The Challenges of Self-Financing in Local Authorities The Case of Zimbabwe

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Abstract

A vibrant local authority system constitutes the bedrock for sound public administration and the promotion of bottom-up socioeconomic development. It enhances government responsiveness to local communities and also serves as the forum for robust and sustainable grassroots participation. The paper examines self-financing efforts in local government authorities in Zimbabwe against the background of perceived declines in transfers from central government. Study findings indicate that while local authorities in Zimbabwe exercise varying taxing and expenditure powers under the rubric of fiscal decentralisation, creating a buoyant self-financing base is compromised by interlocking factors that include continued central government grip, limited revenue base, failure to devise long range revenue optimising strategies, political interference, and an institutionalised culture of rent-seeking. While property tax is a promising revenue source for local authorities in Zimbabwe, it remains among the least tapped sources of tax revenue due to absence of fiscal cadastre information, lack of valuators, inaccurate valuations, and inept collection enforcement. Zimbabwe is yet to create an up to-date information base on commercial, mining, residential and agricultural activities. In both rural and urban areas, land ownership remains tenuous and therefore difficult to tax. Rural local authorities are yet to devise strategies to effectively mobilise royalties from mining and agricultural activities in their localities while urban local authorities tend to rely on predatory user charges. Unfolding scenarios over the decades underline the need for a paradigmatic shift in local authority self-financing strategies by placing more emphasis on property tax revenue collection and enhancing revenue planning and optimizing strategies, among others.

Key Words: Local government financing, fiscal decentralisation, revenue sources, user pay principle, intergovernmental transfers

1.0. Introduction

The term local authority denotes administrative bodies that are officially responsible for all the public services in specific geographical areas such as cities, towns, municipalities, counties and boards. Local authorities are tasked with ensuring provision and maintenance of public services to local residents through the utilisation of funds generated from the local communities, in addition to loans and grants from the central government and other sources (Zimbabwe Institute, 2005). A wide, secure and buoyant revenue base is critical if local authorities are to effectively execute their functions (Local Government Finance Commission of Uganda, 2003). Local authorities must also possess some modicum of liberty to alter the level and composition of their revenue sources in line with the logic of fiscal decentralization. Fiscal decentralisation devolves "taxing and spending powers from the control of central government authorities to government authorities at sub-national levels" (Local Governance and Decentralisation, 2009, 16). This entails determining their sources of revenue, tax rates and levels of expenditure. According to Larson (2004) most local government collection systems strive to achieve three goals, namely; to accelerate the receipt of available funds, to safeguard the government's cash and to keep banking costs to a minimum.

The term 'revenue' generally denotes all incomes from taxes, fees (charges), fines, loans which local authorities mobilize from within and outside their own jurisdictional arenas. Local authority collection systems vary depending on the size of jurisdiction, the payment methods allowed and the nature of revenues received (Larson, 2004, 452).

The core sources of revenues in the local governments can be classified into internal and external sources; the former covering pay rates, user charges, development levies, income generating projects and local taxes while the later captures additional funds from outside the local government which are provided in the form of government transfers, grants and loans, among others. However, over reliance on external revenue sources, increases the dominance of the central government on local authority, reducing them to mere "talking shops without finance to implement their decisions" (Oluwu, 2010).

2.0. Principles Governing Local Government Financing

Across the world, taxes constitute the major source of local government revenue (Hyman, 1990, 675). The essence of a tax is that the governing body demands a financial contribution towards the cost of its activities from a person or organization. There is no choice for the rate payer and there is sometimes no relationship between the amount paid and the form of benefit received. Underlined here is that revenue collection, be it at national or local government level, should be guided by the general theory of tax design, namely that tax design and revenue collection should be based on principles of benefit-pay, economic efficiency, administrative convenience and equity (Goode, 1984; Musgrave and Musgrave, 1984; IMF, 2011; AFRODAD, 2011). The benefit-pay (user pay) principle argues that taxes should be apportioned in relation to the benefits received from publicly provided goods and services. Economic efficiency principle argues that sound tax revenue collection should not be an impediment to local investment and development. Administrative convenience calls for special consideration to both the enforcement aspect of the taxes and convenience to the taxpayers. A good tax system should be as simple as possible to administer for both taxpayers and the tax collector.

Sound local authority tax systems are also sensitive to issues of equity. Tax systems that are viewed as unfair are prone to be resented, which in turn courts huge compliance costs. The equity principle states that persons who are similarly situated should be taxed equally. Tax burdens should be fairly and justly distributed. In the allocation of tax burdens, local residents should be viewed as comprising the income classes, the property classes, the producer classes and the consumer classes. The value of equity underlies excellence in local authority fiscal administration. There is need to ensure equal opportunity and access to all local government facilities and opportunities with respect to disadvantaged and disabled local authorities and individuals. Sano and Alfredsson (2002) argue that if local authority systems are to be viewed as morally and politically upright, everyone should understand that they draw benefit from them. In practice, however, the test of equity and fairness is whether a system protects and empowers those who are weak and disadvantaged and whether authorities protect the rights of people (and places) that are excluded, unpopular and politically invisible (ICHR, 2005:19). This brings us to the question why are some local authorities are more developed and more funded than others. There is need for the adoption of the equalisation formula that sees districts or councils being given adequate resources that fully suffice the developmental needs in those zones. This will help even out the asymmetrical developments in councils. The value of equity also sensitises local authorities to issues of inter-generational equity.

