

**ASSESSMENT OF FINANCIAL MANAGEMENT OF URBAN
LOCAL GOVERNMENTS OF ADDIS ABABA, ETHIOPIA**

BY

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**Assessment of Financial Management of
Urban Local Governments of Addis Ababa,
Ethiopia**

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Declaration

I, the undersigned, declare that this project is my original work and has not been presented in any other university, and that all sources of material used for the project have been duly acknowledged.

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This is to certify that the Research project entitled **Assessment of Financial Management of Urban Local Governments of Addis Ababa, Ethiopia**, prepared by Milen Amare Medhaneye is submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Auditing complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Abstract

Municipal Financial management particularly the aspect of municipal revenue collection and financing of municipal functions are important areas of concern in Addis Ababa. Addis Ababa city administration is facing with an ever increasing demand for municipal services and this challenge will continue in so far as the city continues to expand. This issue is directly linked to the ability of the city administration in generating adequate and increasing revenue and in its ability to efficiently utilize the available resources. The revenue enhancement plan of the city shows that despite the untapped potential, the city couldn't collect adequate own revenue that can enable it serve residents of existing and new expansion areas. This study therefore, makes an effort to explore whether expenditures for municipal functions is financed by own revenue; if there are revenue lines that conflicts to each other or with that of state revenues; the cities experience in terms of budget predictability and to look in to the contributing factors towards revenue collection performance. Secondary data (plan and actual data for revenue and expenditure) were used to make analysis of revenue performance over time and to assess utilization capability of the city. Semi structured interview with officials of revenue bureau and BoFED were carried out to collaborate the findings from the secondary data. In addition 60 respondents were purposively targeted from among residents of two subjectively selected woredas to answer a research question. Distribution tables, charts, percentages and examination of bases and timing of municipal revenue levies followed a descriptions and inferences were employed to analyze data and information. The study has discovered that due to shortage in municipal revenue collections, municipal functions are partly financed by state revenue. Budget predictability problem is more on municipal revenue than state revenue and underutilization of budget is commonly observed over the study years. Through the findings of the study, residents aware of municipal revenues and do not have objection to the laws governing such revenues, rather they feel that they are morally obliged to pay their share. However they believe that there is discrimination among tax payers and claim that even for similar businesses the amount of tax and municipal charges is not uniform. Nepotism and corruption are figured out at the top cause for such discrimination.

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List of Acronyms

CSA-----Central Statistics Authority

EFY-----Ethiopian Fiscal Year

IBEX-----Integrated Budget and Expenditure System

MDG-----Millennium Development Goal

REP -----Revenue Enhancement Plan

CHAPTER ONE

1. INTRODUCTION

Background of the study

Local Government Authorities (LGAs), as branches of the state or federal Government, play crucial roles in economic, political, and social life. In order to ensure those important services, such as education, health, water, and other services, reach the majority in the country (including city residents), many governments delegate most of their functions to LGAs. LGAs also consume a significant proportion of government revenues. In Tanzania, for example, local government authorities collect roughly 5 percent of all public revenues and are responsible for about twenty one percent of public sector spending (United republic of Tanzania or URT, 2009).

A major challenge facing revenue collection in local government authorities is to assess the revenue potential for various tax bases. Commonly, revenue assessment is conducted on an ad hoc basis, often based on the previous year's reported collection. Substantial underestimation of the revenue potential may imply that actual collection is substantially higher than what has been planned. Consequently, there is a risk of ending up in a situation where the revenue authorities will make no further effort to mobilize resources. In the revenue enhancement plan (REP) document of Addis Ababa, the possibilities of raising revenue significantly higher than what is in practice stated. Accordingly, plan to enhance the same is formulated though the plan doesn't make clear its base in setting figures to be collected from various sources of revenue. It however is clear that the revenue potential of the city is yet to be studied as indicated in REP.

In a study from Uganda, Iversen (2006) found substantial gaps between the local governments estimates of the revenue yields from local markets with the actual revenue yield collected. In six cities considered in the study just mentioned, the gaps ('lost revenues') amounted to between 25% and 74% of total revenue collected.

Municipalities' own revenues, levied through local taxes, user fees, and charges, have been observed to account for up to one-half of all municipal revenues (Shah 2006 as sighted by the World Bank group, 2009). Most of the remainder comes from transfers from higher level governments. Thus the aspect of financial management of generating municipal revenue and financing the ever increasing demand for municipal services is at the core of urban administration. Thus this study tried to assess own revenue collection performance of Addis Ababa City administration and its status in fully financing expenditures for municipal functions from these sources. In this respect with the presumption that making preliminary assessment as regards the resident's awareness and willingness to pay municipal revenues would better help corroborate the figures, the same has been undertaken and an interesting result were revealed.

1.2 Statement of the problem

Although, Ethiopia is under-urbanized, even by African standards, the recent growth attracts the attention of stakeholders. This urbanization demands huge investment to be made to avail infrastructures that can serve the ever increasing services. Revenue collection and proper utilization of the same is at the center of this concern. Various reports indicate that by 2013/2014, 16% of the country's total population, or some 11.7 million people, live in urban areas. During 2014/15 CSA estimates, 20% of the country's total population, or some 16.7 million people, live in urban areas. The above figures show that urban growth in Ethiopia has been running between 4 to 5 percent from 2013/14 in 2014/15. It is also projected that, in the year 2020, the urban population will constitute 30% of the total population of Ethiopia. This urbanization demands various municipal services and the financing of these services in principle should be generated from own (local) revenues. This requires to generate and collect adequate periodically increasing local revenue so to effectively support local government municipal functions expenditures.

Following the reform undertaken in 2001 Ethiopian fiscal year, the administration as well as the financial system of municipal and state revenues and expenditures are united. As a result the former financial management practice that segregated municipal revenue and expenditures from state revenue and expenditure is changed. However the practice in financing local government

expenditures requires to use the appropriate source of revenue for the appropriate line of expenditure. That is state functions should be financed from state revenue and municipal functions from municipal revenue. This should encourage Addis Ababa city administration to collect sufficient revenue to avail both services to the residents.

In order to collect adequate own revenue, possible sources of local revenues should be identified, sources of revenues should be evaluated if they are not in conflict with each other or with other state revenues, proper plan that takes the potential of each revenue source in to consideration should be set and active follow up system be made in place. In addition awareness creation activities should be undertaken so that residents can willingly pay their obligation on time.

Therefore there is a need to study the various sources from which Addis Ababa city administration is collecting revenue from and to identify the bases on which such revenues are levied on and collected from with the view to assess any possible conflicts among sources and/or to study if there is repetitive levies on same base. The adequacy of local revenues in financing the various municipal functions of Addis Ababa city administration needs also be studied. In this regard assessment of local revenue planning process and collection performance needs to be explored depicting the trend over the years. In addition, revenue plan and actual collection needs to be compared with plan and actual municipal function expenditures. This in turn requires identifying what activities are municipal and what others are considered as state functions. What is more, undertaking assessment of the attitudes of residents towards paying municipal revenues help to better explore if there is potential to work to furtherance compliance from the side of residents there by to increase revenue collection.

This study, therefore, tried to explore the performance of Addis Ababa in terms of municipal revenue, its adequacy in financing municipal functions and also examined conflicts among various sources of revenue. In addition, it tried to assess the awareness of residents as regards the various local revenue sources and their duty in this respect.

1.3 Research questions

The paper tried to address the following research questions:

- Is there conflict among the various sources of own revenue and with other state revenues?
- What is the status of the city in terms of budget predictability (both in revenue and expenditures)?
- Is the municipal revenue adequate enough to cover municipal related function expenditures?
- Are citizens of Addis Ababa satisfied by the various municipal services and are they aware of and willing enough to comply with their duty to pay municipal revenues?

1.4 Objective of the study

The main objective of this paper is to assess urban local government's own revenue performance and its adequacy to continually finance municipal functions.

To achieve this main objective the study addressed the following sub objectives:

- To assess budget predictability by examining budget against the performance of the city in terms of both revenue and expenditures
- Explore if there is a gap (excess or deficit) between municipal revenues and municipal function expenditures over time.
- To identify sources of own revenues and to assess if there is conflict among revenue types within own revenues, and with state taxes.
- To assess the attitude of city's residents towards paying municipal revenue and to explore their level of satisfaction on municipal services.

