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**REVENUE COLLECTION IN ZIMBABWE LOCAL AUTHORITIES,  
CHALLENGES AND OPPORTUNITIES: A CASE OF BINDURA MUNICIPALITY**

**BY**

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**A RESEARCH SUBMITTED TO THE MIDLANDS STATE UNIVERSITY IN  
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SCIENCE HONOURS DEGREE IN LOCAL GOVERNANCE STUDIES**

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**REVENUECOLLECTION IN ZIMBABWEAN LOCAL AUTHORITIES,  
CHALLENGES AND OPPORTUNITIES: A CASE STUDY OF BINDURA  
MUNICIPALITY**

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This dissertation is suitable for submission to the faculty. It has been checked for conformity with the faculty guidelines.

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Signature of supervisor

.....

Date

**2. TO BE COMPLETED BY THE CHAIRPERSON OF THE DEPARTMENT**

I certify to the best of my knowledge that the required procedures have been followed and the preparation criteria has been followed and met for this dissertation

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## DECLARATION

I, **Jona Garaiza**, Reg number r12866x, declare that this project is my own work and was not copied or plagiarised from any other source without acknowledgement. The contribution of previous researches and literature was accordingly cited and acknowledged.

.....

Signed

.....

Date

## **DEDICATION**

I would like to dedicate this research to my wife Rensie who has been supporting me throughout the ups and downs in my life. Special dedication of this work goes to my lovely kids Hazel, Heather and Honour. Hazie, i have set this standard for you. It's your turn to carry on with this legacy.

Thank you.

## **ABSTRACT**

The research assessed the revenue collection challenges and opportunities in Zimbabwean local authorities and the possible solutions using Bindura Municipality as a case study. The study analysed the different sources of revenue and analyzed their contribution to the budget and their collection rate. A case study research design was used in this assessment. A sample of one hundred ratepayers was chosen. The sample is made up of five strata and these are; Bindura Municipality employees and councillors, high density ratepayers, medium density ratepayers, low density ratepayers and commercial and industrial ratepayers. Both secondary and primary data were used in the collection of data. Data was collected from interviews, questionnaires and Bindura Municipality reports and it was analyzed to come up with conclusions. The study established that Bindura Municipality is facing operational challenges and they are mainly attributed to its failure to effectively collect revenue. The local authority is also not fully utilising revenue sources at its disposal. A conclusion was reached that, in order to have viable local authorities, local authorities should do the following: improve efficiency in service delivery, practice accurate billing, improve revenue collection mechanisms and they should curb corruption and embezzlement of funds by officials. Local authorities also need to have good relations and reputation with all stakeholders. They should uphold good corporate governance as this will encourage ratepayers to pay their bills. Local authorities are recommended to come up with debt collection policies and politicians should support local government's initiatives in revenue collection. The study also recommended the central government to assist local authorities with grants for upgrading their old infrastructure. In addition, programmes that assist in the raising and collection of revenue must have the full backing of central government through legislation. Local Economic Development initiatives were also recommended as a way of opening new opportunities for local authorities revenue.

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## **Abbreviations and Definition of Terms**

- Local Authority [LA]** - A Municipal council, Town council, rural district council or Local Board.
- Revenue Challenges** - limitations or problems in collection of revenue
- Ratepayer** - A resident who is billed for service offered by a local authority and has an obligation to pay for those services.
- BM** - Bindura Municipality
- MLGRUD** - Ministry of Local Government, Rural and Urban development
- RDC** - Rural District Council
- BIRA** - Bindura Residents Association
- RABI** - Residents Association of Bindura
- UCA** - Urban Councils Act [Chapter 24: 03]
- UNICEF** - United Nations Children's International Emergency Fund
- ZINARA** - Zimbabwe National Roads Administration

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# CHAPTER I

## INTRODUCTION AND BACKGROUND

### 1.0 Introduction

This chapter outlines the background of the study, purpose of the study, statement of the problem, objectives, research questions assumption underlying the study, significance of the study, limitations and delimitations of the study and the summary.

### 1.1 Background to the study

The research will assess the challenges and opportunities of revenue collection in Bindura Municipality. The research was prompted by the catastrophic deterioration in the quality of services offered by many local authorities in Zimbabwe. Since the hyperinflation era of 2000-2008, local authorities have been facing serious challenges in collecting their dues from residents and other stakeholders. The introduction of the multi-currency system in year 2009 did not bring any substantial relief to the bleeding institutions as they continued to face challenges in revenue collection. After some series of public outcries over poor service delivery in many local authorities, the Minister of local Government and urban development used powers vested in him by the Urban Councils Act (Chapter 29:15) to second resuscitation teams in towns such as Bindura, Chinhoyi, Redcliff and of late Chitungwiza. Strangely, the liquidity scenario and debtors ratio did not improve in these towns hence the need to find new opportunities to enhance revenue in local authorities.

Bindura Municipality (B M) enjoys the provincial capital status of Mashonaland Central Province. It is regulated by the Urban Councils Act (UCA) (Chapter 24:03) Bindura Municipality was given the town status in 1990 and finally it was given the Municipality status in 1999. Bindura Municipality, like many other local authorities in Zimbabwe has been struggling to raise enough revenue so as to meet its day to day service delivery obligations. The local authority is also struggling to pay its creditors. At one stage a statutory creditor, National Social Security Authority, garnished the road fund account which is an account administered by Bindura Municipality on behalf of Zimbabwe National Road Administration (ZINARA). Another creditor, the Zimbabwe Electricity Supply Authority (ZESA), frequently disconnects electricity at most of the local authority service centers.

Like many local authorities in Zimbabwe, Bindura Municipality is failing to offer quality service delivery to its residents due to its failure to effectively collect revenue. Water is rationed and the residents of Bindura can access it for at most six hours a day. Garbage remains uncollected in the entire town suburb and approximately seventy percent of the road network is old and needs major refurbishment such as resurfacing.

Local authorities get their revenue from payments for service delivered charges to residents. From these collections local authorities are legally obliged by the Urban Councils Act chapter 29:15 second schedule section 198 paragraph 17, to provide the following services to the community:

- Water ;
- Execution of sidewalks ;
- Sewerage & Drainage;
- Parking, Omnibuses and other transport services;
- Street lighting;
- Fire services;
- Graveyard and burial grounds;
- Social amenities;
- Valuation and assessment of property for rating;
- Housing;
- Roads; and
- Graveyard and burial grounds.

In order to meet the above service delivery obligations local authorities needs to seize the opportunities that are available to them and overcome revenue collection challenges. The effectiveness of revenue collection matched against service delivery obligations, is an area that needs to be assessed. In the past, local authorities used to receive grants from the government but the system has since been replaced by that of self-reliant local authorities.

Local authorities are a crucial part of the economy and their proper functioning has a great impact on the economy and the living standards of the people. It is therefore imperative that local authorities be at their best in order to contribute to the growth of the economy. The Local Government, Rural and Urban Development Minister has tried to achieve this at

Bindura Municipality by appointing a resuscitation team in 2010 and an Advisory team in 2011 but the town continues to face revenue collection constraints.

### **1.2 Statement of the problem.**

Bindura Municipality is facing financial and liquidity problems. The organization has a great potential to raise more revenue from the sources at its disposal. The financial problems seem to be a result of the failure by the organization to effectively collect the revenue at its disposal and the failure to identify new opportunities in revenue collection that can support the existing ones. Failure to address this problem might result in poor service delivery, hence poor living standards for the residents of Bindura town.

### **1.3 Research Objectives**

- To identify the opportunities of revenue collection in Bindura Municipality.
- To find out the factors that affect revenue collection for Bindura Municipality.
- To identify the main revenue collection challenges faced by Bindura Municipality.
- To recommend improvements on revenue collection for Bindura Municipality.

### **1.4 Research Questions**

- What are the main sources of revenue for local authorities?
- What are the opportunities of harnessing revenue in local authorities?
- What are the challenges facing local authorities in the collection of revenue?
- What recommendations can be put in place to improve revenue collections for local authorities?

### **1.5 Significance of the study**

#### **1.5.1 To the researcher**

The researcher will acquire skills to interact with different people, among them Bindura Municipality staff, Bindura Residents Association (BIRA) Officials, residents and other stakeholders. The researcher will also have an opportunity to explore and give Bindura Municipality Management recommendations on ways to improve revenue collection.

### **1.5.2 To MIDLANDS STATE UNIVERSITY**

Midlands State University will be used by future researchers as reference material for their studies. The university will also be proud of producing public administrators of high quality through producing a well-researched project. .

### **1.5.3 To Bindura Municipality**

The findings of this project will assist Bindura Municipality Management to know the challenges and opportunities they face in the collection of revenue. The management will also benefit from recommended solutions to the revenue collection challenges identified by the research. The research will result in creation of financially viable Local Authorities and thus, they will be able to deliver services to satisfactory standards. This will benefit the residents of Bindura. The effectiveness of local authorities in delivering the services has a significant impact on the living standards of the residents, the economy and the development of the nation. It is necessary therefore for Local Authorities to be able to collect enough revenue to ensure satisfactory service delivery and thus improvement in the standard of living of the citizens, the economy and the nation.

### **1.6 Assumptions of the study**

The research is based on the following assumptions

1.6.1 Key Stakeholders will cooperate with the researcher during the period of the research.

1.6.2 The Bindura Municipality Management will accept advice on ways of improving revenue collection.

1.6.3 The research will form the basis for future reference for policy makers and implementers in local authorities.

1.6.4 The future of local authorities can be turned around, that is, there is a solution to the problems currently facing the local authority

1.6.5 Local authorities are strictly following the Urban Councils Act provisions relating to raising revenue.

### **1.7 Scope/Delimitation**

Bindura Municipality will be used as a case study. The research will look at revenue collection in Bindura Municipality, its challenges and opportunities and suggest ways of

improving the revenue collection. The researcher will cover the ten kilometer radius of Bindura urban.

### **1.8 Limitations of the study**

- Reluctance by the local authority to disclose confidential information. Triangulation was used so as to overcome this limitation.

### **1.10 Summary**

This chapter has looked on the background of the research, statement of the problem, research objectives, and Research questions, assumptions made in the research, limitations and delimitations of the study, abbreviation and definitions of words commonly used in local authorities. In the next chapter the previous literature on the study area is reviewed.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The main purpose of literature review is to help the researcher to develop a good understanding and insight into relevant previous researches and the trends that have emerged. In order to come up with a clear understanding of this study, the researcher finds it necessary to review the literature from other authors and researchers. Saunders et al (2009) outlined that reviewing the literature critically will provide the foundation on which one's research is built.

#### **2.1 Theoretical review**

##### **2.1.1 Revenue**

Muller and Berger (2009) cited the International Public Sector Accounting Standard (IPSAS) paragraph 12 defining revenue as gross inflows of economic benefits or service potential received and receivable by the reporting entity, which represents an increase in net assets/equity other than increases relating to contributions from owners. Revenue shall be measured at the fair value of the consideration received or receivable.

##### **2.1.2 Recognition of revenue**

The International Public Sector Accounting Standard (IPSAS) 23rd paragraph states that the timing of revenue recognition from non-exchange transactions is determined by the nature of conditions and their settlement. For example, if a condition specifies that the entity is to provide goods or services to third parties, or return unused funds to the transferor, revenue is recognized as goods or services are provided.

Paragraph 49 of the same standard further states that when as a result of a non-exchange transaction, an entity recognize an asset, it also recognizes revenue equivalent to the amount of the asset measured, unless it is also required to recognize a liability. Where a liability is required to be recognized it will be measured in accordance with the requirements of paragraph 57[which states that the amount recognized as a liability Shall be the best estimate of the amount required to settle the present obligation at the reporting date], and the amount

of the increase in net assets, if any, will be recognized as revenue. When a liability is subsequently reduced, because the taxable event occurs, or a condition is satisfied the amount of the reduction in the liability will be recognized as revenue.