These tax design principles have far reaching implications on the governance of local tax revenue collection. The discharge of duties by local authorities should go a long way in strengthening local authority social legitimacy (ICHR (2005). Legitimacy has a direct bearing on both their sustainability and capacity to enlist local participation in local authority activities and programmes. Local governance should be based on structures that are democratically elected and also representative of the socio-political, gender, demographic, ethnic and religious and economic conditions prevalent in the local domain (Rutherford, 1983). Local communities and residents (as ratepayers) should also be involved in the formulation of budgets, reviewing of tax rates, fees, and fines, among others. The need to promote democracy and representativeness at local levels demands that transparency and accountability should be upheld with regards to revenue mobilisation.

Transparency and accountability, as intimately related principles oblige locally elected officials to be answerable for their policies, actions and use of public funds (Zimbabwe Institute, 2005:24). Financial accountability in the management of public funds and aid funds has to be upheld uncompromisingly. Transparency (achieved through the provision of public information about financial transactions) entails openness in which local funds are handled and in this way serve as a reliable deterrent to corrupt practices (ICHR, 2005). Appointment of auditors, pluralistic approaches in the local authority budget making processes and regular public reviews go a long way towards reinforcing transparency and accountability practices in local authorities.

Compliance with the rule of law provides a predictable and transparent legal framework for investment and security of private property and in this way strengthens the local authority revenue basis (Sen, 2005). The principle of participation rests on the assumption that everyone has the right to meaningfully take part in the political decisions that affect their lives. Participation is thus aimed at paving way for the people at the grassroots level to debate issues and participate directly or indirectly in local and national priority setting, budget formation and service delivery (ICHR, 2005). As argued by Schou (2000, 5), "effective and accountable local government implies involvement of citizens in decisions that affect them". When it is meaningful, participation empowers people. Active involvement in formulating and implementing decisions relating to sources of finance and methods of collection among others, allows people to take decisions and accept decisions taken in their name by those who represent them. In this regard, participatory decision making is at times prone to contestations hence the need to put in place conflict resolution mechanisms in order to manage disagreements (Zimbabwe Institute, 2005).

3.0. Structure of Local Government Revenue

3.1. Property Tax

Property tax is based on the value of properties owned by households and enterprises. The property is assessed to determine its value, upon which it is taxed (Roy, 1999; Foster, 2011; Feltoe, 2002). Property tax always includes land, residential constructions and industrial constructions. Every local government authority has a mandate to charge rates and levies on various types of property within its jurisdiction. For instance, under the Urban Council Act of Zimbabwe, a council is obliged to impose a rate upon all owners of rateable property within its area, with the approval of the Minister. In most countries property tax contributes a considerable income for local governments. Such rates are levied on the basis of the valuation of the size of land and improvements made. According to Rothschild (1996;134), the rate charged is collected on the basis of the value of property as listed in the particular council valuation roll and paid semi annually. Because property tax is based on verifiable factors, it provides a very predictable income for local authorities.

However it has to be noted that during the exercise of rating, property members of the valuation Board might be biased on estates or properties where they have personal interests in. There is also the challenge of shortage of skilled valuators (Roy, 2000; Mai, 1996; Youngman, 2001). It should also be noted that while a well-maintained property register is indispensable, in practice it is costly and technically difficult to maintain. In addition some land and building owners may take advantage of the insufficient legal control and not pay tax. It may also be difficulty and costly to evaluate each building and premise. In practice, it is difficult to make the poor or powerful people pay (IMF, 2011). There are also problems in ascertaining tax liabilities especially in the case of absentee landlords whose tenants erect taxable properties. Experiences in African countries suggest that local authorities face challenges in enforcing legal penalties for nonpayment (Youngman, 2001; 46).

In countries that are going through land reforms, the collection of tax from the settled farmers can be interpreted as undermining the land reform initiative, scenarios that may discourage local authorities from enforcing such taxes. Property ownership in most African countries is not clearly legally defined and hence difficult to identify the actual owners of property. Central governments are also reluctant to contract out tax administration functions to local authorities.

3.2. Development Levy

Development levy is a tax imposed by the central government for payment by the local people to enhance local development in the form of roads, bridges, schools, hospital construction among others (Makumbe, 1996, 143). However, this source of income is often criticized on the basis that the level of taxation is determined by the national government rather than by local authorities who are really aware of what should be done to develop their localities. In Zimbabwe, people who reside in certain localities resist payment of the development levy due to the fact that payment and development on the ground is usually disproportional (Wekwete (1987).