1.5 Significance of the study

This study assessed the performance of Addis Ababa in terms of mobilizing municipal revenue and whether this revenue was sufficient enough to cover municipal function expenditures. It also analyzed the various sources of own revenue with the view to explore if there is conflicts among these sources of revenue and with that of other state revenues sources. In addition also assessed the attitude of tax payers towards municipal revenue and related payments. It is therefore hoped that the paper modestly contributed to the growing body of literature in this area in the country,

and accordingly, it can be used by researchers, performance auditors, policy makers, city administrations and others who interested in the subject.

1.6 Scope and limitations of the study

This study is delimited to the financial management aspect of municipal revenue and municipal function expenditures financing of Addis Ababa city. It could have been better if the study could cover other cities throughout Ethiopia or at least all the capital cities of states and one of the two federal chartered cities (i.e. Dire Dawa) so to gather information that could enable to generalize about the country's urban local government's revenue situation as well as to examine how municipal functions are being financed. Doing so, in addition to the length of time it demands, it requires significant involvement of many data collectors and too many respondents which in turn requires significant amount of financing which obviously is beyond the means of the writer of this study.

As to the assessment on municipal revenue and related function expenditures, four years data only were used and analyzed. What is more, only sixty households having immovable (i.e. those who own immovable property in the sampled two weredas) were taken as a sample.

1.7 Organization of the paper

The paper has five chapters; the first chapter is devoted to the introductory part. It reflects what this research is all about describing background of the study, statement of the problem, , research questions, objectives of the study, significance of the study, scope and limitation of the study,. The second chapter presents the review of related literatures. Third chapter is devoted to the research methodology addressing the research design, sampling methodology, data gathering method and method of data analysis. The fourth chapter is where data were presented and findings were presented. Finally, the fifth chapter contained conclusion and recommendations based on the findings.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Introduction

There are various sources of revenue for city administrations and Addis Ababa is one. Categorically, these revenue sources in Ethiopia can be classified as Municipal [with account code in the chart of accounts of Ministry of Finance and economic cooperation (MOFEC) of 1701-1799], state taxes (with account code in the chart of accounts of 1101-1509) and subsidy with account code in the chart of account of 1600 - 1629. Within municipal revenue are tax revenues (which includes urban building taxes, assurance taxes, etc); municipal Rent revenue and Investment (which includes land related revenues, market, funeral vehicle rent, etc); Municipal service charges (which includes business and professional fee, Penalties, etc); revenue from sales of goods and services (which include sanitation service, design and tender, etc); municipality capital receipts (such as sales of movable and immovable property, community contribution, etc).

From among the state revenues which Addis Ababa is also entitled are direct taxes (which includes Income taxes such as employment income, rental income, interest income, business income, etc); indirect taxes (such as VAT, Excise tax and turn over tax); revenue from stamp and duty and non tax revenues such as administration fee and charges (i.e. court fees, forfeits, etc), sales of public goods and services (i.e. medicine and medical treatments, cultural services, publications, etc), Government Investment Income (i.e. interest on loan to employees/ from banks, land use, etc); miscellaneous revenues (such as pre-shipment inspection fee, domestic assistance, etc); and capital revenue (such as from sales of fixed assets, etc).

Subsidies from Federal government can also amount to one sources of revenue. Local borrowing could be another source of revenue but this study will not address this issue.

2.2 Review of legal frameworks for municipality revenue collection & Administration

The initial legal source of organization and authority of urban local governments in Ethiopia emanates from the FDRE Constitution. Article 50/4 of the federal Constitution states that "State government shall be established at State and other administrative levels [deemed necessary by States]" and that "adequate power shall be granted to the lowest units of government to enable the People to participate directly in the administration of such units." While this federal constitutional provision certainly envisages the formation of local units of governance in both urban and non-urban settings, it falls short of directly entrenching their existence and authority and rather leaves the matter to the discretion of States in the sense that the States are at liberty to institute urban and rural local governments "they find necessary." This means by and large urban local government units, if and when formed, and their whole competence would be subject to the sovereign authority of States - i.e. municipalities are creatures of the state. This is so despite the Constitution apparently requiring states to "[grant] adequate power [...] to the lowest units of government to enable the People to participate directly in the administration of such units" once the respective state decides to establish these units.

Apart from just attempting to draw attention to the need to confer adequate powers on local units, the constitutional provision is devoid of any effective enforcement once the decision to establish these units resides within the sovereign authority of states. In some cases, the federal Constitution mandates the federal government to spell out the structure and authority of an urban level of government, whereby the city government with the structure and authority so spelt out would be directly accountable to the federal government. This is the case with Addis Ababa (Article 49) and indirectly Direedawa. Thus, city governments in Ethiopia exist and operate in accordance with authority they acquired from the respective State through delegation, including delegation under state constitution, and from the federal government via particular delegation mechanisms. The detailed structure, powers, and functions of respective federal or state urban centers are provided in federal acts, state constitutions and specific state statutes. Accordingly, urban structure of governance in Addis Ababa has been brought to existence and operation in accordance with federal charters.

The fiscal role - expenditure power and revenue authority - of urban local governments (and all local governmental units for that matter) in the federal setting of the FDRE Constitution is even less clear and much less direct than their formation and general authority. The Constitution recognizes the classical duality of governmental tiers in a federation, i.e. the federal and state government, and divides revenue powers between only these two levels claiming to be informed by the federal principle it espouses (Article 95). Even so, the allocation system is so deliberately specific that, in addition to federal list (Article 96), state list (Article 97) and concurrent list (Article 98), even residual revenue sources occupy a distinct category referred to as 'undesigned power of taxation' which neither the federal government nor states can exercise until their status is determined by the joint meeting of the two federal houses (Article 99). That means there is virtually no revenue levying and collection power for urban local governments under the federal Constitution. If there is any fiscal authority that urban local governments are acting upon, it is obtained through delegation from the inherent holders. Thus, urban units of government within the states may exercise revenue levying and collection powers specifically assigned to the states under the federal Constitution where the respective state has delegated such powers to them. Likewise, city governments accountable to the federal government exercise revenue powers when the latter provides them with the delegation.

Despite arguments prescribing that local revenue sources be levied and collected by local governmental units as a matter of inherent right, local units in Ethiopia can do so only at the blessing of the federal or state governments. This, of course, is in keeping with the governmental duality and the accompanying division of powers associated with federal systems.

2.3 Municipal revenue (Finance) and local governance

Municipal finance plays important role in local service delivery, particularly in the context of globalization, decentralization, and a focus on sustainable development. (UN-HABITAT: 2009, p.1). In many countries, decentralization has meant that national and provincial/state governments have downloaded responsibilities onto local governments. The intention is to provide services in a more efficient and effective manner but often the taxing authority is not part of the decentralization process. (Id, p.14). Democratic local governance has resulted in increased

demands for accountability and transparency at the local level. In some cases, increased accountability has meant that municipalities are making the effort to include the public in important decisions on how revenues are raised and how funds are spent (Id, p.16).

The major role assigned to local governments is to provide goods and services within a particular geographic area to residents who are willing to pay for them when those services are availed for payment. Local governments should not do stabilization policy because they do not have access to monetary policy tools and because capital and labour flow freely across local jurisdictions. They should also not engage in redistribution because local efforts to address income disparities will likely result in the movement of high-income groups to low-tax areas and low-income groups to high-tax areas. According to the “subsidiary principle” (Barnett, 1997), the efficient provision of services requires that decision-making be carried out by the level of government that is closest to the individual citizen. As long as there are local differences in taxes and costs, there are clear efficiency gains from delivering services at the local level. With few exceptions (such as national defense and services that involve income redistribution), almost all public services should be provided at the local or regional level with local policy-makers making decisions about what services to provide, how much to provide, and who should pay for them (UN-HABITAT: 2009, p.17).