In addition, IPSAS 9 states that revenue shall be recognized as follows:

### **2.1.3 Sale of goods [IPSAS 9 Paragraph 28]**

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied

- The entity has transferred to the buyer significant risks and rewards of ownership of the goods;
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits usually associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred of the transaction can be measured reliably.

### **2.1.4 Rendering of service [IPSAS 9 Paragraph 19]**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

The amount of revenue can be measured reliably;

- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete can be measured reliably.

The researcher would want to establish if local authorities are following these standards in their treatment of revenue.

### **2.1.5 Sources of revenue for local authorities.**

United Cities and Local Government [UCLG] (2006) cited legislation governing the operations of urban councils conferring on them a wide range of powers which includes:

- Water for domestic, commercial or industrial areas;
- Hospitals, clinics, ambulances, maternity and child welfare;
- Schools, libraries, theatres and musical and scientific institutions;
- Provision of housing and transport facilities;
- Construction and maintenance of drains, sewers and bridges;
- Cleansing and refuse removal and disposal;
- Prevention of air, land and water pollution;
- Operation of fire brigades and municipal police;
- Street lighting;
- Public places provision of parks; and
- Recreation grounds and open spaces.

UCLG (2006) further cited the main sources of revenue for Zimbabwean urban councils as;

- The levying of assessment rates on property;
- Tariffs or fees for service rendered;
- Loans for capital works from central government through the National Housing Fund, General loan fund in respect of other infrastructure like water and sewerage reticulation, roads and storm water drainage;
- Loans from the open market after obtaining necessary borrowing powers from the minister.

Externally derived traditional revenue includes grants and loans from central government and donors, as well as overdrafts and short term loans from banks and building societies as stated by the Urban Councils Act Section 290

Ndlovu et al, (2006) cited the main sources of local authority revenue as being from three categories which are local taxes, shared taxes and non-tax revenue.

Carmichael (2003) wrote that the major sources of revenue for local authorities are rates on fixed property and income derived from trading activities such as water, and gas supply services. Jayapalan (2002) supports this assertion as he also wrote that property rates forms the most important source of revenue for local authorities. In his book, Modern Governments

and Constitutions, Jayapalan identifies another source of revenue for local authorities as the “grants-in-aid” from the local government ministry. He identified two types of grants in aid which he called percentage aid and the rate support grants. The percentage grants-in-aid are given by the parent ministry on the condition that the local authority fulfils certain conditions and maintains a certain level of standards. The rate support grants are not tied to any specific services but are given as a general form of revenue.

Semboja (2000) identified sources of revenue for local authorities as a mixture between taxes, license fees and charges. He also wrote that in spite of the large number of revenue sources, four main sources are crosscutting almost all councils. These are development levy (head tax), crop and livestock cess (agricultural cess), business licenses and market fees. Semboja also asserts that tax can present another source of revenue for local authorities. He wrote that in local government tax collection is the responsibility of the council staff, and is completely separated from the central government. In district councils it is organized around three levels, namely the council headquarters, the wards and the village levels. At the sub-village level, the leader is responsible for mobilizing taxpayers.

Chandler (2005) asserts that sources of revenue for local authorities are real estate tax on commercial buildings, stamp duties, land lease charges, the land tax, and market place duties. They may only partially be classified as original local sources, however, since national law places limits on the rates. Municipalities may not raise tax rates above the legal maximum but are free to abate these taxes and reduce the rates at a direct cost to the municipality’s budget

Kolovitskova & Lukovenko (2007) wrote that most sufficient among revenue sources for local governments are the following:

- local taxes and duties;
- land taxes - for cities of oblast significance and 60 percent of the land tax – for rural and urban settlements, for cities of rayon significance; income taxes of enterprises of communal property;
- incomes from selling communal property;
- own incomes of budgetary entities and organizations;
- industry tax;
- taxes on owners of transport means;

Rhodes (1988) wrote that local authorities in England obtained their revenue mainly from rates and grants for the government. McConnell echoed this view when he pointed out that council revenue comes mainly from rates, fees, rents and non-domestic rates which are rates charged on non-resident people for using the facilities of the town.

Mutizwa-Mangiza (1998:5) gave a detailed account of the sources of revenue for local authorities, he pointed out that for the purpose of raising revenue, local authorities had the following sources of revenue open to them;

- Rates- land rates on property owned by individuals, companies or government including parastatals. This also includes rates on buildings, for instance developed property.
- Fees and charges- the major sources under this category are premises licence, occupational licence, services or facilities (for example ambulances and survey fees), goods or documents supplied (for instance water sewerage buildings and plan approvals and transfer fees.)
- Commercial activities including returns from own investments and rental income.
- Cess and royalties
- Return on investments- these represent investments in companies they do not explicitly control and own.
- Service charges- these are charges on residents and companies resident in their jurisdiction
- Grants from government, donations and also transfers from other arms of government.
- Short term borrowing but this needs the approval of the minister.
- Internal sources-money set aside from budget to pay for projects and is commonly referred to as a contribution to capital.
- Stock issues- in Kenya, local authorities are empowered to issue stocks and bonds to raise revenue for their operations. Very few however exercise this option. The only local authority to raise revenue using this option in Kenya is the Nairobi council.

This researcher shall explore further and find out if local authorities are utilizing all sources of revenue they are empowered to administer by the law. The researcher would also want to find out if efforts are made to improve revenue collections by finding new sources other than the traditional sources.

### **2.1.6 Guiding principles for local government finance**

The House of Commons: Housing, Planning, Local Government and regions committee (2004) cited the following as guiding principles for any system of local government finance:

- Equity: it must be fair and be seen to be fair, as between different authorities, within individual authorities and in its impact on individuals;
- Simplicity: it must be relatively easy to collect; and easy for a taxpayer to understand as is compatible with equity and accountability;
- Flexibility: must be adequate to changing economic and constitutional circumstances;
- Transparency: it must provide for a visible link to local levels of expenditure; and
- Accountability: it must allow for authorities who raise and spend money to be, and be seen to be, accountable to the people they serve.

The constitution of Zimbabwe chapter 17 section 298 the principles of public financial management that guide all aspects of public finance in Zimbabwe .Subsection (1)b (1) emphasize that, the burden of taxation must be shared equally. So local authorities, Bindura Municipality included should abide with these laws

The researcher would want to explore further and find if Zimbabwean local authorities taking into consideration these guiding principles in their bid to collect revenue from the community.

### **2.1.7 Monitoring Revenue Collections**

Myers and Beadley (2005) assert that organizations are not allowed to discriminate between customers by charging them different prices. Neither may they discriminate by offering the same prices but different credit terms. This will ensure that no customer is disgruntled and finally abscond to payment.

Maness and Zietlow (1998) advocated that the most carefully devised credit policy cannot keep a company's credit activity from becoming a problem area if the company does not diligently collect the receivables. Delayed payments deny the seller the use of the money result in increased collection costs and increase the risk that payment will never occur. The author asserted that traditional approaches to monitoring the receivable balance include day's sales outstanding, also known as the average collection period, accounts receivable turnover and the aging schedule

Myers and Beadley (2005) stated that when a customer is in arrears, the usual procedure is to send a statement of account and to follow this at intervals with increasingly insistent letters or telephone calls. If none of these has any effect, most companies turn the debt over to a collection agency or an attorney. Maness and Zietlow (1998) added by asserting that many state and federal laws and regulations govern the extension of credit, the use and communication of credit information, and the used in collection.

In this research, the researcher wants to establish the methods used by Bindura Municipality to collect revenue from debtors and how it effectively monitors its debtors.

### **2.1.8 Factors affecting revenue generation**

The Hornsby Shire council (2007) outlined the principal factors that have a bearing on revenue generation as follows:

- The limitations of the land valuation system as a growth source;
- The size of the underlying population base;
- The ability of the community to pay;
- The quantum of non- rate able facilities e.g. schools, hospitals, churches and defence establishments;
- Rate pegging determined by the minister of local government;
- Structuring of the rating system to extract maximum rate revenue within policy constrains;
- Ability of staff to access grant opportunities;
- Magnitude of additional facilities provided and the resultant increase in fees charged;
- Emphasis or ability of councils to collect infringement or fine income;
- Level of development activity;
- Quantum of funds able to be invested, the market rates of interest and skills levels in being able to invest and derive enhanced revenue from the funds;
- The willingness of government agencies to contribute directly to council programs;
- Ability to attract parking fees and fines;
- Extent of business in the area;
- Extent of farmland in the area;
- Extent of new development –attracting levies; and
- Extent of business activities for example child care centres.

The researcher will further establish if there are any factors affecting revenue generation for Zimbabwean local authorities. If there are any it is also within the interest of the researcher to find out actions taken by both the central government and the local authorities to mitigate these factors.

### **2.1.9 Challenges faced by local authorities in collecting revenue**

The Zimbabwe Institute (2005) cited legal sources of revenues being inadequate to finance council operations. Moreover, government under increasing financial obligations drastically slashed its subsidies to local authorities. Worse still, there is no standing criterion that governs the distribution of national revenue among local authorities according to need and there is no formula for sharing the fiscus between the central government and the local authorities. The Newsday of 23 June 2014 has it that, despite the enshrinement of local authorities in the new 2013 Zimbabwe constitution local authorities are still to the not less than 5 % of the national cake.

Gono (2006) in his assessment of parastatals and local authorities, asserted that the major challenge facing local authorities has been lax corporate governance practices characterized by lack of transparency, lack of meaningful capital investment, weak financial controls and systems, poor policy guidance, poor policy implementation, poor business culture, failure to produce audited financial statements and inadequate staffing levels. All these challenges will lead to dwindling revenue collections and hence budgets deficits.

Gono (2006) further observed the following reasons as contributing to liquidity challenges in most local authorities:

- High staff turnover, especially critical professionals such as the technical staff and financial experts;
- Staff members remaining in acting positions for long periods;
- Lack of incentives to attract and retain qualified staff;
- Low staff morale;
- councilors who are political appointees who tend to lack necessary technical expertise required for prudent policy making;
- Most of the councilors are into local authorities to pursue their own political self interests and may not necessarily add any value to the running of entities.

- Shrinking revenue base as traditional sources of revenue including property taxes, charges and grants, fees, rates, tariffs and loans from central government have shrunk steadily;
- Local authorities have found it difficult to levy economic rates because of the fear of political protest;
- Lack of adequate communication especially between the local authorities and stakeholders which stalls progress in most cases;
- Much of the infrastructure such as water; roads; communication equipment and sewer pipes is old and constantly breaks down;
- Management of debt is poor as evidenced by huge mismatches between creditors and debtors; and
- Declining Public Sector Investment Programme Support (PSIP).

The Herald newspaper dated 5 September 2012 reported that Harare City Council missed its revenue collection target. The city treasury department management accountant attributed the low revenue collection to workers' depressed salaries, a poor economy high unemployment and non-remittance of vehicle licensing fees. The Newsday of 6 September 2012 also reported about seven Chipinge Town Council senior officials being sacked by the minister for corruption and embezzlement of public funds. The same paper reported the sacking of the Gokwe Town Secretary after being found guilty of four counts of corruption.

The Zimbabwe Institute (2005) disclosed that local authorities have limited revenue raising powers as the central government monopolies the high yield factors. Most of the internal revenue raising powers is subject to central government controls and direction. The powers to vary the rate of taxation between different types of residences is subject to ministerial approval, ministerial consent is required in order to borrow from external sources, the evaluation of property is subject to scrutiny of valuation boards which are appointed by the minister.