3.3. User Charges

User fees are an important source of municipal revenues in developing countries. According to Slack (2009, 7) a user fee is a charge per unit output and usually takes at least three forms, namely, service fees (which includes license fees and various small charges levied by local governments for performing specific services such as registering a vehicle or providing a copy of a marriage license), public prices (which include the revenues received by local governments from the sale of private goods and services other than the cost of reimbursement) and benefit taxes (that is, service fees). In most countries, there are user fees on water, electricity, health and education. In the case of water and electricity, residents are bound by municipal laws to pay monthly rates as per billing done by the relevant authority. In the case of Zimbabwe, the National Water Authority (ZINWA) collects rates for water; the Zimbabwe Electricity Supply Authority (ZESA Holdings) collects rates for electricity while the urban councils such as Harare City Council, collect rates for refuse collection or street lights. User charges are developed to cover operating and investments costs.

It should be noted that user fees are not used for capital financing. They are complimentary ways for providing local public services. However, selecting appropriate type of taxes and fees is usually problematic given different and often contradictory administrative, political, economic and social constraints. In practice, no mix of taxes and fees is ever be perfect and as such local governments should be prepared to constantly review and improve their internal mobilization systems. In the case of Zimbabwe, the Zimbabwe Water Authority Act stipulates that funds of the Authority shall consist of charges payable and any fees or charges in respect of any services rendered by the Authority. The authority in question provides services such as water, the sale of raw or treated water from water works operated or controlled by the Authority. Such services therefore provide revenue for the organization that will be used for its operations. It should however be noted that if the authority desires to review its charges, it has to ask for approval from the responsible minister.

However, some of these local authorities at times charge exorbitant prices which are contrary to the law and in this way inflict a heavy burden on the citizens. A practical example is given in the Zimbabwean Hansard of 17 March 2010 where a Member of Parliament, Honorable Matshalaga commented that although the structure of user fees was supposed to vary from authority to authority, “sometimes the local authorities will create other charges that will be given other names in order to hide that they are fees. In most cases these fees were found to be much higher than fees charged at central hospitals”. Underlined here is that user fees require sufficient regulatory systems to avoid their susceptibility to abuse by local authorities. When fees and user charges are reasonably established, local authorities can achieve financial self-sufficiency. Moreover user charges as propounded by Helmsing (1991; 104) differ in the degree to which users are made to pay in proportion to their actual benefit. In addition to this, technical and political considerations may make it difficult to establish the level of cost recovery and the degree of under or over charging.

3.4. License Fees

Another most important source of revenue for local authorities is the license fee which is imposed on motor vehicles, shops among others (Goldfrank, 2009). In Zimbabwe, for one to be issued with a license to run a general dealer, a fee has to be paid first. Although councils receive income from liquor license fees, they have no control over the issuing of the licenses. It is the responsibility of the Liquor Licensing Board. However, Helmsing et al (1991; 104) notes that the cost of issuing a license is often far below the actual fee charged. For example, when vehicle fees are used to finance road maintenance, the way the tariffs are set is in no way related to the actual use of the road infrastructure and hence cannot be considered as a service charge.

3.5. Income Generating Projects

Local authorities should also have the capacity to undertake income generating projects. For instance, the Zimbabwe Urban Councils Act [Chapter 29: 13] clearly stipulates that the funds of a council shall consist of revenues received from any activity engaged in by the council in terms of section eighty (80). As also explained by Feltoe (2002; 80), a council may engage in any commercial, industrial, agricultural or other activity for the purpose of raising revenue for the council. In the Masvingo province of Zimbabwe, the Bikita Rural District Council spearheaded various projects that include gardening through irrigation schemes and cattle fattening among others, from which it generated revenue for community development (Makumbe (1996; 147). The Bulilima-Mangwe District Council also engaged in gardening through the Ingwizi irrigation scheme to generate income for the community. Other income generating projects mostly used by local authorities include the sale of alcohol. However, the paradox as argued by Jordan (1984; 57) is that the operation of liquor marketing department is accompanied by the anomaly that one department of a municipality encourages the drinking of alcohol in order to increase profits while another department (health) actively opposes it.

Rather than being directly involved in liquor marketing, it would be more cost effective to simply impose a levy which would be collected from the breweries while at the same time leasing their liquor marketing premises to the private sector. This could increase the amount of money collected and in this way enhance the performance of the local authorities. It has to be noted also that commercial activities require skills that may not be available in the public sector. Moreover local authorities have a tendency to impose monopolies and charge higher prices to the consumer so as to make their income generating projects successful. Helmsing (1991; 138) stipulates that until 1990 in Zimbabwe these traditional sources of income had become insufficient to meet local council expenditure. A vacuum was therefore left open only to be filled by the external sources such as government grants, transfers, loans from central government, donors as well as short terms from banks and building societies.

In Zimbabwe, local authorities depend on ministerial allocations to be able to provide basic services. These allocations are vitally important when it comes to areas of development planning, infrastructural development and financing of capital projects. For instance, central government availed US$7 million for the construction of Mtshabezi pipeline, US$6,4 million for the rehabilitation of sewage infrastructure to Bulawayo City Council, US$2,9 million to Marondera Town Council and US$180 000 to Mutoko Rural district Council (Government of Zimbabwe, 2010). Helmsing (1991; 108) notes that the issue of financial resources is a critical determinant of local authority autonomy. Where a local authority depends on central government allocation, the degree of autonomy is usually less as the important decisions on use of funds tend to be made at the centre. When the source of money is the centre, it is strictly tied to specific purposes and in this way gives them little leeway over expenditure decisions. One remarkable example which Zimbabwe and other African countries should emulate is South Africa where local authorities raise a substantial portion of 90% from their own revenues (Craythorne, 1993). Underlined by the South African experience is that it is possible for local authorities to raise their revenues from user fees and property taxes.