The functions of municipal governments differ among countries around the world but generally include transportation services (including roads and transit), environmental services (including water, sewerage, and solid waste collection and disposal), protection (including policing and fire protection), recreation and culture, planning and development, economic development, social services, housing, and health. Given this role of local government to provide goods and services, the benefits-received principle is the appropriate starting point for municipal finance according to which local government services, wherever possible, should be paid for on the basis of the benefits received from those services (Bird, 2008). The extent to which municipalities will be able to apply the benefits-received principle, however, depends on the nature and characteristics of the services they provide. Bird and Tsiopoulos (1997, pp.39-42) identify six characteristics of public sector activities that are relevant to determining what kind of benefit-based levy is an

appropriate revenue generating model to apply: excludability, economies of scale, sunkness of costs, externalities, and social and political objectives.

Generally, for services with private good characteristics (such as water, sewers, garbage collection and disposal, transit, and recreation), user fees are appropriate to fund at least some portion of the costs. In general, user fees are appropriate where there is a clear relationship between the fees charged and the benefits received, the taxpayer has the choice about the extent to which he or she uses the service, it is possible to collect the charge at a reasonable cost, and equity concerns can be addressed (for example by lowering or waiving fees for low-income users). User fees can play an important role in municipal finance by ensuring that governments do what people want and are willing to pay for. (UN-HABITAT: 2009, p.18). Services with public good characteristics (for example, police and fire protection, local streets, and street lighting) have collective benefits that are enjoyed by local residents but which cannot easily be assigned to individual beneficiaries. These services are more difficult to charge for and require some form of local benefit-based taxation such as the property tax. The property tax allows individuals to express their demand for services where benefits are consumed collectively. In this respect, the property tax can be considered to be a generalized, or nonspecific, user charge. However, property tax is yet to be introduced in Ethiopia and hence in Addis Ababa.

There are other services where the benefits (or costs) spill over municipal boundaries but where local provision is still desirable. Positive spillovers (externalities) occur if residents of neighboring jurisdictions receive a service for free or at less than the cost of providing the service. For example, roads constructed in one jurisdiction may be used by residents of another jurisdiction without any charge to them. The result will be an under-allocation of resources to that service because the municipality providing the service would base its expenditure decisions only on the benefits captured within its jurisdiction. It would not take account of the benefits to those outside the jurisdiction. One way to provide an incentive to the municipality to allocate more resources to the service generating the externality is a transfer from the Federal/state government. Services that redistribute income should be paid for by higher levels of government because they have a wider range of taxes than local governments and they generally have taxes

that are more closely related to ability to pay, such as income taxes. Although the primary role of local governments is to provide goods and services and not to redistribute income, many local governments do deliver services that are redistributive in nature (such as welfare assistance, health, and social housing). User fees and benefit-based taxes such as the property tax are not appropriate to fund these services. User fees defeat the purpose of redistribution and property taxes are more regressive than income taxes and thus are not appropriate for financing redistributive services. For these reasons, services that have a redistributive component should be funded from local income taxes or from central and state/provincial revenues (which include income taxes) (Id, p.19).

Following from the benefit model of local government finance, there are a number of principles that can be used to design or evaluate municipal finance tools - economic efficiency, fairness/equity, accountability, adequacy and stability, autonomy, and ease and cost of administration. Efficiency based on benefits-received is achieved when those who consume public services pay for them, just as someone who benefits from a private good pays for it. User fees promote efficient allocation of government resources because direct recipients of benefits pay for the goods and services they consume. Fairness based on ability to pay suggests that those with similar ability should pay similar amounts in taxes and user charges - horizontal equity - and those with different ability should pay different amounts - vertical equity. Accountability means that taxes /charges and expenditures should be designed in ways that are clear to taxpayers so that policymakers can be made accountable to the taxpayers for the services they deliver and the costs they incur; the more direct the relationship between the beneficiaries of a government service and payment for that service and the less the complexity of the revenue system, the greater is the degree of accountability. A concept closely related to accountability is visibility of a levy, which refers to the consumer's knowledge as to the amount they are paying. While both user fees and property taxes may be considered visible, the politicized nature of the property tax is what makes the user fee favored (Farish, 2012) .

Adequacy and stability require revenues to be sufficient to finance expenditures on a regular and continuing basis with a degree of predictability. Municipal governments should have autonomy and flexibility to set own priorities and to do this must minimize dependence on transfers. The

ease and cost of administration means that the time and resources devoted to assess, collect, and account for revenues should be minimized; costs of compliance on the part of taxpayers should also be minimized (UN-HABITAT, 2009).

Once the kind of municipal own revenue generating tool is decided upon, the next crucial element in the design of the tool is determining the rate. With regard to user fee/ service charge, this involves calculating the cost of a user fee - establishing the cost of the service and the amount individuals will be charged. The purpose of accurate costing is two-fold. The first reason is to generate sufficient revenues to fund the good or service. The second reason, related to the first, is to ensure that the units of the good or service are correctly measured so as to best find the point of allocative efficiency of the good or service. (Farish, 2012, p.61).

2.4 Empirical Research

The main sources of ‘own revenues’ in Africa urban councils are usually property rates, business licenses, and various uses charges, often in the form of surcharges for services provided by or on behalf of the municipality. Nevertheless, experiences from a number of African countries show that these revenue instruments have serious shortfalls. For instance, property taxes can be very costly to administer (Brosio 2000, p. 20), and the enforcement of user fees has resulted in widespread resistance to pay from the poorer segments of the urban population in some countries (Fjeldstad 2004; Fjeldstad et al 2005). Moreover, complex business licensing systems have proved to be major impediments for the start up and expansion of especially micro and small enterprises (Devas & Kelly 2001; Sander 2003). However, when well administered, these revenue instruments can provide substantial and reliable revenues for urban municipalities.

2.4.1 Revenue from Property tax

Property tax is a major source of revenue in many urban councils (Mikesell 2002). In the 1990s, property taxes accounted for 40 per cent of all sub-national taxes in developing countries (Bird & Slack 2002, p. 6), for instance 10–30 per cent in urban councils in Tanzania (Fjeldstad et al. 2004), and around 20 per cent in South Africa (Bahl & Smoke 2003). It also has the potential to become an important revenue source in semi-urbanized centre in district councils. This is due to the fact that real property is visible, immobile, and a clear indicator of one form of wealth.

Hence, in principle, property tax is difficult to avoid and if well administered it can represent a non-distortional and highly efficient fiscal tool.

Property tax can be administered by both local and central governments. When local governments administer the tax, they are responsible for maintaining property and ownership records, determining taxable property values, calculating and distributing property tax bills, managing receipt payment, and applying tax enforcement against non-payers (Mikesell 2002, p. 22). In other cases, local governments have a say in the choice of the tax rate, while all parts of the administration of the tax are performed by the national revenue authority. In some countries, including Malawi, property valuation is done by the central government, while local authorities set rates and handle collection (Mikesell 2002, p. 28). West African French-speaking countries in general rely on the traditional French model, in which the property tax is administered and collected by the central government, whereas East and Southern African countries rely on local administration (Brosio 2000, p. 22). This is usually recommended in the literature that stresses that taxes should be administered by the government that is entitled to their revenue. However, mixed results prevail in both cases in Africa.

Expert opinion diverges on how to improve property taxation in developing countries. (Dillinger (1991) some experts blame the excessive centralization of property tax policy, which bars setting higher tax rates. Others blame what they consider almost total anarchy deriving from local government freedom in this field. There is also dispute over tax administration. Certainly, property taxes have many attractions as local bases, but they also have some obvious weaknesses that need to be taken into consideration before heavy reliance is placed on them.

Often the capability and capacity of the municipality are inadequate to administrate the property tax at a low cost (McCluskey et al. 2003, p. 23). These administrative weaknesses are manifested in problems of valuation and arbitrariness in tax assessment and enforcement. In theory, assessment of property value and revenue collection are straightforward: conduct a cadastral survey that assesses the market or site value of each plot of land or property, and send a tax bill to each owner. In practice, however, cadastral surveys are expensive and time consuming (Bahl

et al. 2003, p. 79). The task is often beyond the financial and technical capability of many local governments. Tax offices in many sub-Saharan African countries are short on assessors, if they have any at all (Farvacque-Vitkovi & Godin 1998).

