, with transparency and a well managed financial procedures by the Local Government Authorities.

(iii) Capacity development of Local Government officials in terms of the overall cess administration and controls, revenue forecasting to estimate the potential revenues to be collected M&E systems, financial control mechanisms and innovative skills is of crucial importance so as to improve efficiency in revenue collection. It is evident that LGAs are losing substantial amount of revenues due to lack of enough skills of tax collection officials as well as inadequate staff to cover the crop marketing centers on selling points.

(iv) Harmonization of cess rates among districts and across similar commodities is paramount to increase competitiveness among crop producers, locations and reduce the chances of tax evasion and market distortions.

(v) Due to the fact that taxpayers should benefit from what they are paying, it is recommended that the LGAs should allocate some revenues collected from cess to agricultural development projects in their respective districts and allow beneficiaries to justify substantially the services enjoyed as a result of cess revenues.

(vi) Need for conducting feasibility study to project the potential revenues considering the economic and production trends in the particular season. Computation of production costs prior to cess deductions is inevitable to enable farmers to realize profit and plan for future investments.

(vii) Lobby and advocacy with respect to a produce cess taxation system in Tanzania should focus on abolition, if not possible, then on achieving a reduction in the produce cess rate. If abolished, the

Central Government should cover the additional 2% of the total earnings of the Local Government Authorities which is the contribution from the produce cess. Otherwise they should design innovative strategies to collect the amount from other revenue sources (economic activities undertaken in their areas.

(viii) A Lobby and advocacy strategy should target to achieve improvement on the administration of produce cess in the district councils if the option of reducing cess rate is adopted.

(ix) A Lobby and advocacy strategy should also target to achieve harmonization of produce cess charges across neighboring district councils in order to avoid market distortion.

## APPENDICES

| LIST OF INTERVIEWEES | | | |
|---|---|---|---|
| **1. MVOMERO DISTRICT COUNCIL** | | | |
| **No.** | **Name** | **Position** | **Telephone No.** |
| 1 | Dawson Kikalugaa | Cooperative Officer | 0755-851742 |
| 2 | Bakari Ally Kibao | DADP Coordinator | 0785-169700 |
| 3 | George Mhina | DALDO | 0784-531776 |
| 4 | Foya Hozeniel | DALDO (Crops) - assistant | 0784-322411 |
| 5 | Daniel Pangani | DALDO (Livestocks) - assistant | 0784-891498 |
| 6 | Sarah Linuma | Executive Director (DED) | 0682/0755/0655 - 361473 |
| 7 | S. S. Komba | Legal Officer | 0713-449566 |
| 8 | Hussein Mndeme | MOA | 0784-658586 |
| 9 | Chabi O. Risasi | MOA | 0784-539835 |
| 10 | Hadija Kondo | MOA | 0784-718100 |
| 11 | Esther Majagi | Planning Officer | 0754/0655-486897 |
| 12 | Richard Pangani | Planning Officer | 0658-213794 |
| 13 | James A. Mponji | Revenue Accountant | 0658-229956 |
| 14 | Bernard Lukensa | Trade Officer | 0754-099333 |
| 15 | M. C. Kaguo | Turiani SACCOS | 0784-370821 |
| 16 | Iranga | UWAWAKUDA | 0783-750909 |
| 17 | Kibeku | VEO - Wami Dakawa | 0713-718273 |
| 18 | Maganza | WEO - Wami Dakawa | 0653-764495 |
| **2. MOSHI DISTRICT COUNCIL** | | | |
| **No.** | **Name** | **Position** | **Telephone No.** |
| 1 | Augustino Ndeliso Kishumbua | Aggressive Farmer - Kibosho Magharibi Ward, Mkomongo Village. | 653232388 |
| 2 | Kajiru Francis | Coffee Board- Coffee Development Officer | 757165203 |
| 3 | Mama Kisanga | Coffee Specialist - Moshi District | 753022711 |
| 4 | Estomih K. Masha | DALDO | 784764200 |
| 5 | Gabriel Ulomi | G32 KNCI-JVE Ltd-Manager | 0754 603876 |
| 6 | Ernest Kileo | Internal Auditor | 717039999 |
| 7 | Geofrey Ngulumbi | Kilimanjaro Specialty Coffee Growers Association - Managing Director | 0767-449364 |
| 8 | Ezekiel ulomi | KNCU 1984 Ltd. - Finance Manager | 0767 371338 |
| 9 | Evarist Kivuyo | Revenue Accountant Moshi district | 0754 268378 |
| 10 | Jeremiah M. Magesa | TACRI - Programme Manager | 0757 563165 |
| 11 | Acting General Manager | Tanganyika Coffee Curing Co Ltd | 0754 304053 |
| 12 | James Lema | Tanzania Coffee Association - Executive Secretary | 0754 305170 |
| 13 | Redegunda Kessy | TAP Coordinator - Moshi | 0767762860/0716537046 |
| 14 | Mwarami Said | Treasurer | 712894120 |