Besides the ministerial powers, Ndlovu et al (2005) cited other challenges leading to inadequacy of revenue raised in local authorities. Local authorities have been severely affected by the adverse macro-economic conditions for example the high inflation rate experienced between 2003 and 2008 and high interests have made borrowing from commercial sector prohibitively expensive. In addition to this many local authorities do not produce realistic budgets and lack the political will to collect budgeted revenues.

Furthermore, they often do not use budgeted revenue collected in line with budgeted purposes.

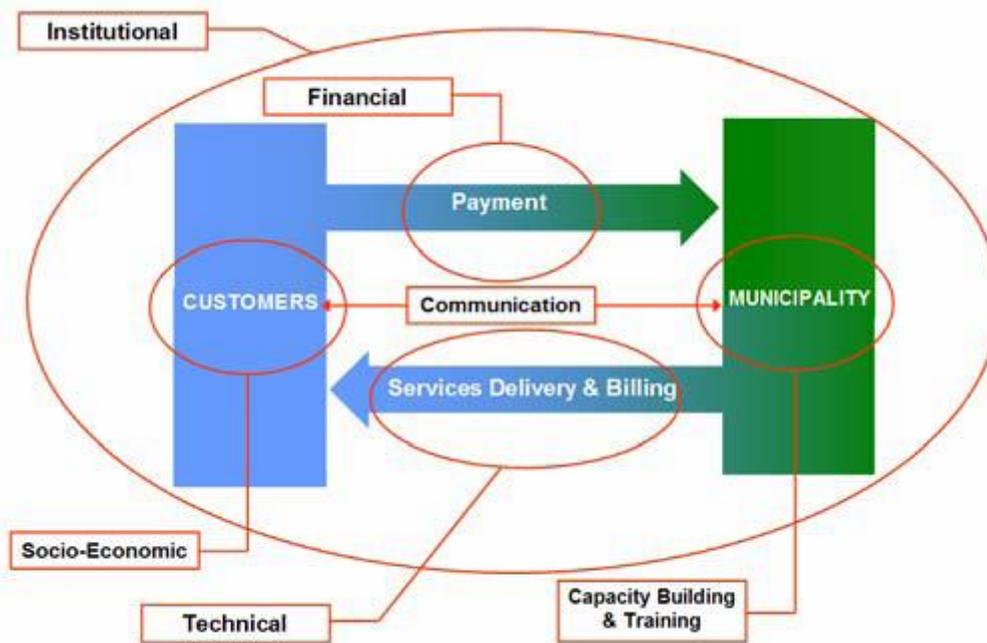
USAID (2006) in its document titled *A Guide to Enhancing of Municipal Revenue* disclosed reasons contributing to poor debt collection in South African local authorities as follow.

- Lack of political will to enforce credit control measures due to the lack of accurate data on which credit control can be taken, credit control measures being taken on indigent households, and councilors influencing the operations of officials;
- Lack of skills and capacity to manage the collection of outstanding debt;
- Lack of integration and coordination among the financial management, credit control and debt collection systems within local authority; and

The researcher wants to explore further and find out the challenges and limitations facing Zimbabwean local authorities and come up with realistic remedial solutions ideal to the Zimbabwean scenario.

#### **2.1.10 Enhancement of local authority revenue**

USAID (2006) asserted that revenue enhancement sustainability has its critical elements namely sound communication strategy, provision of metered services, accurate billing and debt and credit management. To elaborate on these elements USAID came up with the following revenue enhancement model:



**Figure 2 Revenue enhancement model**

**Source: USAID ( 2006)**

The model focuses on maximizing revenue collection, reducing inefficiency and costs, and reducing uncollectable debt. A sound communication strategy is a critical element to building local government long term sustainability. The communication process should facilitate alignment between municipal revenue enhancement goals and customer expectations. Capacity building and training are essential if local authorities are to reap the benefits from the implementation on the revenue enhancement model. Local authorities should be well equipped technically so as to provide quality service delivery and accurate billing. Moreover, the residents’ socio-economic environment has to be taken into consideration when crafting budgets so that the revenue collections could be accurately forecasted. For example different levies can be imposed for high density, medium density, and low density residential areas. A holistic approach to local government sustainability is crucial to ensuring that all the above mentioned critical elements are simultaneously addressed. Each of the above highlighted performance areas will contribute to the implementation of a successful Revenue Enhancement Strategy. Neglecting one of the above elements will negatively impact on the successful implementation of a Revenue Enhancement Project.

The researcher would like to explore further and come up with solutions to revenue collection constrains which are ideal to the Zimbabwe scenario. The research will observe whether Bindura is following any of the elements of this model in a bid to enhance the collection of revenue.

## **2.2. Empirical review**

### **2.2.1 Sources of revenue**

Kellam and Kehew (2004) identified toll charges, sewage charges, road cutting charges, open space entry fees, hazardous waste fees, betterment fees and burial service charges as the main sources of local authorities in Rwanda. Mosha et al (2010:3) in their research on *Challenges of Municipal in Africa* indicated that in South Africa local government derives its revenue from rates of property (19.89%), trading services such as electricity (41.4%), water (11.8%) and sewage and refuse removal (8.22%). In addition, municipalities receive intergovernmental transfer in the form of agency payments, transfers which on average are 10%. The researchers added that while municipalities continue to receive income from these sources, national figures pointed to a crisis in municipal finance. They further cited that “Project Viability” a national cash flow monitoring system indicates that one third of municipalities are financial unsound. Fjelstad and Simboja (2000) revealed that the number of taxes, licenses, charges and fees varies between Tanzanian Councils. For example Kibaha has twenty five sources of revenue compared to sixty for Kilosa and fifty in the Dar es Salaam City Commission.

Azelama et al (2004) in their research on Property tax reform: *Challenges of Local Government Administration in Edo State in Nigeria* asserted that property tax plays a significant role in financing local government. Regrettably, property tax has been known to yield much in the way of revenue in any developing country. The two authors cited Kelly (1995) observing that developing countries tend to generate significantly less revenue from property tax- typically generating a maximum of forty per cent of local government revenue.

### **2.2.2 Revenue Collection Challenges.**

Fjelstad and Semboja (2000) cited poor administrative capacity as contributing to local authorities' inability to realize fully the revenue due to them. They cited most councils in Tanzania as having fewer tax collectors than the number of market centres. Lack of reliable transport may also further exacerbate the situation.

Semboja and Therkildsen (1992) cited resistance from taxpayers as another challenge to revenue collection. Taxes are widely perceived to be unfair and taxpayers see few tangible benefits in return for taxes they pay. Fjelstad and Semboja (1998) added that the deterioration and in some cases no existence of public services heighten taxpayers' perceptions of exploitation from an unequal contract with local government and this promote tax resistance.

Fjelstad and Semboja (2000) also advocated that corruption is extensive in many local authorities and is a serious challenge to revenue collection. The same can also be said of Zimbabwean local authorities. The *Newsday* newspaper dated 6 September 2012 reported that seven Chipinge Town Council officials and Gokwe Town Secretary were all found guilty of corruption and were all sacked by the Minister of Local Government. The most common type of corruption is embezzlement of revenues by tax collectors and administrators. The main factors contributing to such type of corruption are low levels of wages paid to staff, the complex nature of the tax structure and inadequate controls.

Semboja and Therkildsen (1992) cited political pressure as a major impediment to revenue collection in some of Tanzania's local authorities. This problem stems from the fact that taxes are generally disliked and councilors who want to be re-elected disassociate themselves from increased taxation. In some cases councilors are also reluctant to raise local charges and taxes because they are major local landowners or business people who seek to minimize their personal tax burden. Gono (2006) supported this assertion when he highlighted that most Zimbabwean councilors are into local authorities to pursue their own political and self interests and may not necessarily add any value to the running of local authorities. Fjelstad and Semboja (1998) asserted that statements such as "don't harass taxpayers" were quoted from the ruling Chama Cha-Mapinduzi (CCM) of Tanzania politicians whilst the opposition approached taxpayers directly and advised them "not to pay taxes" citing abuse of funds by the ruling party politicians.

Negligence of government institutions and parastatals in submitting the taxes and charges they owe to local authorities has been also cited as a major administrative problem faced by many types of council. Local authorities' officials cannot easily turn off the water supplies to schools and hospitals, and they cannot force central government ministries, district commissioners or other local authorities to pay for such services (Fjeldstad and Semboja, 2000). The *Newsday* newspaper dated July 6 2012 reported that the City of Harare is being owed millions of dollars by government ministries and Chitungwiza Municipality and strangely it cannot enforce payment by the two debtors but was only threatening to sue defaulting residents.

Rhodes (2008) explained that the national economic performance has a significant impact on the performance of local authorities and the business community at large. He asserts that the impact of inflation and rising interests rates present unintended consequences that have a negative impact on the consumers' ability to pay for municipal services thus affecting municipal budgeted revenue and collection of debts. Due to stretched disposal income consumers may find it difficult to pay for municipal services or to pay at all.

Furthermore, another source of financial problem for local authorities emanated from the fixed nature of rates. Councils must apply for increases of rates above a certain peg and then wait for a decision by the appropriate minister to see if their application is approved. When this application is not approved this result in uncertainty and financial difficulties for the councils McConnell, (2004).

### **2.2.3 challenges affecting revenue collection in local authorities**

Kelly and Musun, (2000) contributed to this research by citing that the poor yield from property tax in developing countries is commonly attributed to twin problems to defective property tax policy and mal-administration. The latter is more critical and is manifested in lack of political will to enforce property tax law, poor machinery for property identification, billing, collection and failure to serve bills as and when due and to force compliance. Azelama et al (2004) outlined other problems as being lack of required technical and professional staff, brazen corruption and the poor link between tax payment and provision of communal services. They further added that combined effect of poor policy and mal-administration is a tax system that is porous, weak, unwieldy, susceptible, ineffective and costly. The two suggested a comprehensive intervention touching and integrating policy and

administration being required to ensure sustainable property tax system that guarantees equity and improved yields. Mclean et al (2008) wrote in his submission to the Australian service union that factors influencing the financial performance of local authorities are;

- Operational efficiency;
- Market characteristics of services provided;
- The structure and level of charges used to recover the costs of providing services;
- The ability and willingness of ratepayers and user to pay for services;
- Financial and asset management skills; and
- The amounts of grants and subsidies the local authority receives.

#### **2.2.4 Revenue collection opportunities in local authorities**

Henry and Kellam (2004) asserted that existing assets, such as buildings and machines can be put to better use to generate revenue. Local authorities should identify all properties not registered and tax them accordingly. The two researchers further recommended a sound financial and fiscal management based on proper reporting systems and introduction of a strong accounting system so as to increase local government revenues.

Henry and Kellam (2004) found out that local governments can increase revenues by establishing a good system of providing incentives to actors and partners in the whole process of revenue collection. This can be done by initiating achievement rewards such as a bonus system for employees attaining a target set by the management. Another option is to acquire and maintain customers through customer care and instilling loyalty to customers. When people are motivated, production will improve and they will also shun corruption. Moreover, local government training and education can build the capacity of the local government staff. Resultantly, operational and managerial skills shall improve across the local government functions, revenue collection included.

Fjelstad and Semboja (2000) suggested the designing of current revenue structure as a measure to improve capacity building for revenue mobilization and collection. However, reforming the tax structure should precede the reform of tax administration since there is no much merit in making a bad tax system work somewhat better. The researchers also recommended consideration of the following in redesigning the tax structure:

- Abolition of unsatisfactory local tax;
- Improvement to remaining revenue basis; and

➤ Cost recovery through user charges.

The two found out that local authorities can enhance tax compliance through improved service delivery. Fjeldstad and Semboja (2008) contributed to this research by recommending local authorities to outsource revenue collection from existing sources.