3.6. Intergovernmental Transfers (ITGs)

Intergovernmental transfers are a central facet of local government financing. These are grants and transfers to local authorities from central government and other government departments (Rothchild, 1996; Mahi, 2002). These commonly take two forms, unrestricted (block or general purpose) and categorical (tied or specific purpose) grants. Unrestricted grants are those funds that can be spent on any local service. The aim of these grants is to compensate local governments for limitations of their tax sources. The unconditional nature of block grants enables councils to implement projects identified in several localities autonomously. Categorical grants, as noted by Zimbabwe Institute (2005), have to be spent for specific services (such as roads, parks or some other local service) indicated by central government or its agencies. These are meant to promote programs of national purpose and can only be used on specific categories of expenditure. All grants are predictable and can be tailored to meet their objectives by using a surcharge whereby local governments determine the amount of funds that it needs. In South Africa, the government's Municipal Infrastructure grant has evolved into a transparent, predictable and poverty-targeting subsidy mechanism that currently funnels over US$1 billion for poor communities (www.wikipedia.com). In Malawi, urban authorities also receive grants from government in respect of specific services, for example primary education, roads among others.

Another form of grant is when central government receives funds from international monetary institutions and distributes them to local governments as grants that are used under loan conditions given by the lender. Most of the grants have costs attached with them which might be detrimental to the local authorities. However, these grants also promote a dependency syndrome and recklessness in the use of funds as local authorities will be operating under the assumption that more grants will be availed to them. For example, in Ghana the introduction of a grant known as the District Assembly Common Fund inclined the District authorities to over rely on these grants and thus led to a considerable decline in locally raised revenues (Slack, 2009). The author further notes that transfers can reduce accountability when two or more levels of government are funding the same service. There is no incentive to be efficient when someone is responsible for funding.

3.7. Borrowing

Borrowing is another source of revenue at the disposal of local authorities. Revenues from taxes, user fees and IGTs are likely to be insufficient to meet the infrastructural needs of local authorities. For this reason, local authorities may also want to access private capital and this is achieved through such initiatives as borrowing.

According to Chapman (1953; 185), local governments may also borrow money from the state or such other source, with the consent of the Minister responsible for Finance. Unlike central government grants, in borrowing the borrower has to pay back. Local authority loans are suited for those expenditures and can be paid in small increments from future revenues. Loan allocations are based on the forecast of the capacity of the borrower to pay back. There is therefore a limit to borrowing. In some industrialized countries local governments can bypass central governments and borrow from private sources but this degree of independence may not be appropriate in the developing world because the credit worthiness of the local governments is not well established and central government might want to control or guide allocation of local investment.

There are various issues to be considered when borrowing and these include the grace period, interest rate, grant element as well as the absorptive capacity of the borrowing entity (Musgrave & Musgrave, 1984). The grace period refers to the length of time before repaying the loan. The longer the grace period, the better it is for developmental purposes. The grant element is the actual value of the aid received in form of loans. Grants are perceived to be more desirable form of aid in that the greater the grant element the more the potential of promoting economic development It should also be noted that the higher the interest rate, the higher the cost of paying back; the lower the interest rate, the lower the cost of paying back. Underlined here is the need to assess the absorptive capacity of the recipient local entity as well as its fiscal discipline capacity.

According to Elock (1994) there is needed to establish a strong local government borrowing system. It is recommended that local governments start collaborating with private entities in the provision of their services as a means of enhancing their revenue generation capability. However the feasibility of such a move is questionable since many districts and councils lack well-developed financial markets and credit worthiness. It is also recommended that local authorities fix mobile assets census and maintain a register that will provide information on value and other details for proper management of property. If such measures are adopted, the revenue base will be boosted from property tax. Parkers (2010) notes that despite receiving funding assistance from the state and the commitments made to cost cutting, the level of accountability by these enterprises demands stricter public scrutiny and disclosure.

4.0. Experiences in Zimbabwe

The local government in Zimbabwe is enforced through 58 Rural District Councils and 28 Urban Councils, the former drawing their functions, powers and responsibilities from the Rural District Councils Act while the later draws from the Urban Councils Act. Within these rural and urban local authorities, are 6 city councils, 8 town councils, 10 municipal councils and 4 local boards in descending order of status, authority, power and resources (http://www.mlgvturd.gov.zw). Local authorities are obliged to provide social services, maintain and construct various infrastructures in areas under their jurisdiction. These services and goods are provided and paid for on the basis of benefits received.