Cadastral systems may work in areas with regular street patterns, named streets, and numbered houses. In the absence of street addresses, tax bills are not deliverable, and penalties are unenforceable. The absence or scarcity of clear ownership titles is another challenge facing this form of taxation. That perhaps may be among the reasons for the absence of this form of municipal revenue in Ethiopia yet.

Collection is often poor and many bills go unpaid because taxpayers are not identified or they resist payment because their housing conditions are too poor or urban basic services are not provided to their areas. In principle, non-compliance of property tax can be enforced by confiscation and sale of the owner's personal effects in the building initially, and ultimately through the collateral of the real estate itself. However, experience shows that courts are often swamped by appeals from angry property owners and landowners (Skinner 1993, p. 364). Moreover, harsh enforcement mechanisms may result in intervention from politicians facing complaints from their constituents (Enemu 2000, p. 193). Thus, high administrative and political costs are the crucial problems of property taxation.

From the reviews here above it can be taken that property tax is one main source of municipal revenue for urban administrations to finance the various services they provide to their residents. The case of Addis Ababa any way this potential sources of own revenue is yet to be utilized as a result the city should collect revenue from other sources to finance its expenditures.

2.4.2 Revenue from Business licenses

Local business taxes are generally levied in one of two ways (Devas & Kelly 2001, p. 384): either as a fixed amount, which usually varies by type, size, or location of the business, or as a percentage of turnover or profits. Assessing turnover or profitability, however, is difficult both in relation to small businesses, which often do not maintain proper records, and to large businesses

with multiple premises across various jurisdictions. Thus, local business taxes often use proxies for turnover or profitability, such as the size of premises, type of business, number of employees, installed electricity power, etc. In Francophone Africa, local governments levy a tax called the Patente, which was originally based on the French Taxe Professionnelle (Devas & Kelly 2001). In Cote D'Ivoire, the Patente was the largest single local revenue source in the 1990s, financing about 17 per cent of the local government budget, and more in the capital Abidjan. The calculation of this tax, however, is quite complex, involving the value of the premises, number of employees, turnover, machinery employed, installed energy capacity, and other size proxies. Moreover, within this formula, rental value of premises is by far the largest factor, so that the tax starts to resemble a property tax.

Interestingly, and atypical for Anglophone Africa, urban councils in Tanzania levy a local business tax named 'City Service Levy'. The City Service Levy (CSL) is levied as a fixed percentage on the firm's turnover (0.1 per cent of turnover for the bank/financial sector, and 0.3 per cent for the other sectors). In 2003, the CSL was the major local tax in urban councils. For instance, in Ilala Municipality, Dar es Salaam, the CSL generated in 2003 almost 34 per cent of the total revenues from the municipal's own sources. For the large VAT-registered taxpayers, CSL-billing is levied quarterly, while it is paid annually for the majority of small taxpayers who are not registered for VAT (URT, 2003:34).

In Anglophone Africa, the standard mechanisms for mobilizing revenues from businesses have been through licensing. Although the original intent was regulatory, local business licensing has increasingly become simply a revenue source in most places. Typically, business licenses generate between 5 per cent and 30 per cent of local government own revenues in urban councils. In many countries, however, the system has been quite unsatisfactory, often quite inequitable, and has imposed huge costs on business, while generating relatively little money. In Uganda, for instance, a common complaint from small and medium-sized enterprises has been that 'they do not know what to pay, where and to whom'. The regulatory aspects of the license system have been largely abandoned. In addition, poor policy design and weak administration mean that license coverage; assessment, collection, and enforcement rates are low, leading to

poor revenue generation. Obtaining a license typically involve multiple visits to various offices, sometimes over several days, with associated travel costs. Failure to provide the correct license receipts may result in closure of the premises. Consequently, the system is often riddled with rent seeking and corruption. Moreover, poor administration often means that many businesses are not included in the license system due to lack of proper business registers (Aranjou-Bonjean & Chambas 2003).

In the late 1990s, Kenya pioneered a single business permit (SBP) system, which has since become a model for other countries in the region. The Kenyan SBP system was introduced on an optional basis in 1999, with all the local authorities being required to adopt it from January 2000. Some local authorities chose inappropriate tariff sets – usually too high. This led to tax resistance from local traders. There were also cases of business misclassification (that is, over-assessment) leading to calls for improved administration, transparency, and accountability (Devas & Kelly 2001). However, most local governments experienced substantial increases in revenues – some councils more than doubled their revenue from this source in one year. In some cases, this was due to improvements in coverage of the revenue base, but in most cases, the increase was due to choosing higher tariff sets (Devas & Kelly 2001, p. 388). The Business license renewal fee paid to Addis Ababa city administration has not be clear, however collection from this is one source of revenue for Addis Ababa city Administration.

2.4.3 User fees – linking payment and service delivery

Taxes are not the best mechanism for matching demand and supply of public services. Better links can be achieved through cost-recovery charging systems, which tie the amount paid directly to the amount consumed. Moreover, many African countries have a long tradition of providing basic public services through self-help activities and religious and other locally based organizations, as well as through institutionalized, long-term relationships between state agencies and organized groups of citizens (co-production). By providing a more direct link between citizens' contributions and service delivery, such mechanisms may become effective means to recover the costs of service provision, and to promote efficiency in the consumption of the service. Hence, most observers argue that user fees should play a prominent role in local government finance (Bahl et al. 2003, p. 76).

The main economic rationale for user charges is not to produce revenue, but to encourage the efficient use of resources within the public sector. When properly designed, user charges provide information to public sector suppliers on how much clients are willing to pay for particular services and by ensuring that what the public sector supplies are valued by citizens.

Free or subsidized services may result in over-consumption of such services. Moreover, it may prove difficult to target the beneficiaries of free services. Yet, experiences from several countries, including Namibia and South Africa, show that user charges can impose a heavy burden on lower-income service users, and exclude the poorer segments of the urban population for the services (Fjeldstad et al 2005; McDonald & Pape 2002). Adjustments can, however, be made to offset such effects. For instance, user charges can also reflect differences in ability to pay by incorporating sliding scales for the type of user or the amount of usage (Rondinelli et al. 1989, p. 71), although this will require adequate administrative capacity.

User charges for ‘trading services’, including water, electricity, sewage, and solid waste removal, are major sources of revenue in urban municipalities in Southern Africa, especially in Namibia and South Africa (Fjeldstad et al 2005; Bahl & Smoke 2003). In particular, service charges on water and electricity supply are important. This revenue is generated by a surcharge added to the cost of the utilities that the local authorities typically buy from the utility companies, or, if the authority itself produces the utility, added to the cost of producing it.

According to Bahl et al (2003, p. 77), around a quarter of the electricity-distributing authorities in South Africa raise substantial revenues from the surpluses earned from their sales. A large share of these revenues is used to cover the cost of providing the service. However, in some municipalities a substantial surplus is left for general local government purposes. Hence, the tax component of the user fee is hidden for ratepayers, and the ‘true level of local government taxation is not transparent’ for citizens. The accountability capability of the local revenue system is therefore undermined.

In Namibia, the majority of town councils are not determining their tariffs in accordance with an approved tariff policy of cost recovery (Fjeldstad et al 2005). Hence, several trading services, including water distribution, are operated with significant losses in a number of local authorities. This is also the situation for around a quarter of the municipalities in South Africa (Bahl & Smoke 2003). The situation is worsened by an increasing number of outstanding debtors in many local authorities, that is, consumers who do not pay for basic services due to various reasons, including affordability.

Experiences from South Africa and Namibia show that there are a number of constraints on user charges and other means of cost recovery. These arise from equity considerations (that is, ability to pay), collection and billing methods, the quality of the services provided, and persistent resistance to pay. These lessons point to the fact that dealing with the policy problem of revenue enhancement requires some understanding of the factors underlying the individual's decision whether to pay or evade paying service charges (and taxes). An increasing amount of evidence suggests that the rate of contribution to a public good is affected by factors such as citizens' trust in others and the trustworthiness of the government (Slemrod 2003). Without trust there is little basis for social co-operation and voluntary compliance with laws and regulations that could potentially benefit everyone. In particular, three dimensions of trust seem to affect citizens' compliance: (1) trust in the local government to use revenues to provide expected services, (2) trust in local governments to establish fair procedures for revenue collection, and (3) trust in other citizens to pay their share. The larger the fraction of the local population that is observed not paying is, the lower the perceived risk of being prosecuted is. This impacts on the individual ratepayer's perception of the credibility and trustworthiness of the revenue administration.