Rondinelli *et al.*, (1989:71) asserts that cost recovery user charges have the potential of enhancing resource allocation by reducing wasteful usage since users pay from their own resources. User charges may also stimulate a supply response by service producers closer to customer demands that in turn may raise quality and remove unnecessary production. There are obviously a number of constraints on user charges and other means of cost recovery in Tanzania. These arise, for instance, from equity considerations, fluctuations in demand, and the relations between services financed by charges and private sector provision compared to those financed by public general revenues (Crook and Manor 1998:301). Ahmad, (1997) points out to the existence of a fiscal gap between own revenue and the expenditure requirements of the local authorities is a major problem

### **2.3 SUMMARY**

This chapter looked at what the secondary say about revenue collection. The word revenue was defined as gross inflows of economic benefits. These economic benefits are what local authorities seek to harness effectively if they are to improve in service delivery to the citizens. It also explored the different sources of revenue for local authorities .The literature review provided information on the Guiding principles for local government finance. Principle factors affecting revenue generation where also spelt out .Literature was also obtained about the challenges faced by local authorities in collecting revenue to use for service delivery. It as well discussed how revenue, in councils can be enhanced. Opportunities in revenue collection in local authorities were discussed, including pieces of legislation that provide for them .The next chapter will look at methodology that will be used in the collection of data from respondents.

## CHAPTER III

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter is about the manner in which this research has been conducted. The aim of the methodology in this research is to portrait the research methods chosen by the researcher in this research. The basic assumptions about the research methodology and methods are reviewed and justified here with the support of relevant literature. Research methodology includes research design, data collection instruments, sampling design as well as analysis procedures.

#### 3.1 Study Area

The research was done in Bindura urban. The respondents were drawn from the following areas: Chipadze, Chiwaridzo 1 and 2, Chipindura, Shashi, Bindura Town centre and Bindura Municipality offices.

#### 3.2 Research Design

Blanche (2006) asserted that research design is the element which provides for the collection and analysis of data.

Cooper and Schindler (2008) assert that research design is the blueprint for fulfilling objectives and answering questions. They further states that, selection of the research design is the most complicated step; because of a large variety of methods, techniques, procedures, protocols and sampling plans are available.

Saunders et al (2009) asserted that basically there are four major designs namely; descriptive, casual, explanatory and predictive. The researcher used descriptive research design that seeks to add on already existing knowledge. The research involves the use of both qualitative and quantitative research methods in order to maximize the in-depth analysis based on a case study. Qualitative research methods are derived directly from this inductive approach. It focuses on specific situations or people and emphasis on words rather than numbers. On the

other hand, quantitative research is used to permit statistics which quantifies the distribution under study.

### **3.3 Research Instruments**

Saunders et al (2009) said that there are many research strategies which can be used by the researcher to carry out the research; namely interviews, surveys as well as experiments. The researcher chose a case study method because empirical investigations of phenomenon within their natural or real life context using many evidence sources would be done.

The case study research is of particular interest if the researcher wishes to gain a rich understanding of the context of the research and process being enacted. This is relevant in this case where the researcher wants to get a deep understanding the revenue collection constrains in local authorities.

Terre Blanche (2006) states that triangulation is the process of using multiple methods data collection strategies or data sources. Data was triangulated in order to promote accuracy of findings as well as to increase validity and reliability of the findings. The researcher used two instruments namely questionnaires and interviews.

#### **(a) Questionnaires**

According to Leedy (1997), a questionnaire is a list of carefully structured questions chosen after considerable testing with a view to eliciting reliable responses from a chosen sample.

Saunders et al (2009) suggest that questionnaire is a general term to include all techniques of data collection in which each person is asked to respond to some of the questions in a predetermined order. Self-administered questionnaires were used in this case as they are less costly than face to face interviews, especially for studies that involve large sample size and large geographical areas.

Saunders et al (2009) states that structured or closed questionnaires are used because of the following reasons:

- It gets the opinion of the respondents as compared to observation which assumes;
- It enhances compatibility of answers making it easier to show relationships between respondents;
- Closed questions may clarify meaning of a question to respondents by the availability of answers; and
- It is easy for interviewers and respondents to complete

On the other hand a questionnaire a research instrument has some weaknesses. Open ended questions can generate large amounts of data that can take a long time to process and to analyze. The researcher has standardized the questionnaire so that is not possible to explain any prints in the questions that participants might misinterpret. Appropriate questionnaires with questions that require personal opinions and period of staying in Bindura were sent to the Bindura community. Follow ups were made on time for immediate feedback. The researcher has also solved this problem by piloting the questions on a small group of friends. The respondents were also given adequate time to complete the questionnaires.

### **(b) Interviews**

The researcher managed to interview Bindura Municipality Head of Departments [HODs]. Semi- structured interviews were used so as to remove rigidity in the nature of the interviews. This was also done so as to introduce some direction to the interview and to let the interviewer manage the direction of the interview. The interview technique offered the following advantages:

- The data secured was detailed;
- It allowed for probing to acquire full understanding of responses to ensure correct interpretations;
- The interviewer clarified doubts and ensured that the questions were being properly understood by repeating or rephrasing the questions; and
- The process of data gathering is fast as immediate responses are got for questions asked.

However, the interviews have their demerits as follows:

- The presence of the interviewer defeats anonymity which might be preferred in some instances as the subject was a susceptible to give socially acceptable answers.
- Interviews are costly in time.

### **Mitigation of possible limitation of interviews**

Follow ups were constantly made in order to confirm appointment dates for interviews. The researcher clearly explained to the interviews that the information gathered would be strictly used for academic purposes and anonymity will be maintained.

### **3.3.1 Reliability**

According to Saunders et al [2009], reliability refers to the degree to which data collection method or methods will yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense was made from raw data. Reliability can be assessed by the following three questions:

- Will the measure yield the same results on other occasion?
- Will similar observation be reached by other observers?
- Is there transparency in how sense was made from raw data?

The researcher formulated questions that cover the content of each objective to ensure that the research instruments were reliable and valid. Questionnaires were pretested in an effort to reveal ambiguities, conflicting items and items that were not relevant to the purpose of the study. Straight questions were asked and related questions followed each other in sequence to ensure a coordinated response.

### **3.3.2 Validity**

Saunders et al (2009) defined validity as the extent to which data collection method or methods accurately measure what they were intended to measure. The authors have indicated that validity is concerned with whether the findings are really about what they appear to be about. Data was collected from reliable sources; from the respondents who understand the revenue collection constraints facing local authorities. The questionnaires used were examined to ensure that the questions asked sought the information which was related to the problem in order to incorporate validity in this study.

### **3.3.3 Data collection methods**

There are mainly two types of data emerging in a research project. They are secondary data which is collected for the specific purpose of the project (Saunders et al 2009).

According to Terre Blance (2006), the data that the researcher collected depend on the research questions and objectives which have given particular focus to the researcher's observation. In order to answer the research questions and to fulfill the objectives the researcher used both primary and secondary data collection methods in this research.

Leedy (1997) defined secondary data as the analysis of data by researchers who will probably not have been involved in the collection of data, for the purpose that in all likelihood were not envisaged by those responsible for data collection.

Secondary data include both quantitative and qualitative data and they are used principally in both descriptive and exploratory research. Secondary data offers the researcher a number of advantages. If the required data already exist, then the researcher would not waste his or her time to carrying out the study which is clear indication that from secondary sources it is significantly quicker than designing and conducting a new investigation.

Zimkund (2003) asserts that majority of the secondary data can be collected internally from the organization itself. The internal documents analyzed by the researcher are the organization strategic plan, income reports and minutes of full council meetings. In the strategic plan the researcher wanted to find out what the organization is currently doing or was planning to do as a response to the revenue collection constrains being experienced. External secondary data for the study was primarily obtained from journal articles and books. The journal articles provided revised information related to the area of study.

Zimkund (2003) asserted that primary data is gathered and assembled specifically for the research project at hand. The author further stated that there are many methods of collecting primary data and the main methods includes questionnaires, interviews, observation, case studies and focus group interviews. In this research the primary data was collected from employees, councilors and Bindura residents through questionnaires. Moreover, interviews were conducted with the five Bindura Municipality senior managers so as to gather more information.

### **3.3.4 Population and Sample (Subjects)**

According to Saunders et al (2009) the full set of cases from which a sample is taken is called a population. If the sample is of manageable size, it is possible to collect data from the entire population. The authors further stated that sampling provides a valid alternative to census when:

- It will be impractical to survey the entire population.
- If the budget constrains prevent the researcher from surveying the entire population.
- If the researcher has collected all the data but needs the results quickly.
- If time constraints prevent the researcher from surveying the entire population.

Leedy (1997) defines **target population** as the group of people or items from which we want to obtain information. The target population for this study comprised of 20 Bindura

municipality employees and councilors, 20 high density ratepayers, 20 medium density ratepayers, 20 low density ratepayers and 20 from commercial and industry operators.

Terre Blanche (2006) defines a sample as a small part of anything designed to show the style, quality and nature of the whole. According to Cooper and Schindler (2003) several compelling reasons for sampling includes lower cost greater accuracy of results, a greater speed of data collection and availability of population selection total of 100 respondents was chosen using stratified random sampling. The population was divided into five strata; Bindura Municipality employees and councilors, high density ratepayers, medium density ratepayers, low density ratepayers and commercial and industrial ratepayers. Sixteen employees and four councilors were considered when the questionnaires were distributed. Of the sixteen employees chosen, three employees were chosen from the following departments: works, health, housing, treasury, and central administration. The remaining employee was chosen from the credit control section. The researcher chose people from the five groups of ratepayers to eliminate bias resulting from the different perspective regarding the subject under study.

The researcher used judgmental sampling when selecting members of staff and councilors as this group was considered to be more informative. The eighty residents were selected using convenience sampling method. The number of resident households was considered to be representative after taking into consideration the fact that even employees are also households. Furthermore the residents were also represented by the councilors who were also interviewed.

The researcher picked ten council employees, two from each of the five council departments and ten councilors. He also picked twenty high density ratepayers from the three suburbs of Chipadze, chiwaridzo 1 and chiwaridzo 2. Seven were from Chipadze, Seven from chiwaridzo 1, and six from chiwaridzo 2 townships. The researcher made sure that all wards were represented in the sample.

Twenty households were picked from the medium density ratepayers, that is seven from chipindura park, six from aerodrome area and seven from chiwaridzo 2 medium density suburbs.

Bindura has two low density residential areas; hence the researcher conveniently picked 10 households from each of the two suburbs that are Shashi and Bindura low density areas. Since the area is big he randomly picked households for the research.

10 commercial business operators were also picked randomly from Bindura town and the shopping centers from high and low density suburbs. Ten were from the industrial areas, randomly picked from the heavy and light industrial area. This is how the researcher carried out the sampling process for this research.

**Table 3.1 Sample frame table [Questionnaires]**

<b>Category</b>	<b>No of ratepayers</b>	<b>Sample</b>
Employees & councilors	345	20
High density ratepayers	6020	20
Medium density ratepayers	2056	20
Low density ratepayers	1540	20
Commercial & Industrial	393	20
<b>Total</b>	<b>10324</b>	<b>100</b>

### **3.4 Data presentation and analysis**

The researcher collected the data and analyzed it through using frequency distribution tables, bar graphs and pie charts. The overall response rate of the questionnaires was calculated to show the percentage of respondents. Tables, bar graphs and pie charts were used to present data because they are easy to read and interpret and also allow results to be easily compared. Descriptive statistics were used since it is easy to use and give a representative view of all the data collected for it uses frequencies, averages and ranges.

### **3.5 Summary**

This chapter looked at research methods used to carry out the study. The researcher described descriptive research design as the best method for this study because of its strengths in valid findings and facts at the same time eliminating opinions. The questionnaire was justified as suitable for this study because of its capability to solicit findings about what the respondents think about the subject. The next chapter is centered on the presentations of data and analysis and interpretation of the research.