5.1. Urban Local Authorities

Urban Councils derive the bulk of their revenues from property, receipts from trading accounts, tariffs or fees for services rendered, registration and licensing of motor vehicles, education, health and road grants. Revenue is also from central government in the form of general and specified funds in respect of capital projects like water and sewerage reticulation, storm water drainage among others (http://www.mlgvturd.gov.zw). The Urban Councils Act permits councils to mobilize resources on their own by levying rate payers and charging user fees though the tariff increases as regulated by the central government. Below is a review of experiences in selected urban local authorities.

5.1.1. Harare City Council

Harare City Council (HCC) is located in Harare, the capital city of Zimbabwe. HCC mainly collects its revenue from property tax, electricity, water sanitation, and shop licensing. The city council also mobilises its revenue from public-private partnerships (PPPs). According to Slack (2009), PPPs are partnerships between a government body and a private sector party whereby the private sector provides infrastructure or services that have traditionally been delivered by the public sector.

According to the Harare City Council's Education, Housing and Community Services and Licensing Committee Minutes dated September 27 of 2011, CABS Building Society entered into an agreement with the Council which would result in the construction of low-cost housing units in Harare's high density suburbs. As such CABS was allocated 3102 residential stands from the 4558 created from the sub division earmarked for Budiriro Housing Development Project. Council also commissioned a USD5 million low cost housing project with Fidelity (CPA, 2012). Such initiatives imply an increase in the tariffs or fees from such services as property tax, electricity, water, shop licences among others. In the transport sector the city authority ventured into a contracting-out initiative in which a South African company Easipark collects parking tolls on its behalf.

The council gets rentals from the use of its properties such are as the City Sports Centre, State Lottery and Harare Gardens for social events and functions such as churches, seminars, musical bands and weddings. The council also gets its revenue in the form of fines from the defaulters (those who get their cars clamped plus illegal vendors). The HCC also participates in income generating endeavours which entails the running of beer halls and the selling of liquor. However the city council must revamp its revenue collection endeavours as it is reportedly owed over USD 120 million in unpaid water bills (www.intozimbabwe.com); scenarios that are hampering its bid to improve water provision. The council is also facing challenges of interference by top political and government officials. Its control over some flea markets in residential areas such as Mbare is not clear cut.

5.1.2. Bulawayo City Council

Bulawayo is the second largest capital city in Zimbabwe after the capital city of Harare. It is located in Matabeleland, 439 km south west of Harare. The Promulgated Act 41 of 4 November 1943 declared Bulawayo a city. Bulawayo has long been and is still regarded as the industrial and business capital of Zimbabwe. The Bulawayo City Council (BCC) gets its revenue from the central government grants and loans. In an article published in the Chronicle dated 4 May 2012, it was reported that a total of USD2million has been given to the council as a loan from the Government through the Infrastructural Development Bank of Zimbabwe (IDBZ) while USD 3 million from the ZINARA Road Fund was availed to BCC earmarked for the rehabilitation of roads.

An online magazine *Bulawayo 24* of 9 July 2012 reported that the BCC was failing to utilize close to $6 million allocated by government in the 2012 National Budget for the upgrading of its water reticulation systems. This may be interpreted as showing the inability of the city council to come up with capital projects that fully utilise the allocation. The BCC mostly generates its revenue from property taxes, licences, user charges and fees, fines, receipts from trading accounts, borrowing and public-private partnerships. However, the public-private partnership route exposed the BCC to overdrafts from commercial banks. According to Slack (2009), the success of partnerships depend on how the contractual arrangements are structured as well as how the risks are shared. The BCC also enjoys the financial benefits of international inter-local-governmental relations. For instance, in June 1986, the BCC twined with the Scottish city of Aberdeen. However the BCC just like other local authorities in Zimbabwe is crippled by unpaid debts by Government department and private companies.

5.1.3. Beit Bridge Town Council

Beit Bridge is a border town in the Matabeleland South province. The name refers to the border post and bridge spanning the Limpopo River, which forms the political border between South Africa and Zimbabwe. According to Muleya (2011), the Beit Bridge border post is one of the busiest borders in Southern Africa. The largest chunk of the Beit Bridge town council is drawn from rates, leases and business licences. The town council depends on grant funds especially for repairing critical infrastructure. The town council also gets its revenue receipts from the sale of water, tariffs and user fees from services rendered. According to Stephens (2010), the World Bank provided USD23 million to the town council under the State Peace Building Fund (SPBF) which was earmarked towards the upgrading and rehabilitation of water and sewer reticulation facilities. This improvement will go a long way in enhancing the revenue base of this town council. The town council also relies on the public-private partnership concept in championing road development, refuse collection and street lighting (Muleya, 2011). These types of infrastructure are large in scale and have identifiable revenue streams and measurable results. In this regard, investors could take advantage of the availability of the Export Processing Zone (EPZ) in the town and establish their industries thus constituting a sizeable chunk of funds to the local authority in the form of property rates.

On the other hand, this town council countenance a host of challenges in areas of sanitation, sewer reticulation, and solid waste management and the provision of adequate accommodation. Beit Bridge town has no fire station and relies on the services of the one in Musina, South Africa in case of emergency (www.heraldonline.co.zw).