| 3. IRINGA RURAL DISTRICT COUNCIL | | | |
|---|---|---|---|
| **No.** | **Name** | **Position** | **Telephone No.** |
| 1 | Otilia Mbonde | Buyer/ processor | 0755 204439 |
| 2 | Vicky Sanga | Cess Collector | 0757 382305 |
| 3 | Christopher Ugulumu | Cooperative Officer | 767356147 |
| 4 | Hon. Alex Malangalila | Councilor Lwamugungwe Ward | 0716 387128 |
| 5 | Ruth Nyalu | DALDO | 754867756 |
| 6 | Galus Kisonga | Farmer | 0754 548193 |
| 7 | John Kidebe | Farmer | 0768 035605 |
| 8 | Fludensia Mbugi | Farmer | - |
| 9 | Ledinda Nyembeke | Farmer | - |
| 10 | Juliata Msagala | Farmer | - |
| 11 | Grace Mhagama | Legal Officer | 787741434 |
| 12 | Gloria Malimi | Planning Officer | 752088966 |
| 13 | Jennifer Benedict | Planning Officer A.G Executive Director (DED) | 0782 832846 |
| 14 | James Bangu | Revenue Accountant | 754568899 |
| 15 | Zubery Mwachulla | TAP coordinator IR/ TAGRODE | 754433374 |
| 16 | Marwa Mwita | Trade Officer | 0754-936310 |
| 17 | Joseph Mbiaji | Treasurer | 754309510 |
| 18 | Alex Kalolo | VEO Mgama Village a.g | 0766 661619 |
| 19 | Cosmas Nyalusi | VEO Kikombwe Village | 0769 427168 |
| 20 | Macarious Mtati | VEO Lyamugungwe Village | 764265218 |
| **4. KILOSA DISTRICT COUNCIL** | | | |
| **No.** | **Name** | **Position** | **Telephone No.** |
| 1 | Hamidu Ndee | Buyer - Maize And Paddy | 784909687 |
| 2 | Salehe Bhakhamis | Buyer - Maize and Paddy | 655658989 |
| 3 | Thobias Wambura | Cess Collector - Thobias Traders Company | 0788-011297 |
| 4 | M. Nyembe | Chairman - Ruembe Cane Growers Association | 0784/0715-110611 |
| 5 | Rosemistika Kanuagale | Chief Collector - Thobias Traders Company | 0787-955874 |
| 6 | Dr. Mgeni | DALDO | 754242411 |
| 7 | | DED Kilosa District Council | |
| 8 | Bruno Lyanzile | Farmer (Paddy and Maize) | 0784 851595 |
| 9 | Makugira Eliuta | Internal Auditor | |
| 10 | Nathan Mude | Legal officer | 655493939 |
| 11 | Don Carter-Brown | Managing Director - Kilombero Sugar Co. Ltd | 0784-220002 |
| 12 | Ngokoka Ludovick | Planning Officer | 786602662 |
| 13 | Lukongo Pembe Hassan | Revenue Collector - Magomeni Ward | |
| 14 | Mwala | Secretary - Ruembe Cane Growers Associa. | 0782-772741 |
| 15 | Faustine Bakunda | Trade Officer | 788707663 |