## **CHAPTER IV**

### **DATA PRESENTATION AND ANALYSIS**

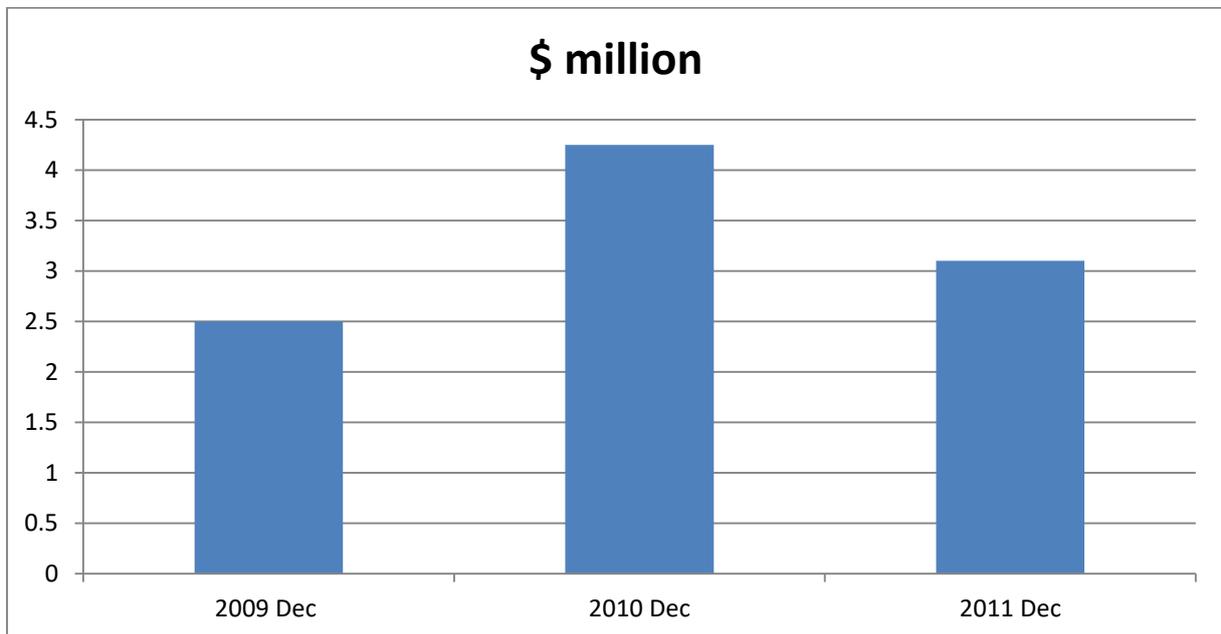
#### **4.0 Introduction**

This chapter focuses on the analysis, presentation and interpretation of data obtained from both questionnaires and interviews. Data was presented in a way which enables the researcher not only to answer the research questions in chapter one but the entire problem. Tables, bar graphs and pie charts were used in addition to the narration of interviews. A summary of responses to both research instruments was used to interpret data for each of the major area of concern to this research which corresponds to the main problem and sub problems.

#### **4.1 Bindura Municipality's uncollected debt pattern**

The introduction of the multi-currency system did not produce any substantial relief to Bindura Municipality in terms of revenue collection. The local authority was owed \$2.5 million as at 31 December 2009, \$4.25 million at 31 December 2010 before the figure fell to \$3.1 in 31 December 2011. The debt decline towards the end of 2011 after the local authority introduced a fifty percent relief discount to the residents. The discount was applied to the debt which accumulated between February 2009 and October 2011. The conditions were that the residents should be in a position to pay off the remaining fifty percent in a once off payment and the current charges before December 2012. This continued up until the June 2013 when government then scraped all debt for residential areas in July 2013. The figure below illustrates the debtors since 2010.

**Figure 4.1 Uncollected debt in million Dollars**



**Source: Bindura Municipality Financial Records**

#### **4.2 Response rate**

The researcher managed to get a ninety eight percent response rate to all questionnaires issued. Both staff and the residents responded very well to the questionnaires.

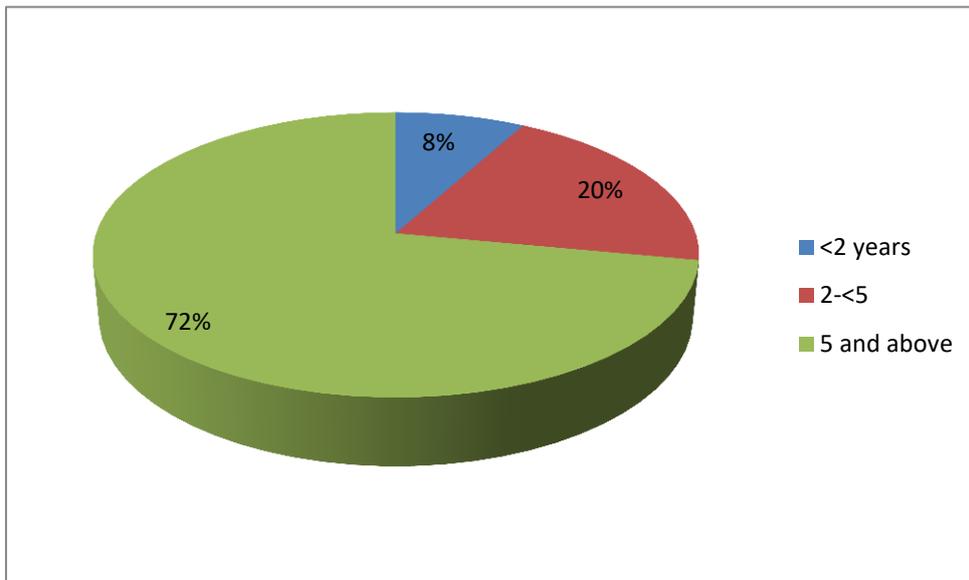
The researcher also managed to successfully conduct interviews with the five senior managers at Bindura Municipality. This scenario augmented with a ninety eight percent response rate justifies the findings as a basis for making some educated recommendations in this research.

#### **4.3 Ratepayers duration of stay in Bindura**

All the Bindura Municipality members of staff who were served with questionnaires are residing in Bindura. Seventy two respondents have stayed in Bindura for five years and above, twenty have stayed in Bindura for two years and below five years whilst eight have stayed in Bindura for less than two years as ratepayers. The findings from this research can therefore be deemed to be reliable as a larger percentage of respondents have been ratepayers in Bindura municipality area of jurisdiction for five or more years and that makes them more

familiar with the service provider. The chart below interprets the variances in respondents' length of stay in Bindura as ratepayers.

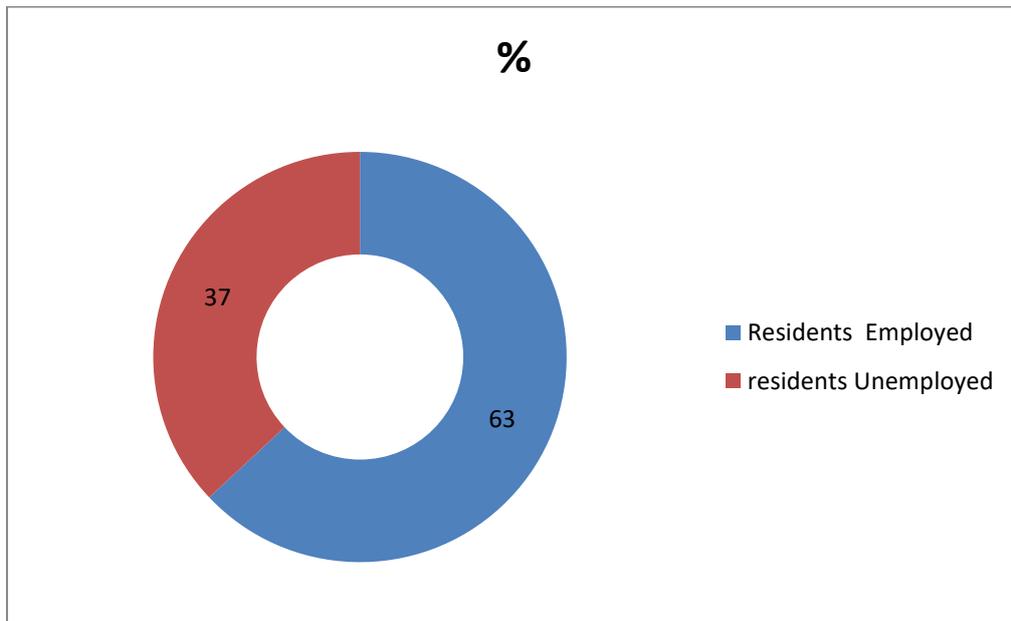
**Figure 4.2 Ratepayers' duration of stay in Bindura**



#### **4.4 Employment status of respondents**

Sixty three respondents indicated that they are employed whilst thirty seven respondents indicated that they are not employed. Information gathered from interviewing managerial employees revealed that approximately fifty nine percent of ratepayers are not formally employed and they rely on rentals from tenants to make a living. Employees from the now defunct Ran Mine own houses in Bindura and they also contribute to the unemployment percentage. Moreover, Chipadze and Chiwaridzo are owned by pensioners and former farm workers who were affected by the land reform programme. Most of these property owners benefited their properties from the home ownership schemes offered by the local authority in the late 80s and early 90s. The employment status of Bindura residents can be illustrated by the following diagram.

**Figure 4.3 Employment status of Bindura Residents**

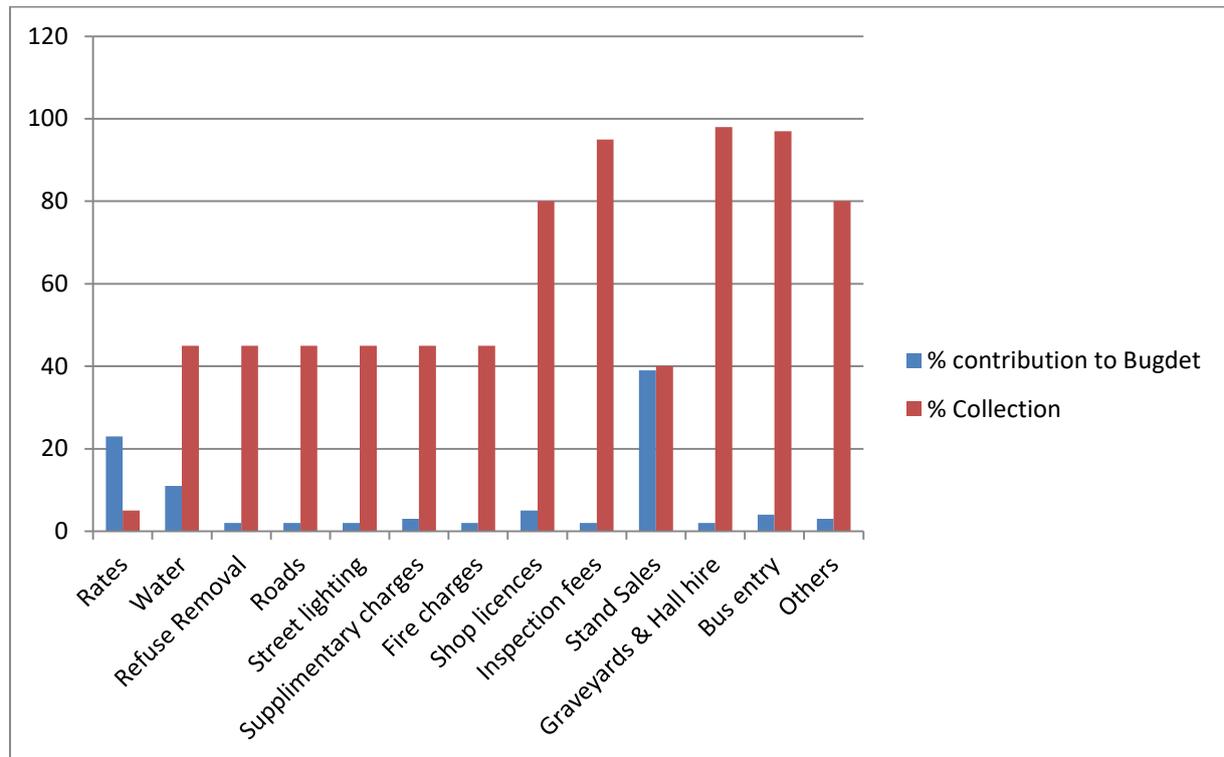


#### **4.5 Opportunities of revenue collection in Bindura**

Hundred percent of the respondents noted the main sources of revenue which appear on their monthly bills which are; water , refuse collection, sewerage charges roads & street lighting, fire levy, supplementary charges and assessment rates. Twenty one percent added to the list by including hire of equipment, hall hire, burial fees, plan approval fees, inspection fees, development permits, cession fees, waiting list fees, lease renewal, bus entry fees, clinic fees, sewer connection fees, water connection fees, flea market fees, liquor sales and various fines. There is little difference on the sources of revenue at Bindura Municipality compared with those obtained from previous literature. Additional sources of revenue that are not enjoyed by Bindura Municipality are those cited by Kellam and Kahew (2004) and they include tourism, water harvesting, sale of plants and seeds and toll charges.