5.2. Rural Local Authorities

The Rural District Act mandates Rural District Councils to provide various social and infrastructural services such as the construction and maintenance of sewage works, roads and dams (Zimbabwe Institute, 2005). Their sources of revenue include taxes on landowners, mining locations, licensed dealers and permit holders. Levies, rates and rents are paid to council for services rendered by government such as refuse collection, water and sewerage. Rural District Councils also get their financing from central government in the form of grants for education, health and roads and grants for the general administrative costs, including paying for the recurrent expenditures like salaries and wages. According to the ACPD (2002), loans received under the Public Sector Investment Programme (PSIP) for infrastructure, interest earned on moneys invested by council in any investment instrument plus revenue received from any revenue -raising activities of a commercial, industrial and agricultural nature serve as additional revenue sources for the RDCs in Zimbabwe.

However, the Zimbabwe Institute (2005) views these sources as generally inadequate to finance council activities and operations because most RDCs suffer from a deficiency of commercial rates base and incapacity of the local economy to generate revenue. Mbetu (1997) argues that, RDCs are incapacitated to collect, administer and allocate revenue due to constraining barriers ranging from central government control, weak technical skills and lack of legal instruments to back up their efforts. Limited administrative capacity in general is a great impediment to the RDCs' ability to levy and mobilize own revenue. It is noteworthy as well to point out the asymmetrical relationship that exists between RDCs and Urban local councils whereby the latter are financially more self-reliant as they have wider tax and rate bases.

There is ministerial intervention with regards to the revenue raising and spending arenas. Most of the internal revenue raising powers is subject to central government direction and control. Section 125 of the RDC Act permits a council to obtain advances from any commercial bank in the form of overdrafts with the authorisation to do so being granted by the Ministry of Local Government and the Finance Ministry. Ministerial consent is required in order to borrow from external sources. Such overarching practices limit the financial autonomy, initiative and flexibility of RDCs thus paving way for ministerial intervention. RDCs must be empowered institutionally, resource wisely and legally to autonomously collect and manage the financial resources which they do mobilize.

The impression is that local authority revenue collection practices in Zimbabwe relate with global practices in many ways. In terms of constitutionality of the local authorities, the Bolivian and Rwandese local authorities like the Zimbabwean have no constitutional backing. Ireland as a modern democratic state is an exception since local government practices have constitutional backing therefore revenue collection and spending issues have a legitimate anchorage in the supreme law of that nation. Local authorities in these countries receive a stipulated share of the national fiscal revenue (in the form of grants and transfers) and they also apply for funding from national development funds and international co-operation organisations. The only difference that exists from the Bolivian case is that there is a fixed rate (that is, 20% of the national fiscus) for their transfers. Irish local authorities rely on general purpose grants, and subsidies (the biggest contributor). Zimbabwean local authorities like the Irish, Rwandese and Bolivian cases also rely on user fees which they collect from the provision of services such as water, electricity, refuse collection and other social amenities.

6.0. Regional and Global Experiences

In this section, the article sought synoptic reviews of revenue collection practices in selected regional and global countries with a view to establishing the extent to which they compare with local authority revenue systems in Zimbabwe. There was visible effort to capture experiences across the regional divide.

6.1. United States of America

In America, the rationale for decentralising fiscal powers from the centre to local authorities (counties and city governments) is rooted in its 1787 Constitution which is very explicit in its statement that power should not be concentrated in one group or one place. The Constitution grants powers to local authorities through the states.

Control of local government is placed under states rather than federal government. The wisdom that 'government is best that is closest' underpins the devolution of fiscal powers and responsibilities to local authorities (Berman, 2003; http://usinfo.state.gov/journals/itdhr/0499/ijde/berman.htm).Within this framework, local authorities have power to tax and spend, although the extent to which these fiscal powers are exercised relations between state governments and their local governments vary widely across the USA, depending with the relations between state governments and their . Local authorities mobilise over 65 percent of their own revenues, the rest either sourced from state and federal governments.

Intergovernmental transfers are in the form of grants (restricted and unrestricted), state sales, income and gasoline tax revenues from States. Decades also witnessed visible efforts by voters to restrict revenue-raising actions of local authorities by requiring that "all local revenue-raising actions (taxes, fees, charges) are approved by two-thirds or more of the voters" (Ibid, 2). Major sources of internal revenue include property tax on homes and commercial real estate (accounting for 26 percent of total funding), sales tax (accounting for 5 percent), individual local income tax (accounting for 2 percent) and user fees (accounting for 14 %) (Berman, 2003). Ancillary revenue sources include locally-owned enterprises such as state–run alcoholic beverage stores, gambling operations, and issuance of local bonds, contracting out city services and also through partnerships with other local governments. However, since the 1990s, there has been a noticeable shift to user charges (water, sewage and transportation, developers of residential stands and commercial real estate).

6.2. United Kingdom

Although most parts of the UK have two tier local government systems of county councils and district boroughs or city councils, there are also areas with one tier local authority authorities in the form of a city, borough, county council or simply a council and others with parish or town councils. Counties, district councils and unitary authorities form the principal local authorities in the UK (Rutherford (1983, 144-145).