| | | | |
|---|---|---|---|
| **16** | Nicolaus Haraba | Treasurer | 784820870 |
| **17** | Godrik Ernest | VEO - Ulaya Kibaoni Village | 0753-301415 |
| **18** | Raymond Chengula | Ward Councilor - Ulaya Ward | 0759-588198 |
| **19** | Halima Langeni | Ward Councilor (special Seats) - Ulaya Ward | 0787-334893 |
| **20** | Charles W. Mlonge | WEO - Chanzuru | 788001880 |
| **21** | Hamza Damian | WEO - Ulaya Ward | 0787/0767-099920 |
| | | **5. BABATI DISTRICT COUNCIL** | |
| **No.** | **Name** | **Position** | **Telephone No.** |
| **1** | Ms. Kyekaka Jetrida | DALDO | |
| **2** | Mr.Paulo Mamba Sweya | DIT | 0755-559545 |
| **3** | Mr. Elly Jesse Mlaki | Executive Director (DED) | |
| **4** | Mr. Abdallah Qware | GEDI Cooperative- Chairman | 0784-590751 |
| **5** | Mr. Rimoi George | Planning Officer | 0784 634203 |
| **6** | Mr. Kambaita Julian | TCCIA- Secretary | 0767-368870/0784-368870 |
| **7** | Mr. Alex Masaka | Trade Officer | 0714 734613 |
| | | **6. MBINGA DISTRICT COUNCIL** | |
| **No.** | **Name** | **Position** | **Telephone No.** |
| **1** | Klodwick Mapunda | Accountant I - Final A/c Section | 0763-884244 |
| **2** | Nassoro Said | Acting GM - DAE Limited (Coffee Curing) | 0688-688949 |
| **3** | Jonas Mbunda | Acting GM - MCCCo (Coffee Curing) | 0756-382490 |
| **4** | Gotham Haule | Coffee Inspector & exemplary coffee farmer | 0784-725158 |
| **5** | Chikelea | Commercial Crop Officer | echikelea2006@yahoo.com |
| **6** | Morton Msowoya | DADP Coordinator & Crop Officer | 0754-954508 |
| **7** | Gaidon Joseph Nkondola | DALDO (Ag) | 0767-044120 |
| **8** | Deodatus Kissima | DSMS Food Crops & Plant Protection | 0756-336658 |
| **9** | Shaibu A. Nnunduma | Executive Director (DED) | 0716-621065/0784-879730 |
| **10** | Mulokozi Kishenyi | Expenditure Accountant (E/A) | 0758-319441 |
| **11** | Jimmy Mangesho | Internal Auditor (I/A) | 0762-478064 |
| **12** | Jobu Andindilile Mwalukosya | Legal Officer | 0765-053086 |
| **13** | Malanda Robert | Procurement Officer (PMU) | 0784-206570 |
| **14** | Marko H. Kahwili | Revenue Accountant (R/A) | 0784/0767-527549 |
| **15** | Pascal Makoye | Treasurer | 0713-605085 |
| | | **7. MONDULI DISTRICT COUNCIL** | |
| **No.** | **Name** | **Position** | **Telephone No.** |
| **1** | Laston Kilembe | Internal Auditor | 0756-360311 |
| **2** | Lemali Kereto Laizer | Large Livestock Keeper - Meserani | 0789-580182 |
| **3** | Respiki Maunga | Livestock Marketing Officer | 0754-897891 |
| **4** | Salim Sembe Omary | Livestock Officer | 0784-476339 |
| **5** | Nathan Ole Langisuge | Livestock Officer | 0784-324325 |
| **6** | Mathayo Olemisiko | Private Revenue Collector (Director) Engaruka Ruins Company | 0787-119330 |
| **7** | Msaki Nemesi | Revenue Collector - Central Government | 0767-236231 |
| **8** | Aaron S. Moshi | Treasurer (deputy) | 0785-465687 |

| 8. MUFINDI DISTRICT COUNCIL | | | |
|---|---|---|---|
| **No.** | **Name** | **Position** | **Telephone No.** |
| 1 | Yesaya Mwakalyanda | Advisor Wajibika Project | 0759- 660671 |
| 2 | Sebashahu Emily | Assistant Human Resource Manager Unilever | 0752- 296 850 |
| 3 | Emmanuel Mzanva | Community Development Officer. Acting District Executive Director (DED) | 0784-361649 |
| 4 | Longo Noel | District Subject Matter Specialist- Statistics | 0755- 372303 |
| 5 | Liso Mukama | Internal Auditor | 0756 -564780 |
| 6 | Ellah Msingwa | Legal Officer | 0655 -824405 |
| 7 | Nyanzali | Manager Mkonge Block Farm | 0784-565113 |
| 8 | Ms. Suma James | Planning Officer | 0759-882245 |
| 9 | Ms. Salima Nimolelo | Planning Officer | 0767 222797 |
| 10 | Emmanuel Mwakilema | Revenue Accountant | 0763-543573 |
| 11 | Ms. Nuswe Nyanzali | Subject Matter Specialist- Crops | 0784- 665353 |
| 12 | Mayaya Masalu | Treasurer | 0755- 053640 |
| 13 | Sadock Mdemu | VEO Mkonge village | 0656 -117650 |
| **9. MTWARA DISTRICT COUNCIL** | | | |
| **No.** | **Name** | **Position** | **Telephone No.** |
| 1 | Ally Mpenye | Acting Municipal Director | |
| 2 | Mr. Hassan Kanje | Deputy Managing Director | 0652-667444 |
| 3 | Eng. Yahaya Shabani | Marketing and Processing Manager | 0784-385070 |
| 4 | Mr. Hamidu Omar Ndambwe | District Cooperative officer | 0688-999560/0719-569895 |
| 5 | Peter Lunguya | District Agricultural officer | 0782-955893/0655-955893 |
| 6 | Muhidin Swalehe | Executive secretary (regional) | - |
| 7 | Edmund Mwalongo | District Treasury | 0713-698158 |
| 8 | Silvester Ndulango | District Planning officer | - |

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