The graph below illustrates the percentage contribution to budget for different sources of revenue compared to their percentage collection for the period between January 2010 and December 2013.

**Figure 4.4 Sources of revenue and their contribution to Budget**



Facts gathered from interviews indicated that there was no billing of assessment rates for the period between February 2009 and March 2012. The non billing was mainly attributed to the non revaluation of properties to the United States Dollar. The liquor section is not functional and the members of staff were transferred to other departments. Graveyards and hall hire are on cash basis and hence the collection percentage is ninety eight percent. The two percent of uncollected revenue is attributed to political functions mainly by the two main political parties in the country who uses council premises without paying.

Shop licenses and inspection fees have large collection rates eighty and ninety five percent though they have small contributions to the budget five and two percent. Besides enforcement initiatives from council, the two sources of revenue are also enforced by the Zimbabwe Republic Police (ZRP). Property owners have no choice but to pay. Failure to do so will result in two fines, one from ZRP and one from Bindura Municipality or the worst that their shops will be closed.

The remaining levies which are; water, refuse removal, sewerage charges, roads and street lighting and supplementary charges have the same collection rate of forty five percent. These are the service charges which appear on monthly bills and a single payment for these charges will proportionally reduce them. A resident cannot pay for water without paying for the remaining service charges.

#### **4.6. Frequency of payment of bills by respondents**

Eighteen respondents indicated that they never paid for services offered by the local authority and this is in tandem with the local authority records. Bindura Municipality records indicate that at most 12% of its debtors have not paid for their bills since the introduction of the multi-currency system in February 2009. The main culprits are from Chipadze and Chiwaridzo high density areas. However, seventy two respondents indicated that they sometimes pay for their bills while ten revealed that they always pay for the services offered to them by the local authority. The table below illustrates the frequency of payment by the residents.

**Table 4.1 Frequency of payment of bills by residents**

<b>Frequency of payment</b>	<b>No of Respondents</b>	<b>%</b>
Always	18	18
Sometimes	72	72
Never	10	10

#### **4.7. Reason behind the payment of bills**

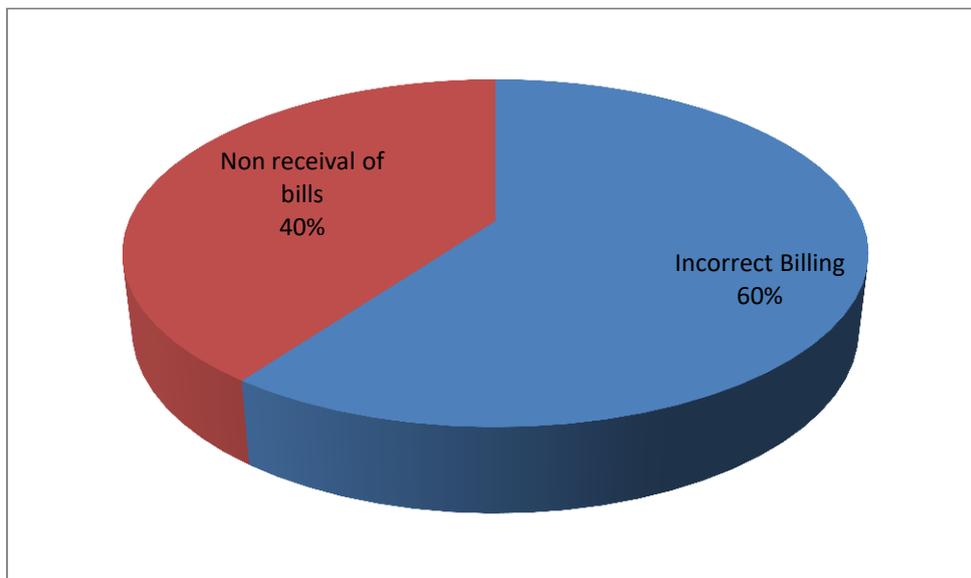
Only forty two respondents indicated that they pay for their services because they know that by paying their accounts they will be helping the municipality to provide better services to the people and six respondents indicated that they believe that it is the right thing to do. The remaining fifty two respondents indicated that they pay their services out of fear of being penalized by the Municipality.

#### **4.8. Late or nonpayment of bills by property owners**

Sixty percent of the respondents indicated that they are not up to date with the payment of their bills simply because they are billed incorrectly whilst forty percent indicated that they do not receive their bills from Bindura Municipality. None of the respondents revealed that

they do not see the need to pay since in their opinion council should provide the services free of charge. Facts gathered from interviews have shown that half of the properties in Bindura have malfunctioning water meters and their billing is based on previous payment history. Some areas especially in ward six have received no water for the past four years yet they receive bills with water charges. Billing has been the main center of disputes between Bindura Municipality and big customers such as Bindura University, Ashanti Mine and Bindura Hospital. Sometimes these customers refuse to honor their bills citing inaccurate billing. The chart below further illustrates the findings;

**Figure 4.5 Reasons for late settlement of bills**



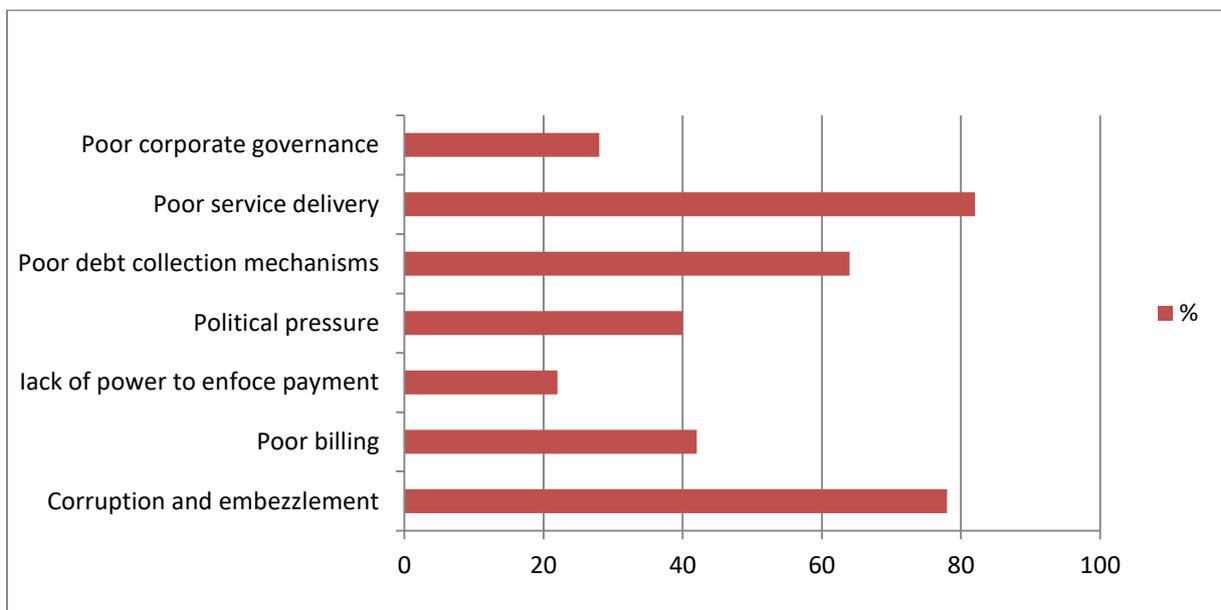
#### **4.9 Challenges to Revenue collection**

Poor billing has been cited by forty two percent of the respondents as a constraint to revenue collection while thirty eight percent indicated that corruption and embezzlement of funds by officials, sixty four percent cited poor debt collection mechanisms, thirty five percent inadequate communication with ratepayers and twenty four cited lack of power to enforce payment.

The most popular revenue constraint noted by the respondents is poor service delivery and it was noted by eighty six percent of the respondents. Moreover, twenty eight percent of the respondents are of the opinion that poor corporate governance by council administration has a

negative impact to the effective collection of revenue. The following figure illustrates the respondents' opinions on revenue collection constraints:

**Figure 4.6 Revenue collection challenges**



Further research revealed that some of the properties in Bindura are owned by low income earners and this fact is not taken into consideration when crafting annual budgets. The level of income among the ratepayers has a significant contribution towards the payment of rates by property owners.

Interviewees also noted that politics played a big role in the effective collection of revenue by local authorities. Efforts to use legislation to collect revenue have been thwarted by politicians who make some populist decisions so as to please residents at the expense of council operations. It is government's policy that water should not be disconnected at properties owned by residents even though they are defaulting in payment and council is expected to offer residents perfect services even it faces such a situation. Closure of business premises in March 2012 to enforce payment of shop licenses faced fierce resistance from politicians and the program was abandoned prematurely. Bindura Municipality's situation is worsened by the existence of two conflicting Residents Association which are Residents Association of Bindura [RABI] and Bindura Residents Association [BIRA]. The two are

affiliated to two rival political parties and each of them tries to be popular to the residents by campaigning for the snubbing of payment of bills.

This finding is in agreement with Fjelstad and Semboja (2000) who cited political pressure as a major impediment to revenue collection in some councils. The two discovered that taxes are generally disliked and councilors who want to be re- elected and they disassociate themselves from increased taxation. Councilors are also reluctant to raise taxes and charges because they are major landowners or business people who seek to minimize their personal tax burden and they will obstruct tax collection by talking ‘cheap politics’.

Corruption and embezzlement of funds by ratepayers have also been cited as constraining the local authority from collecting revenue by seventy eight percent of the respondents. Five Bindura Municipality senior officials have been sacked for the past two years and the main reason has been misuse of council funds and corruption. Sister local authorities such as Chitungwiza and Chinhoyi have faced the same fate in the recent past. The corruption is attributed to low level of wages, inadequate controls and collusion between taxpayers and revenue collection. Bindura is one of the lowest paying local authorities in the country. This finding is supporting Fjelstad and Semboja whose findings revealed the factors leading to corruption as being the following:

- The low level of wages paid to staff;
- The complex nature of the tax structure; and
- Inadequate controls.

The Herald newspaper dated 5 September 2012 also reported that Harare City Council missed its revenue collection target. The city treasury department management accountant attributed the low revenue collection to workers’ depressed salaries, a poor economy high unemployment and non-remittance of vehicle licensing fees.