County councils have jurisdiction over services such as education, housing, waste management, fire and public safety, social care and strategic planning while district, borough and city councils generally preside over areas that are smaller than those run by county councils and are responsible for rubbish collection, recycling, council tax collections. Allocation of functions between central and local authorities generally reflects a compromise between the need to promote local democracy (delegating service provision to the lowest possible tier) and the need for services to be operated efficiently and effectively. Local authority financing systems are generally consistent with those in most Anglophone Africa countries, comprising mainly of central government grants in the form of "block grant" plus own generated revenues in the form of council tax, business rates, fees and charges. A quarter (25%) of local government funding is from central government. Although local authorities enjoy wide ranging taxing powers and duties, central government enforces "capping powers" where there are excesses in council taxes.

6.3. Ireland

Ireland is one of the most centralized states in Europe, with local authorities that have limited responsibilities and taxing powers. Its local government is generally consistent with those in the European Union countries-comprising city councils, county councils, town authorities, towns and borough councils and regional authorities (EC, 2006: 147). The bulk of local government funding is from central government in the form of general purpose grant and government grants and subsidies, followed by revenues from commercial rates, although the extent of self financing varies across the country (Spotlight, 2010). For instance, city councils and town counties have more scope to raise revenue from commercial rates and charges than county councils. It is also instructive to note that until 2009, Ireland traditionally had no tax on property, scenarios that saw the Commission of Taxation (2009) taking effort to widen the revenue base through the introduction of property (domestic and commercial) and other financing measures such as water and waste charges, planning fees and housing rents as well as replacing the exchequer support with increased revenue generation from local sources and cost recovery for certain services such as domestic water by 2014.

6.4. Indonesia

Taxes and user charges form principal sources of local owned revenue in Indonesia. These are collected in the form of taxes levied on hotels, restaurant, entertainment, advertisement, royalties plus user fees on street lightning, parking, general services and business licensing.

Before the implementation of regional autonomy laws (No.22/1999; No.25/1999 and No.34/2000), local authorities had very restricted tax bases and little freedom in areas of financing policy. The types of revenue authorised for collection were narrow while local authority optimising strategies were also low. The bulk of local government revenue (90 %) was from central government in the form of transfers and subsidies (Mahi, 2002, 1). The taxes and user charges relied upon were not buoyant enough. Although the implementation of regional autonomy laws was expected to widen local taxing powers, there was not much change in the local government structure; most local government authorities remained dependent on transfers from central government (Ibid, 5). Revenue bases are not fairly distributed among authorities; urban local governments ('kotamadyas") have relatively larger tax bases compared to rural local government ("kobupaten") (Ibid, 9)

6.5. South Africa

Local government in South Africa is basically structured along local municipalities. Each municipality has its own council whose work is coordinated by a mayor. There are 6 municipalities comprising Metropolitan Municipalities (in biggest cities such as Johannesburg, Cape Town, Durban, Pretoria, Port Elizabeth, and East London), 231 Local Municipalities and 3 District Municipalities. Each category of municipalities is broken into wards. Municipality powers and functions include electricity delivery, sewerage and sanitation; refuse removal, fire fighting, municipal health service, municipal roads, parks and recreational areas, public transport, land use, among others. These functions are financed from external and internal loans in the form of central government grants, donations, public/private partnerships, property taxes, service charges, fines such as traffic fines.

6.6. Bolivia

Bolvian local authorities are mainly structured along 337 municipalities, each with an average population size of 29 267 people (United Nations Population Division, 2010). Local governments receive 20% of the total national tax collected, the size of their allocation based on the number of inhabitants and functions they undertake.

Municipalities receive guaranteed transfers that include stipulated shares of proceeds from federal taxes on income, industrial production and rural property as well as from state value-added tax and state tax on vehicle ownership. There are inter-governmental fiscal transfer systems (IGFTs) which take the form of general revenue sharing agreements under which local government receives a stipulated share of national fiscal revenue (Nickson, 2011). Local governments also raise own taxes (on vehicles and real estate) and can also apply for funding from national development funds and international co operation organisations (Myers and Dietz, 2002).

6.7. Rwanda

Rwandese local governments are funded by a combination of conditional and unconditional grants and transfers plus an assortment of local revenue sources. Transfers from central governments and grants from the international community constitute the bulk of local authority funding. Mayors sign performance contracts (imihigo) in which they promise to implement the measures outlined in the annual plans. Disbursement of central-state funds depends on these contracts, and performance is evaluated annually (Mulindabigwi and Singer, 2005). However, as argued by Magala and Rubagumya (2005), the fact that central transfers are funds earmarked for the implementation of specific programmes, these centrally determined priorities may not necessarily meet locally-felt needs. Besides, the subsidies generally are not released in time or may not be released at all (Slootweg et al, 2007). The main local tax sources include the property tax, the trading licence tax and rental income tax, which were formerly mobilised by the central government and subsequently devolved to the local level (OREA, 2010).