The attitude of local political leaders with respect to payment seems to be important, for example, by legitimizing nonpayment through their own behavior. This suggests that there are reasons and scope for innovation. The problems of non-payment should therefore be attacked on several fronts, including service delivery, better administration and payment schemes, and community involvement. To achieve this, in-depth knowledge and data are required on payment levels for each sub city in the case of Addis Ababa for instance, the proportion of municipal

accounts delivered, the number and type of complaints received, living conditions for the poorest segments of the population, including the elderly and unemployed, etc. Moreover, customer care must show that complaining will bring results.

Citizens should be encouraged to report defaults such as leaking taps or streetlights not functioning. The prompt redress of such complaints may help convince people that the municipality means business. Furthermore, citizens' involvement in identifying problems and setting priorities may motivate a greater sense of community involvement. Finally, the cooperation between local government officials and the community in setting common goals might be a crucial trust-enhancing device. This is being exercised in Addis Ababa city administration however the extent of participation and its significant in promoting compliance towards paying municipal revenues is yet to be studied.

2.5 Municipal revenue Leakages

One major administrative problem today for many urban administrations in Africa is their inability to collect fully the revenue due to them. In many municipalities, there are huge gaps between reported and projected revenues. This is due to: (1) poor administrative capacity to assess the revenue base, (2) poor administrative capacity to enforce the payment of taxes, (3) explicit and intentional tax evasion and resistance from taxpayers, (4) corruption, including embezzlement of revenues, (5) external pressure on the local finance department (bureau in the case of Addis) to provide optimistic projections, and (6) political pressure on the local tax administration to relax on revenue collection, especially during election periods. In this setting, fundamental issues to be addressed in the context of local government fiscal reforms are to redesign the current revenue structure and to strengthen financial management. Moreover, measures are required to enhance taxpayers' compliance and to improve the accountability of revenue collectors and elected administrators. This cannot be achieved without substantial and consistent political support from the federal and state government.

Improved information supplied to the public on budgets and accounts may improve the opportunities for citizens to exercise their voice and demand accountability from local authorities. (Reinikka & Svensson 2002). It is, however, important to stress that encouraging

citizens and civil society to engage in fiscal and financial monitoring at the local level does not imply that such measures should replace formal auditing and accounting mechanisms. Nor does it imply that such measures will weaken the formal accountability mechanisms. On the contrary, it can strengthen the legitimacy and standing of local authorities in the communities by contributing with complementary measures to improved control of revenue collection and expenditures.

A fundamental requirement designing the local revenue system is greater emphasis on the cost-effectiveness of revenue collection, taking into account not only the direct costs of tax administration, but also the overall costs to the economy, including the compliance costs to the taxpayers. In addition, losses through corruption and tax evasion need to be reduced. To achieve these aims, there is a need to simplify the business license and fee structures further by reducing the number of rates and other requirements. Moreover, local taxes and licenses should be harmonized with other tax bases, to avoid the feeling of double taxation and conflicts with national development policies, such as job creation and private sector development.

More practicality is also required when it comes to the implementation of a well-functioning property tax system. An important element of the fiscal decentralization process has been to give municipalities the power to value, assess, bill, collect, and enforce property taxes. Property tax has many attractions as a local revenue base since it is imposed on immobile assets and therefore is difficult to avoid – at least in principle.

Local own revenues are a necessary but not a sufficient condition to finance municipal services. In most urban local authorities in Africa, local sources are generally not sufficient to develop and supply adequate services for the fast-growing urban population. The reality is that most municipalities in Africa for a long time will continue to be heavily dependent on fiscal transfers from the federal or central or state government. Only a few large urban governments located in rich areas are able to finance a substantial share of their total expenditure with their own revenue sources. Transfer systems based upon revenue sharing between the central and sub-national levels of government and grants from the central level should therefore be considered important

components of financing the ever increasing municipal service demand and Addis Ababa can't be an exception.

2.6. Financial management in urban local governments

The financial year of Addis Ababa runs from 8 July of each year to 7 July the following year. Addis Ababa bureau of Finance and Economic Development (BOFED) must prepare budgets for each financial year. The city Council must approve these budgets before the new financial year begins, after proper planning and consultation with concerned committees and other stakeholder groups in the city.

Sound financial management practices are essential to the long-term sustainability of urban local governments. They underpin the process of democratic accountability. Weak or opaque financial management results in the misdirection of resources and increases the risk of corruption. Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that local governments can be held accountable. After being approved, the local government budget must be implemented to achieve policy goals related to local socio-economic development.

Local governments are expected to develop effective financial management systems to ensure efficient and effective use of monetary resources in such a manner as to accomplish institutional objectives and financial sustainability. The purpose in the public sector is to prevent financial waste (e.g. overspending, a persistence of negative cash balances) and other avoidable expenses (fruitless and wasteful as well as irregular expenditures) when providing public goods and services to the citizens. Since there is high demand for financial accountability in the local service through the Local Government: Municipal Finance Management, local government is expected to keep all payments and receivables transparent.

Local governments are expected to maintain the books of accounts so that financial transactions including budget utilizations can be tracked and periodic reports are to be issued. In this respect

Addis Ababa BOFED is responsible for this aspect of the city administration. The financial management system that the city employed, control made in place and budget and actual performances of revenue and expenditures will be addressed in the coming chapter.

2.7. Challenges of financial management system local government

Well-functioning financial management systems enable local governments to steward resources effectively, properly account for and report on the custody and use of public funds, expend their resources efficiently, and manage their finances to address their development priorities in a sustainable manner. (Habitat III 2016) Sound municipal financial management that achieves these aims has two chief dimensions. First, a set of core, interlinked local government systems and processes must be present. These include planning, budgeting, accounting, procurement, reporting, auditing, and oversight. Second, municipalities must be able to steward their resources (cash, assets, investments) in an effective and accountable manner so that they can meet their short- and long-term financial and operational obligations while maintaining accountability to citizens and stakeholders. In both developed and developing countries local governments face several challenges that often impede strong fiscal management and can be addressed in policy. (Habitat III 2016) The following are a few examples of such challenges:

Weaknesses in planning and budgeting. Local governments often lack the organizational capacity to implement sound financial management practices, including multiyear budgeting and capital investment planning, cash management, effective asset management, and timely maintenance. In addition, weak revenue forecasting and lack of budget preparation skills often inhibit the municipal budget preparation process. Limited consultation and citizen participation in the budgeting process can result in municipal budgets being out of touch with citizen priorities, impacting the sustainability of programs and projects and lessening the extent to which programs reflect principles of equality and equity.

Weak accounting and reporting practices. Municipalities in many countries often do not follow modern accounting practices (such as double entry and accrual accounting). Many still use cash accounting that results in fragmented recording of municipal financial transactions and in a less comprehensive picture of the municipality's financial position. The absence of common

standards for financial reporting makes it difficult for stakeholders to understand the state of a municipality's finances or to make comparisons with other municipalities. As cities across the world try to improve their access to market sources of financing, weak accounting and financial reporting practices create problems of information asymmetry, preventing smooth access to capital markets.

Inadequate use of IT. Accounting records are the primary source of financial information and modern information technology (IT) plays a critical role in compiling, recording, and managing accounting information in both the public and the private sectors. Many countries use applications such as Integrated Financial Management Information Systems (IFMIS) to manage their financial affairs. However, efficient municipal management using IFMIS is not the norm in municipalities in developing countries. Reasons for this include challenges in the design and procurement of such systems; lack of suitable interfaces between business processes and technology designs and weak (Habitat III 2016).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the general methodology used to conduct the study. It specifies the research design, sampling design, data collection method and instruments, and data analysis and interpretation.