Four interviewees cited inadequate transport as hampering efforts to enhance revenue collection. The Finance/ Treasury department which is the department responsible for revenue collection has got no a vehicle to execute its functions. The department has to rely on vehicles from other departments and they are not readily available. They also cited that the Credit Control section is not adequately staffed. This is in agreement with Fjelstad and Semboja (2000) whose findings were that lack of reliable transport makes revenue collection more occasional and difficult to enforce. They further revealed that local governments do not

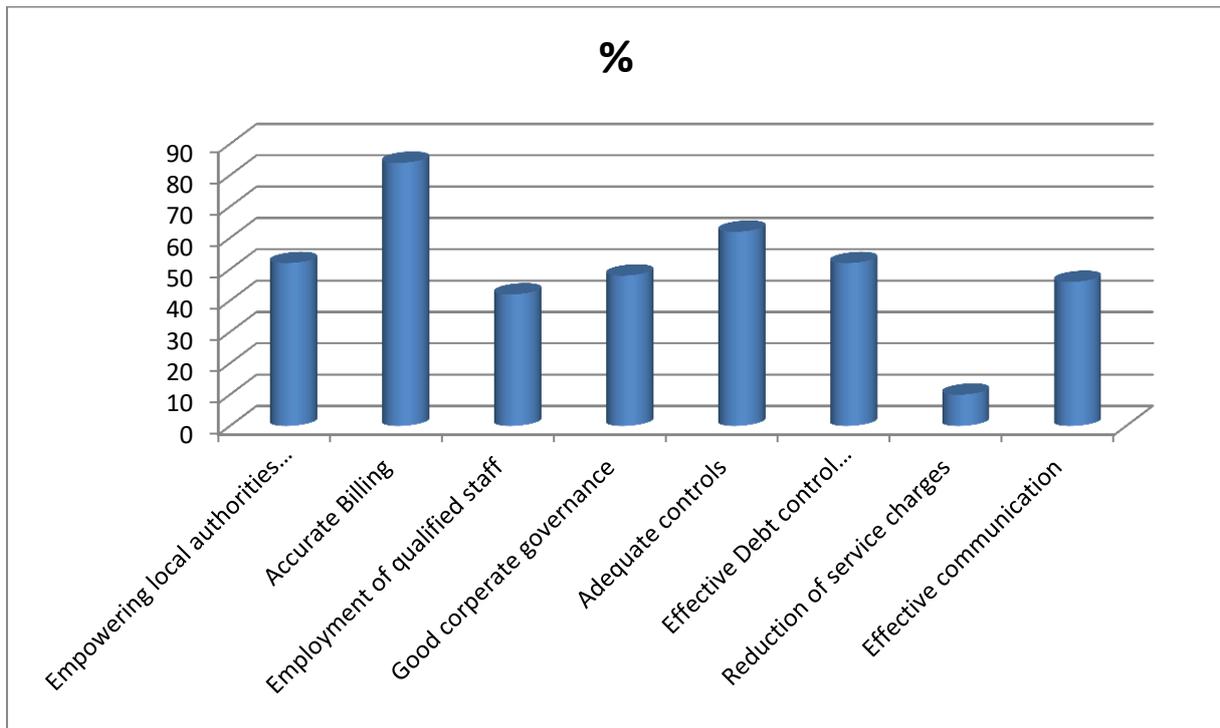
have adequate collection personnel and that a substantial strengthening of staff is needed to administer the revenue collection system.

Negligence by government departments to pay for services offered by the local authority has also been cited as a major problem. Bindura Municipality records indicated that the local authority is owed approximately \$520 000 by government ministries and it cannot disconnect water supplies to the prisons, police and hospitals since they are essential service departments

#### **4.10. Solutions to challenges of revenue collection.**

Fourteen respondents from the 60 resident felt that service charges are high and their reduction will improve revenue collection. Ten respondents indicated that the local authority should improve its debt collection mechanisms. Currently there is no enforcement of payment mechanisms in place. Residents only pay as and when they feel to pay. This is in contradiction to Myers and Brealy who stated that when a customer is in arrears, the usual procedure is to send a statement of account and to follow this at intervals with increasingly insistent letters or telephone calls. The credit control department and the police patrol sections should be adequately resourced in terms of personnel and transport for effective revenue collection. The graph below summarizes the respondents' opinions on solutions to revenue collection constraints.

**Figure 4.7 Solutions to challenges of revenue collection**



Twenty six respondents, that is 36% highlighted that the government should empower local authorities in revenue generation and collection through legislation. The current acts which are the Urban Councils Act and Rural District Councils Act do not adequately empower local authorities in recovering their debts as they do not provide for debt collection. Tariff increases can either be approved or rejected by the minister. Local authorities were also not protected when the licensing of vehicles was taken away from them by the parent ministry.

The majority of the respondents, forty six, were of the opinion that accurate billing will encourage ratepayers to honor their bills on time. As reported in the Herald newspaper dated 15 September 2012, this opinion is well supported by Harare city chief accountant who asserted that accurate bills would improve debt collection as residents would be more inclined to pay for actual consumption. USAID [2006] asserted that accurate property information and accurate tariffs associated to the property will enhance payment of municipal bills. USAID further encouraged both preventative and detective controls so as to achieve accurate billing.

Moreover, twenty one respondents felt that the employment of qualified staff and reduction of labor turnover will help the situation; thirty indicated that the enforcement of adequate controls in the revenue collection will increase revenue inflows while twenty four felt that implementing effective communication and resident awareness programs will help the situation.

The inhibition of corruption among council employees by the payment of better wages could help in improving the revenue inflows. Facts revealed that most residents think that once they make up a payment their money will fall in the wrong hands and hence payment of services is like aiding of embezzlement of public funds. This assertion is supported by reports in the local media the Newsday of 6 September 2012 reported about seven Chipinge Town Council senior officials being sacked by the minister for corruption and embezzlement of public Funds. The same paper reported the sacking of the Gokwe Town Secretary after being found guilty of four counts of corruption.

The repairing of council infrastructure could help the situation as cited by some respondents. Approximately forty percent of treated water is lost through leakages and the replacing of the pipes could aid the local authority to collect an additional 40% of water tariffs. The respondents also felt that the two mining giants [Ashanti and Trojan] should pay rates to Bindura Municipality to enhance revenue inflows. Currently the local authority is only paid for water consumption by the two mines.

All the respondents interviewed advocated for the suing of defaulters as an ideal solution to enhance revenue collections. This finding is supporting Bowman and Kearney who recommended that there is a need to disconnect defaulters. The two argued that using a consultative method will have an encouraging effect on other residents to default on payment. However, there is a great need for political backup for the successful implementation of this solution.

#### **4.11. Sources of revenue not fully utilized by Bindura Municipality**

Various suggestions were obtained from sixty eight ( 68) respondents as this was an open question. The additional sources cited by the respondents are;

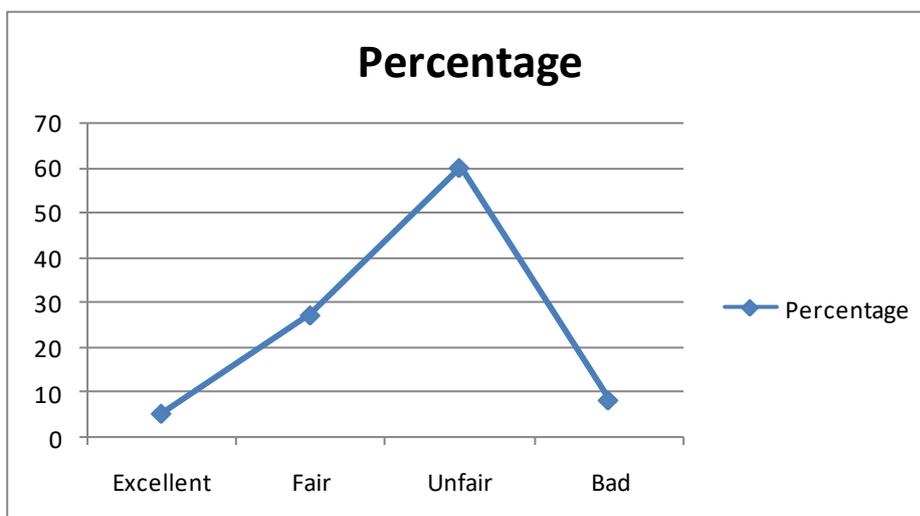
- Liquor sales
- Parking fees

- Income generating projects such as poultry, maize production and other cash crops
- Billing of council schools
- Fines on ox-driven push carts

Information gathered revealed that council schools are not billed for services offered despite the fact that they are now administered by the School Development Authorities [SDAs]. Council beer halls are not operational though the local authority is the licensing officer. The main reasons cited for their closures are competition and viability problems.

#### 4.12. Rating of council promotions

The current fifty percent discount on outstanding bills for the period 2009 and October 2014 has proved not to be popular among the residents. Six percent respondents are of the opinion that the promotion was excellent, twenty six respondents indicated that the promotion was fair and sixty revealed that the promotion was unfair while eight respondents are of the opinion that the promotion was bad. The following graph illustrates the feelings of respondents towards the discounts offered by Bindura Municipality.



**Figure 4.8 Respondents’ rating of council promotions**

Ninety eight of the respondents were of the opinion that the promotions do not take into consideration the ratepayers who are punctual on payment of their bills. The general opinion was that the local authority should devise a better way to reward those ratepayers who are always up to date with the payment of their bills. For example one respondent suggested the crediting of the obedient residents with amounts equivalent to at least fifty percent of what they paid for the same period.

#### **4.13. Challenges posed by politics on revenue collection**

Hundred percent of the respondents acknowledged that there is a relationship between politics and revenue collection. Generally the local politicians are always caught in between the ideology of protecting the interests of the electorate and efficient service delivery to the same electorate. Councilors sometimes are forced to make populist decisions to please the electorate so as to garner adequate votes in the next election. Consequently there is always a misunderstanding between officials and the councilors when it comes to the enforcement of revenue payments. For example facts gathered revealed that the local politicians halted the enforcement of payment of the local business people debts on service charges before operating licenses could be granted in January 2012. The program was halted leaving the huge debt on service delivery charges. Jacobsen (1999) found that there is a ‘trust deficit’ in the political administrative relations at the local level in Tanzania.

Evidence concerning the impacts of political intervention on revenue collection was also found in Bindura Municipality financial statements. Bindura Municipality could not collect at least seventy percent of its service delivery charges in the 2008 election year. Moreover the fight for power between the two main political parties, have negatively affected the local authority’s revenue collection efforts. The two residents associations in Bindura [BIRA and RABI], each linked to one of the two parties, are always campaigning for the nonpayment of bills by the residents so as to garner support. This finding agrees with Fjelstad and Semboja’s findings in their research titled ‘why people pay taxes’. The two discovered that in the election year 1995, the Chama Cha-Mapinduzi (CCM) politicians [ruling party in Tanzania] were trying to moderate the tax collector’s efforts to enforce payment of taxes. On the other hand, politicians from the opposition parties approached taxpayers directly and advised them ‘not to pay taxes’ since taxes, according to their view, were used to ‘finance the CCM-government.

#### **4.14. Summary**

This chapter looked at the analysis, presentation and interpretation of data obtained from questionnaires and interviews. The research findings were discussed under the research questions and questions in the questionnaire. Chapter five presents the summary to the research project, conclusions and recommendations.

## CHAPTER V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0. Introduction

This chapter outlines a summary to the whole research project; it also outlines the conclusions and recommendations drawn from the research findings after having gathered enough data to arrive at these conclusions.