Sales taxes (on the operation of market stalls) and property taxes and user fees for licensing procedures, bicycle tax (which is paid by owners of two-wheel vehicles throughout the country) are also sources of revenues for local authorities. Rwandese local governments also rely on market dues, which represent the highest source after central governments transfers and grants (Magala and Rubagumya (2005). Other measures being taken to widen local coffers include incorporating local taxes and municipal business activities, enhancing the collection of user fees and charges as well as taxing the extraction of building materials such as sand and gravel, the production charcoal and fishing (Mulindabigwi and Singer (2005).

7.0. Conclusions and Recommendations

Local authorities in both 'developed' and developing countries have been granted self-financing powers under the rubric of fiscal decentralisation. Although self-financing systems vary among local governments depending on the size of jurisdiction, the payment methods allowed, and the nature of revenues received- commonly cited own sources include taxes, user charges, development levies, income generating projects, local taxes, among others. However, self-financing remains a daunting challenge in both rural and urban authorities across the global divide. This is attributed to interlocking factors that include burgeoning demand for service by local residents versus income generating capacity, inhospitable socioeconomic contexts, overreliance on less buoyant taxes and user charges, failure to craft long range revenue optimising strategies, continued central government grip, rent-seeking practices, prioritisation of consumption over investments, and failure to tap from potentially lucrative property taxes. For instance rural local authorities are yet to devise strategies to effectively mobilise royalties from mining, farming and other economic activities in their localities while urban local authorities overly rely on predatory user charges.

Resultantly, local authorities continue to lean on declining central government financing in the form of government transfers, grants, loans among others-scenarios that worsen their service delivery capacity because government transfers are often unstable and unpredictable. There is also lack of transparency in the design of transfers. Over-reliance on executive sources increases dominance of the central government. In Zimbabwe, local authorities are officially responsible for all the public services and facilities in the rural and urban localities. They comprise fifty-eight rural district councils and twenty-eight urban councils in Zimbabwe operating under delegated powers and authority (enshrined in the Urban Councils Act, Urban Councils Amendment Act, Communal Land Act, and Rural District Councils Act). These legislations empower local authorities to provide local services, maintain and construct various infrastructures.

In most local government authorities, revenue sources are generally inadequate to finance council operations, scenarios that impedes upon local authorities' service delivery capacity. Central government has drastically slashed its subsidies to local authorities owing to increasing governmental financial obligations.

While property tax has the potential to finance local authorities in Zimbabwe, the yields are extremely low due to absence of up to date computerised property database or fiscal cadastre information, lack of valuators and inaccurate valuations, and inadequate collection enforcement. Accurate information on commercial, mining, residential and agricultural property is yet to emerge. In rural areas, land ownership remains tenuous and therefore difficult to levy tax on land. In some cases the tax rates are so low that they revenue collection costs outweigh actual revenue collected. Local authority self-financing efforts in Zimbabwe also suffer from continued central government grip. Local authorities have limited revenue raising powers as central government monopolises the high yielding tax factors while most of the internal revenue raising powers are subject to central government control and direction. There is enormous ministerial intervention in the area of revenue raising and spending. This therefore affects the local authorities' creativity, effectiveness and efficiency in delivering goods and services in their localities.

While both urban and rural district councils generally face the problem of the limited revenue base-urban local authorities have more revenue generating capacity than rural local authorities. RDCs suffer from a deficiency of commercial rates base as well incapacity of the local economy to generate revenue. Local authorities should be empowered to enact by-laws to raise local revenue, regulate various activities and implement necessary capital projects within their localities. This creates conducive environment for generating adequate revenue. There is also need to further expand the "own source" revenues of local authorities by including revenue from land and natural resources.

The overall impression is that despite fiscal decentralisation, central government still has a tight grip on local authorities. Decisions relating to borrowing, taxes rates and evaluation of property are subject to ministerial approval and consent. Rural authorities enjoy limited autonomy in terms of revenue-raising and spending compared to urban local councils in Zimbabwe. As such local authorities should be empowered by legislation to autonomously raise and spend funds. There should be a very clear and transparent revenue sharing mechanism between the state and sub-national levels of governments.

There must be equalization in terms of the allocations to the local authorities so that there is no asymmetrical privileges and developmental progress between urban and rural local authorities. Lack of political will, lack of taxpayer confidence and weak collection and enforcement mechanisms have led to thin revenue bases in the urban and rural local authorities. In this regard, political will is needed to improve compliance and collection as well as enhancing administrative systems.

Local government has no constitutional backing. Legislative mandates must be clearly, outlined, demarcated and delegated to institutionally and financially empower local authorities so that they can be able to deliver goods and services effectively and efficiently with minimum supervision from the central government. A mix of taxes would enhance the flexibility of local authorities to respond to local conditions. A solid financial structure is essential to the success of cities in curbing the challenges of urbanization, decentralisation and globalization. To be globally competitive, cities need to provide the supportive infrastructure to attract business and they need to provide a wide range of services. Cities have to manage their finances responsibly to attract private investors and to access capital markets. A sound revenue base of the local authorities entail that more infrastructure and services will be provided and this will capacitate them to mobilise more funds from the services that they will collect from the user fees. Thus, local authorities will operate efficiently and effectively.

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