3.2 Research Design

The present study is basically a descriptive type research. As such, in order to collect primary data, survey and interview were used. That is in order to assess the perception of tax payers a separate questionnaire was prepared and administered. As a descriptive type research, simple types of statistical techniques such as average, percentage etc. are used to analyze the data by way of description of state of affairs of municipal revenue sources, performances and budget predictability as well as utilizations as exhibited during the last year.

All necessary secondary data (Revenue, expenditure, etc budget and actual) and secondary documents, Annual plans and budget documents, legal and policy frameworks and relevant literatures in the field were consulted to generate information and draw lessons and were used to frame and back this study with facts.

3.3 Sampling design

To tackle the aspect of the study about attitudes of tax payers, a questionnaire was used¹. The respondents were sampled using two-stage sampling method. Primary samples being woredas were selected based on convenience using purposive sampling method. These are woreda 12 of Nifas silk lafto sub city and Woreda 6 of yeka sub city administrations. These woredas were selected because the writer is not only familiar to these areas but also for the officials of these administration units were willing and cooperative in identifying those residents having immovables and happen to visit the woreda during the time of data collection. Accordingly ones woredas were selected respondents were randomly picked during their stay in the premises of the selected woredas

A total of sixty taxpayers having owning immovables in the selected woredas were randomly sampled and data were collected using the questioner prepared for the purpose of this study. These sixty tax payers are believed to represent the perceptions and attitudes of the general tax payers in Addis for they are homogeneous from payments of municipal revenue and municipal services provision stand points and the information gathered was similar in its nature. Besides their responses were designed to be used to counter check responses from revenue bureau and that of BoFED and was used to corroborate the findings from the secondary data sources.

3.4. Data collection method and instruments

Data were collected from primary & secondary sources. Primary data is collected by using questionnaire and semi structured interview questions. Formal and informal discussions are also held with the officers Revenue bureau and BoFED of Addis Ababa city administration

i) Questionnaire:

The attitude of tax payers towards local government revenue and expenditures and payment of taxes were assessed based on three dimensional arrays of attitudinal questions (1-3 scales)².

The 1st batch of questions asks about perception of respondent on how does the community

¹ A copy of the draft questionnaire is attached as annex

² The scales are: (1 = it is right or strongly agree, 2 = it is partially right, 3 =it is not right or strongly disagree)

in their area or work place think with regards to tax payment, the second batch explore about respondents' Commitment to paying tax by oneself. The questions were formulated to have a mix of favourable and unfavourable statements so that possible diversity can be captured and consistency can be checked. The third batch, which is little bit different from the other above two batches, dealt with respondents Views about the tax system (existence of inequity in tax payment). These questions were used to triangulate and make further analysis of the information obtained from secondary sources.

ii) Interview:

A semi structured interview was also used to gather information about how budget is prepared, whether avenue potential of the various sources are known at city level, to identify the bases and timing of various levies, etc. This helped understand the processes and revealed the working situation in those authorities that are directly related with municipal financial management (revenue bureau and BoFED).

Secondary data were collected from various reports particularly from IBEX report. Four years financial report data were collected (2005 through 2008EFYs) for that was what is found in its complete form and that same can show the performance of municipal revenue collection, budget utilization and predictability questions. Besides the various sources of revenue line items were compiled from various sources and were used for analysis of possible conflicts.

3.5 Data Analysis and interpretation

Information and data collected both by primary and secondary sources were discussed and analyzed descriptively based on reasoning and on such statistical tools as processing's using excel (pivot table and pivot chart), percentages and ratios to drive results. The various figures were interpreted and conflicts among revenue lines were examined Finally, findings are reported in the way that it could portray whatever picture this research project has explored about Addis Ababa city administration's Financial Management performances, particularly that related to municipal revenues and expenditures.

CHAPTER 4

Results, Dissuasions and Analysis

4.1 Introduction

Data and information for this part of the paper were obtained from various sources. A critical analysis of the various revenue sources were made and those that are in conflict with other sources of revenue were identified which latter was corroborated by results of the interview. Four fiscal years detailed data of Addis Ababa city Administration were taken and used to undertake and in depth analysis. A questioner were prepared so to capture the attitude of residents towards municipal services and municipal revenues. Besides interview were conducted with officials of the revenue Bureau and that of BoFED of Addis Ababa city Administration.

4.2 Municipal Revenue sources conflicting with other revenues

Assessment of the government's chart of account of Ethiopia, reveals that there are various sources of revenue for Addis Ababa city. Categorically, these revenue sources can be classified as Municipal (with account code in the chart of accounts of 1701-1799), state taxes (with account code in the chart of accounts of 1101-1509) and subsidy with account code in the chart of account of (1600 – 1629). Within municipal revenue are tax revenues (which includes urban building taxes, assurance taxes, etc); municipal Rent revenue and Investment (which includes land related revenues, market, funeral vehicle rent, etc); Municipal service charges (which includes business and professional fee, Penalties, etc); revenue from sales of goods and services (which include sanitation service, design and tender, etc); municipality capital receipts (such as sales of movable and immovable property, community contribution, etc).

From among the state revenues are direct taxes (which includes Income taxes such as employment income, rental income, interest income, business income, etc); indirect taxes (such as VAT, Excise tax and turn over tax); revenue from stamp and duty and non-tax revenues such as administration fee and charges (i.e. court fees, forfeits, etc), sales of public goods and services (i.e. medicine and medical treatments, cultural services, publications, etc), Government

Investment Income (i.e. interest on loan to employees/ from banks, rural land use, etc); miscellaneous revenues (such as pre-shipment inspection fee, domestic assistance, etc); and capital revenue (such as from sales of fixed assets, etc).

Subsidy can also be major sources of revenue. Whereas local borrowing could be another source of revenue, there was none in terms of utilizing this option of financing in the period 2005 through 2008 EFYs. Sector specific donations and transfers are not accounted using IBEX and thus is not included in the revenue data presented in this study.

A further analysis into these various sources of revenue exposed the existence of similar municipal and state revenues and different sources of revenues levied on similar bases. The popular one is capital gain tax applied for the sale of building in a city. This tax conflicts with other municipal taxes like assurance and also with municipal service charges like charges paid during change or transfer of ownership of a building coded under 1774 or registration of contractual agreement there of coded 1755.

The other conflicting revenue item is related with vehicles management. Vehicle related services are being provided by the respective branch bureau of transport. It is good, and also must be. But the question is to whom the revenue collected from such services must be recorded to. Vehicles are the top users of municipal roads and are also indicators of wealth for which taxation of vehicles can be justified with the principle of both benefit and wealth tax. This would also justify recording all vehicle related revenues under municipal codes rather than recording under state revenue code of 1451 titled transport service. Many vehicle related services are titled under municipal revenue codes as 1747-Bus terminal services, 1762-Driving licenses fee, 1764-Annual vehicle inspection agencies fee, 1765-Driving instructor and vehicle title deed, 1766-Valuation of vehicle, 1767-Registration of driving instructors and others registration, 1768-Vehicle plate sales and rent, 1771-Permission for change of type of vehicle services, and 1772-Transfer of title deed fee. In none of the four years does Addis Ababa recorded such revenues under municipal revenue codes. This implies that whereas the aforementioned revenue sources are and should be part and parcel of municipal revenues, it is being collected and used for state functions.

The Focused group discussion on this issue shows that most of these vehicle related sources of revenue are being collected and used by the federal government. Bus terminal service fee was taken as a show case to this fact.

Revenue titles like urban land lease (1469 and 1731), business and professional service fee (1417 and 1741), environmental protection service (1405 and 1748), road transport service (1451 and 1756 customarily called bus station service), site plan service (1406 and 1774) are all found under both state and municipal revenue codes that creates conflict in the provision of the service and collection there from. Where there is a revenue source in both municipality revenue and state revenue and is levied on same base and on similar instance or transaction, residents paying it may resist for such double payments. Therefore there is a need to cancel most this types of revenues from the state tax category so the local governments will be responsible for the provision of services as well as to benefit from revenue that these services will generate.

A very astonishing revenue source is business and professional service tax that is directly conflicting with sales related taxes, VAT and TOT. The Federal and regional governments impose such taxes on companies (corporations and private limited companies) and individual businesses respectively. In Addis Ababa every Businesses owner is obliged to pay various amounts for business and professional service charge.