#### 5.1 Summary

This research was prompted by the catastrophic deterioration in the quality of services offered by many, if not all local authorities in Zimbabwe, due to lack of funding. Despite many opportunities given to local authorities through various legislations to collect revenues there seem to be serious challenges in revenue collection in many Zimbabwean local authorities, hence the investigation by this researcher.

The research identified the opportunities and challenges of revenue collection in Bindura Municipality and found out the factors that affect revenue collection for Bindura Municipality.

Some questions had to be answered to come up with the findings and recommendations for the research. The study was carried out within the delimitations of Bindura urban.

Literature from other authors highlighted that ,despite the opportunities at their disposal, it is clear that local authorities has problems as far as revenue collection is concerned.

A sample of 100 respondents comprised of councilors, Bindura municipality employees, the business fraternity and the ratepayers from high, medium and low density residential areas.

The research instruments included questionnaires and interviews. Bar graphs and pie charts were used to present data for analysis, in order to come up with the findings and recommendations.

The research established the following findings:

- Bindura Municipality is facing operational challenges and they are mainly attributable to its failure to effectively collect its revenue.
- Assessment rates which have the largest contribution to the local authority budget have got the lowest collection percentage of five percent.

- Collectively, bus entry fees, graveyards, inspection fees, and shop licenses has higher collection percentages as compared to other sources of revenue.
- Bindura Municipality has a surging uncollected debt since the introduction of the multi-currency system.
- The fifty percent discount promotion offered by Bindura Municipality is not popular to the ratepayers since it does not cater for obedient ratepayers.

### **Opportunities**

- The urban councils act chapter 29; 15 section1 empower local authorities to collect revenue for services rendered to residents in areas of their jurisdiction. The research found out that, Bindura municipality has this opportunity to collect revenue from the residents through this act
- Bindura municipality has the opportunity to collect revenue from many sources which include ,
- Licenses, provision of water, parking, social amenities, graveyard and burial grounds, Housing and others.
- Another opportunity that local authorities have is that its goods and services is sort by everyone, residents and non-residents, for example water, parking space and others. They also do not have to look for customers the set up provide for them already.

### **Challenges**

- IT was observed that, the main challenge affecting the collection of revenue in local authorities is the ability and unwillingness of the community to pay and the quantum of the rate able facilities.
- The research fund out that another challenge is most ratepayers in Bindura are unemployed and hence their level of income has a negative effect on Bindura municipality's revenue collection efforts.
- It was noted that, the late or nonpayment of bills by ratepayers is linked to the challenge of incorrect billing and residents failing to receive their bills from the local authority.
- The observation was that, the majority of the ratepayers do not appreciate the benefits of paying for services offered by the local authority and most of them pay their bills out of fear of being penalized by Bindura Municipality.

- It came out that, Bindura Municipality is also failing to adequately collect its revenue because of the following constrains: poor service delivery, political pressure to relax revenue collection, poor corporate governance, poor debt collection mechanisms, lack of adequate power to enforce payment, poor billing, inadequate communication with ratepayers and corruption and embezzlement of funds by officials. However the most common reasons for non- payment of bills by ratepayers are poor service delivery and corruption and embezzlement of funds by council officials
- Another finding was that, Bindura municipality do not have enough capital to revamp their ageing infrastructures which are water and sewer reticulation systems so as to improve service delivery.
- It was also observed that, Bindura Municipality is not fully utilizing the sources of revenue at its disposal. For example the liquor outlets are lying idle for the past two years when they should be operational or leased to outsiders.
- It also came out that, politics is negatively affecting revenue collection efforts by the local authority. For example efforts to close shops as a measure of enforcing the payment of shop licenses are often thwarted by local politicians.
- The researcher again found out that, Bindura Municipality has no adequate controls to curb corruption and embezzlement of funds by workers.
- It was discovered that, Local legislation and government policies such as the health policy which discourages the disconnection of water are a hindrance to revenue collection.
- Another discovery was that, Central government line ministries are letting down local authorities by not paying for services offered by local authorities.

## **5.2. Conclusions**

- There is a positive relationship between service delivery and the capacity and willingness of ratepayers to pay for the services. As service delivery improves, ratepayers are more willing to pay for the services offered.
- Accurate billing, good corporate governance, employment of competent qualified staff, adequate communication with ratepayers, and improved revenue collection mechanisms can assist the local authority to enhance its revenue collections.
- Corruption and embezzlement of funds by council officials have soiled the public image of local authorities and needs to be addressed. The problem is attributed to low level of wages and weak controls.

- Key council posts which are occupied by personnel on acting capacity and this is negatively affecting council operations since these personnel sometimes are afraid to make bold decisions.
- The local authority does not take into consideration the OPDM guiding principles for local government finance when crafting their budgets. Resultantly their charges are not popular with the residents.
- The underpayment of workers and weak internal and external controls are the main reasons behind corruption and embezzlement of funds by council officials.
- Bindura Municipality cannot access lines of credit for improvement of service delivery mainly because its books have not been audited since the introduction of the multi- currency system.
- The study also discovered that although all classes of ratepayers are failing to pay their bills on time, the high density ratepayers are more associated to this problem. This is mainly aggravated by their levels of income since most of them are unemployed.
- Bindura Municipality has many sources of revenue at its disposal but it is facing a working capital crisis because it cannot effectively utilize these sources. The municipality is also not effective on identifying new sources to augment its revenue structure. The working capital crisis cannot be solved if the local authority cannot successfully realize its revenue tied in debtors.
- Most of the ratepayers are afraid of being penalized for nonpayment of bills. The enforcement of payment through disconnections and suing of defaulters could result in more revenue trickling in. Above all; more revenue could be realized if government departments and schools could pay for services offered by local authorities.
- Funding from central government is urgently needed by the local authority to replace its dilapidated sewer and water reticulation infrastructure and the increasing of service delivery fleet. An improvement in these areas will result in an improved payment from residents.

### 5.3. Recommendations

Basing on the above findings and conclusions, the researcher recommends the following:

- Bindura municipality should come up with a debt collection policy. For example it could be the council's policy to disconnect services and or suing defaulters who ignore warning letters. In addition the local authority should come up with a code of ethics to be followed by its employees.
- Bindura Municipality should urgently utilize revenue sources at its disposal. Council should either lease or operate its liquor outlets. A feasibility study should be done before choosing one of the suggestions. New initiatives should be made to increase revenue collections e.g. the local authority can introduce parking fees in the central business district.
- The revenue collection section and the credit control section should be adequately equipped with qualified staff and service vehicles. Staff should be trained on customer care and debt collection so that they could be more competent.
- Bindura Municipality should replace all broken water meters with new ones and the costs could be passed on to the property owners over a long time so as to achieve actual billing.
- The local authority should come up with a sound communication strategy with the ratepayers. This will assist in the local authority achieving its targets in revenue collection and at the same time address the ratepayers concerns.
- Council should start making efforts to improve its relations with ratepayers. This will assist in building good relationships with the residents who in turn will support initiatives that the organization takes towards revenue collections. The campaigns to educate ratepayers on the importance of paying for services should be started forthwith.
- Bindura should improve controls to curb corruption and embezzlement of funds by officials and residents should be educated to get a receipt whenever they make a payment.
- It is recommended that there be a local authority support program which provides technical assistance to municipalities in financial management. In addition to this, new and refined policies and legislation empowering local authorities in areas such as revenue generation and collection should be introduced. Moreover, these policies and legislation should aim at improving the flexibility of the legal framework within

which local authorities operate and to improve the leadership, management and accountability in local authorities.

- The local authority should come up with code of ethics in order to preserve good corporate governance. Adequate controls including paying employees a competitive remuneration should be put in place to curb corruption.
- The central government should assist local authorities with grants to upgrade their dilapidated infrastructure so as to improve service delivery. In addition local authorities should have their books of accounts audited in time so as to access lines of credits. Local authorities should be involved in Municipal International Corporation (MIC) so that they can enjoy the benefits such as undertaking joint projects and getting technical assistance from partners.
- Bindura municipality should involve the elected officials in the process of revenue collection for them to appreciate and assist to bridge the gap between politics and the collection of revenue.
- Incentives from the council promotions should be extended to those who are up-to-date with their payments to discourage ratepayers to stay in arrears.
- Awareness education on the obligation of residents to pay rates and why they do so, should be carried out, so that they appreciate how this is important in the provision of services.
- Bindura municipality should utilize other revenue collection opportunities at their disposal rather than over relying on rates paid by the poor residents

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## APPENDICES

### APPENDIX 1: QUESTIONNAIRE FOR RESPONDENTS

#### Introduction

My name is Jona Garaiza. I am currently studying towards the attainment of a Bachelor of Science in local Governance Studies Honors, at Midlands State University. As part of my dissertation requirements I am carrying out a research. May you kindly complete the following questionnaire? Please note that this questionnaire is purely for academic purposes. Your responses shall be treated confidentially and they will not be published elsewhere. The responses are anonymous so please do not write your name on the questionnaire.

Thank you.

***(WHERE RESPONSES ARE PROVIDED TICK IN THE APPROPRIATE BOX)***

1. How long have you been staying in Bindura as a rate payer?

Below 2 years    2 years and below 5 years    5 years and above

2. Are you employed?    Yes    No

3. What are the main sources of revenue for Bindura Municipality?

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

4. How often do you pay for services provided by the Municipality?

Always    Sometimes    Never

5. Do you pay municipal services because?

You know it is the right thing to do?

You fear being penalized by the Municipality?

By paying your account you are helping the municipality to provide better services to the people?

5. If you are not up to date with your payments to council, it is because:

You do not receive your bills

You have been billed incorrectly

You do not see the need to pay since in your opinion council should provide services free of charge

7. In your view, what are the revenue collection constraints facing Bindura Municipality?

- Poor billing
- Inadequate communication with ratepayers
- Lack of power to enforce payment
- Corruption and embezzlement of funds by officials
- Political pressure to relax on revenue collection
- Poor debt collection mechanism

Other(specify).....  
 .....  
 .....

9. How can the revenue collections constraints you identify above be solved?

- Empowering local authorities in revenue generation and collection through legislation.
- Accurate billing by council officials
- Employment of qualified staff and reduction of labor turnover
- Practicing good corporate governance
- Enforcing adequate control mechanisms
- Enforcing effective debt control mechanisms
- Reduction of service charges

Other(specify).....  
 .....  
 .....

10. What are some of the sources of revenue that are not fully utilized by the Municipality?

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

11. How do you rate promotions (discounts) given to residents by Bindura Municipality?

- Excellent  Fair  Unfair  Bad

12. Do the promotions take into consideration ratepayers who are always up to date with their payments?

- Yes  No

13. If your answer above is No how council should best address this anomaly?

.....  
 .....

.....  
.....

14. In your opinion is there any relationship between politics and revenue collection?

Yes  No

## **APPENDIX 2**

### **Questions for Interviews**

1. For how long have you been a Bindura Municipality employee?
2. If someone says Bindura Municipality is not fully utilising revenue sources within its jurisdiction what is your response?
3. In your opinion what is constraining Bindura Municipality in the collection of revenue?
4. How best can Bindura Municipality overcome these constraints?
5. Corruption and embezzlement of funds by council employees has been a problem in many local authorities as evidenced by reports in local papers. What measures have been put in place to by Bindura Municipality address this problem?
6. Is it true that politicians are contributing to poor revenue collections and if yes, how?
7. What procedures do you take to recover payments if residents are in default?
8. Is there no any political interference to the entire process?
9. Residents are saying that you are promoting non-payment of bills by offering the 50% discounts to only those who had failed to honour their bills. What is your response to this assertion?
10. In your opinion how can the municipality extend the offer of discounts to the residents who are always up to date with the payment of their bills?
11. How can Bindura Municipality enhance its revenue collections?