Such forms of double taxation or conflicts created not only burden on the taxpayer but also is costly to both the tax payer and the revenue authority in terms of time and manpower.

4.4 Revenue Targets and Collection

Based on the results of the interview with Addis Ababa Revenue authority and BOFED, and also as reflected on budget documents referred to, the city set target revenues from each source (line item) of revenue each year. In doing so however, it doesn't start from the maximum available potential per each line item rather is based on past performance subject to some adjustment (mostly arbitrary increases and decreases) from the previous year plan. Asked about the process of arriving at a specific target revenue figure for each line item, officials of the above organs

claim that it is more of subjective increment to the past collection where last collection was near to or surpass last year's plan.

The proper way of setting target figures is to start with the analysis of past revenue performance to be followed by examination of expenditure management there by to see the options of revenues to cover the cost of essential services for residents. Determining the potential of each line item at a given rate or charge is the critical first step in setting plan. In order to increase revenue collection, strategies should be set in consideration to the possibilities of improving revenue administration efficiency. Knowing the cost of service would also be very important for city to determine the amount that should charge the beneficiaries. This is assuming that municipal is empowered to make adjustment to the rates, charges and fees by them. However in practice the federal government's interference is so high that city is not in a position to make adjustments to rates and bases as and when it finds necessary. As a result save land lease, municipal related fees and taxes are so low to cover the municipal service costs.

Table 1 below depicts state revenue target and the actual collection of Addis Ababa city for the last four years. As it can be inferred from the table actual state revenue collection was below the plan in all of the four years except 2007 EFY where 108% achievement was recorded. The actual state revenue collected in 2008 EFY was 205% of that collected in 2005 EFY. The average performance in state revenue collection for the last four years was 94% of what has been planned. This indicates that taking the four years state revenue data all together, Addis Ababa set targets a bit higher than what they managed to collect. Particularly in 2005, 2006 and 2008 EFYs the collection rate was below 82% where as in 2005, it goes up to 108% in 2007 and decline in 2008 (92%) indicating problems in predictability of target revenues as compared to the amount that can be collected.

On the other hand, table 2 reveals Addis Ababa's target and actual collection of municipal revenue. Whereas the target of 2008 was 81% of what has been planned for 2005, the actual collection was only 39% of that in 2005. During the four years period only 62% of the planned municipal revenue were collected. The average variation or gap for the four years between plan

and actual was 38% which imply lost in revenues. This shows that the municipality is not efficient in its revenue collection performance. That is the municipality did not achieve its target plans. On the other hand these figures imply that there is considerable problem in budget predictability on municipal revenues more so than same problem observed in state taxes. This is a clear indicator of budgeting on the bases of last year performance as opposed to on potential of each revenue source. On the other hand, poor collection performance may imply in efficiency in the side of the tax collector or could be the manifestation of resistance or unwillingness of residents to pay. Such poor collection performance may also be a reflection of problems on enforcement mechanisms.

As compared to the (39%) and (81%) increase in actual and planed municipal revenue collection respectively, the 105% and 83% respectively increase in actual and planned state revenue collection, in four years, shows that high attention & effort were expanded on state revenue collections than that of own revenue. These situations could be a source of short supply of municipal functions such as sanitation, street lights, drainage systems, greenery areas, abattoirs services and the like.

The two tables below, (Table 1 and Table 2), indicate that for the period 2005 through 2008 EFYs collection as compared to plan was the lowest in 2005 and 2006 EFYs for state revenue and for municipal revenue low performance was recorded in 2007 and 2008 EFYs.

Table 1 Addis Ababa City State Revenue Target Vs Actual 2005-2008 in “000,000” of birr

Types of revenue	Act Code	2005			2006			2007			2008		
		Plan	Actual	%	Plan	Actual	%	Plan	Actual	%	Plan	Actual	%
Direct Taxes	1100-1120	5,761.00	6,354.00	110%	9,656.00	8,821.00	91%	11,763.00	16,975.00	144%	15,659.00	13,835.00	88%
Indirect Taxes	1120-1272	2,968.00	3,942.00	133%	3,825.00	5,239.00	137%	8,990.00	5,512.00	61%	7,269.00	6,911.00	95%
Stamp Sales & Duty	1290-1299	97.00	136.00	140%	622.00	149.00	24%	37.00	228.00	616%	47.00	243.00	517%
Non tax Revenues	1400-1499	5,317.00	1,096.00	21%	3,399.00	1,542.00	45%	2,419.00	2,312.00	96%	2,937.00	2,725.00	93%
Capital revenue	1500-1599	-	-	0%	1.00	-	0%	-	-	0%			
subsidiary Revenues	1600-1699	50.00	46.00	92%	189.00	50.00	26%	50.00	43.00	86%	50.00	47.00	94%
Total State Revenue		14,193.00	11,574.00	82%	17,692.00	15,801.00	89%	23,259.00	25,070.00	108%	25,962.00	23,761.00	92%

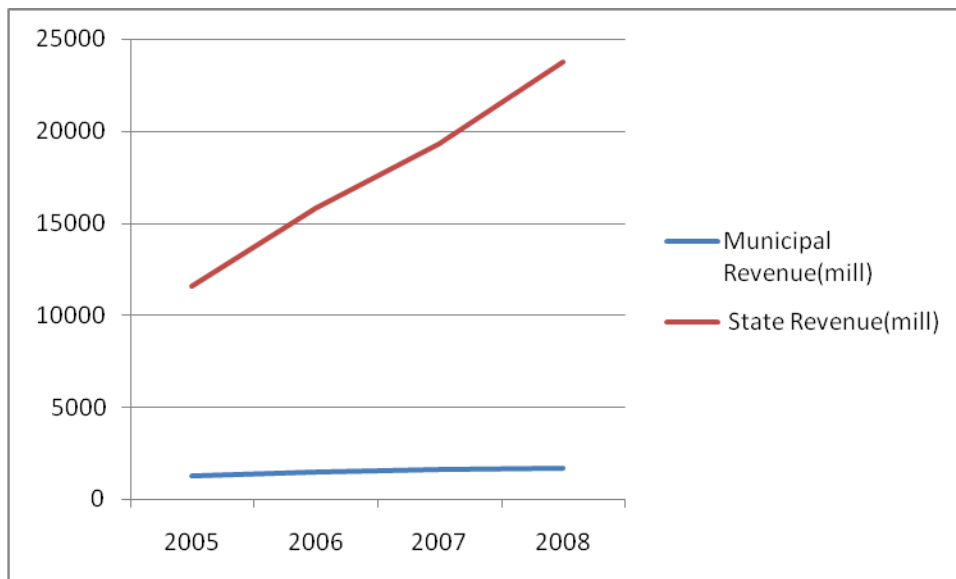
Table 2: Addis Ababa City Municipal revenue target Vs Actual 2005-2008 in “000,000” of birr

Types of revenue	Act Code	2005			2006			2007			2008		
		Planned	Actual	%	Planned	Actual	%	Planned	Actual	%	Planned	Actual	%
Municipal tax revenues	1701-1719	245.00	245.00	100%	282.00	306.00	109%	62.00	433.00	698%	42.00	445.00	1060%
Municipal Rent & Investment	1720-1731	232.00	188.00	81%	241.00	187.00	78%	354.00	201.00	57%	287.00	199.00	69%
Municipal Service Charges	1740-1749	254.00	112.00	44%	345.00	113.00	33%	323.00	164.00	51%	343.00	209.00	61%
Sales of goods & Services	1750-1789	919.00	685.00	75%	1,401.00	884.00	63%	2,249.00	825.00	37%	2,315.00	840.00	36%
Other capital Receipts	1791-1799	-	13.00		21.00	11.00	52%	-	33.00		-	31.00	
Total revenues		1,650.00	1,243.00	75%	2,290.00	1,501.00	66%	2,988.00	1,656.00	55%	2,987.00	1,724.00	58%

4.5 Revenue trends and the contribution of each line item to the total revenue

Figure one below indicates how fast state revenue is growing as compared to the growth in municipal revenue.

Figure 1: State and Municipal revenue trends (2005 up to 2008EFYs)



Looking at the contribution of each major category sources of revenue, Sales of goods and services income is taking the lion share for municipal revenue and direct taxes for state revenue. A further look into the details of the municipal revenue reveals that water service and sanitation services alone contributed 41%, 47%, 35%, and 32% of the total municipal revenue of EFYs 2005, 2006, 2007 and 2008 respectively. Water service alone is contributing 31% and 36% of the total municipal revenue in 2005 and 2006 EFYs and 24% and 21% in 2007 and 2008 respectively. It can be said that since significant portion of municipal revenue is collected from service charges, it can be a sustainable source to finance the operation of activities and if these charges are beyond cost recovery then the surplus can be used to expand similar services in the city.

Table 3: The contribution of each major category on to the total revenue per year

The contribution of each category of revenue from total					
A. Municipal Revenue	Account Code	2005 EFY	2006 EFY	2007 EFY	2008 EFY
Tax Revenue from municipal services	1701-1719	20%	20%	26%	26%
Municipal Rent Revenues & Investment Income	1720-1731	15%	12%	12%	12%
Municipal Service Charges	1740-1749	9%	8%	10%	12%
Sales of goods & Services	1750-1789	55%	59%	50%	49%
Other capital receipts	1791-1799	1%	1%	2%	2%
Total		100%	100%	100%	100%
B. State revenue					
Direct Taxes	1100-1120	55%	56%	58%	58%
VAT	1120-1169	4%	6%	1%	1%
Other Services	1170-1199	26%	24%	25%	25%
Sales Turn Over taxes on locally manufactured goods	1200-1219	0%	0%	0%	0%
Service Turn Over tax	1220-1249	2%	2%	2%	2%
Value Added tax on imported goods	1250-1279	2%	1%	1%	1%
Administrative fees and charges	1290-1299	1%	1%	1%	1%
Sales of public goods and services	1400-1429	0%	1%	0%	0%
Sales of public goods and services	1430-1459	1%	1%	1%	1%
Government investment income	1460-1479	6%	7%	9%	9%
Extraordinary and miscellaneous revenue	1480-1489	2%	2%	2%	2%
Capital revenue	1500-1599	0%	0%	0%	0%
Capital revenue	1600-1699	0%	0%	0%	0%
Total State Revenue		100%	100%	100%	100%

On state Revenue, Direct tax (tax on income, profit and capital gain) is contributing 55% up to 58% of the total state revenue during the last four years. An in-depth look in to this category shows that tax on wages and salary of government employees and tax on profits from individuals alone contributed 50%, 52% ,53% and 38% of the total state revenue of the fiscal years 2005 through 2008 respectively.

4.6 The expenditure area and financing source over the last 4 years.

The city is expected to use unified Bank account to manage their cash. However in setting budgets, the source of financing or revenue or the inflow from which the expected expenditure will be covered should be indicated. Up on actual utilization, expenditures should be recorded in line with the source of revenue that particular expenditure line was budgeted to be financed from. This is a common practice for the purpose of promoting accountability and for a better controlling system. In this regard, analyzing the source of financing for municipal and state functions would reveal financing gaps if each function is required to be financed by its own revenue source.

As indicated in table 4 below, if municipal function expenditures were to be financed by municipal revenues, the deficits would range from 173 million birr in 2005 EFY up to 799 million birr in 2008EFY. On average, 238% of the four years municipal functions outflows were capital expenditures. The total municipal expenditure is continuously increasing from one year to the other but the increase in capital expenditure prevails over that in recurrent expenditure. Municipal revenue was able to cover 88%, 89%, 81% and 68% of the municipal function expenditures during 2005 through 2008EFY respectively. This trend indicates that own source of revenue couldn't go with the increase in expenditure for municipal services. Thus the city is either to increase efforts to collect more from the existing revenue line items or there will be over dependence on state revenue so to finance municipal functions.

Table 4: Revenue versus expenditure Gap trends

year		2005	2006	2007	2008
Municipal Revenue		1,245.78	1,502.73	1,658.72	1,725.69
Municipal Function Expense	Recurrent	468.63	704.42	955.99	1,029.03
	Capital	950.22	986.07	1,095.83	1,495.81
	Total	1,418.84	1,690.49	2,051.81	2,524.84
<u>GAP (municipal revenue less municipal function exp)</u>		<u>(173.07)</u>	<u>(187.76)</u>	<u>(393.09)</u>	<u>(799.15)</u>
state Revenue		11,578.73	15,806.86	19,331.86	23,461.09
Subsidy		49.33	213.79	226.90	32.18
Total		11,628.06	16,020.66	19,558.75	23,493.27
State Function Expense	Recurrent	4,210.17	5,735.33	7,467.88	9,431.60
	Capital	6,906.37	10,587.53	11,255.21	10,056.61
	Total	11,116.54	16,322.87	18,723.08	19,488.21
<u>GAP(State revenue less state function exp)</u>		<u>511.52</u>	<u>(302.21)</u>	<u>835.67</u>	<u>4,005.06</u>
<u>Net GAP/excess</u>		<u>338.45</u>	<u>(489.97)</u>	<u>442.58</u>	<u>3,205.91</u>

The data in the above table shows that out of the total sum of state revenue and subsidies, state function expenditures consume 96%, 102% (implying utilization of transfers from previous fiscal years), 96% and 83% during 2005 to 2008EFY respectively or on average only 94% of the state revenues and subsidies were used for state function expenditures. The rest (about 6%) of the state revenue were used to finance municipal functions during the last four years. Given that most municipal functions are service charges, financing these functions with tax from state revenue would amount as paying the user of municipal services from what has been collected from tax payers. That is municipal functions are not even provided on a cost recovery basis.

Over all, the record indicates that the city had a deficit of 489.97 Million birr in 2006EFY, the financing sources of which were not indicated except for the interview result that shows that

transfers from one accounting period could be used in other periods. On all other years of the last three years there has been unutilized resource or the city managed to collect more than what it has used. This unutilized resources ranges from the least Birr 338.45 million in 2005 up to the highest Birr 3,205.91 million in 2008 EFY. It doesn't however mean that the entire unutilized budget was actually available to the city. For example, it is possible to infer from table 4 and 5 that the unutilized planned resource during 2008 EFY was birr 9,791.80 million birr. However, only Birr 3,205.91 was left unused while on hand implying that some 6,585.89 million birr was in fact not available for use. This underutilization of available resources indicates a lost opportunity to provide better service to residents. It is an indication of inefficiency and ineffectiveness. As a result it could negatively affect the willingness of the tax and service fee payers to genuinely pay their obligations. Besides if this resource has been used more job opportunity could have been created, on top of satisfying the residents.

4.7 Expenditure trend Analysis

The actual and budgeted expenditure could vary due to various reasons or factors. The most common factors for such deviations are incapacity to utilize the resources and failure to generate the expected financing inflows (revenues). In the city, utilization of budgeted resources looks somehow similar from one year to the other. 78 %, 82%, 73% and 69% utilization was recorded from 2005 to 2008 ETB. In 2006, the city attain the highest utilization rate of 82% but in this same year the actual expenditure was Birr 489.97 million higher than the revenue (municipal, state and subsidy) the year.

Table 5: Budget versus actual

Budget versus actual utilization					
Budget Year		2005	2006	2007	2008
Recurrent	Budget	5,380,047,361.11	7,201,658,548.33	9,290,312,178.29	12,360,696,489.63
	Actual	4,678,800,610.56	6,439,752,800.13	8,423,862,700.88	10,460,631,984.88
	Variance	701,246,750.55	761,905,748.20	866,449,477.41	1,900,064,504.75
capital	Budget	10,660,052,927.37	14,637,262,374.24	18,978,109,594.03	19,444,148,646.37
	Actual	7,856,585,221.92	11,573,604,601.99	12,351,032,401.22	11,552,415,494.39
	Variance	2,803,467,705.45	3,063,657,772.25	6,627,077,192.81	7,891,733,151.98
Total	Budget	16,040,100,288.48	21,838,920,922.57	28,268,421,772.32	31,804,845,136.00
	Actual	12,535,385,832.48	18,013,357,402.12	20,774,895,102.10	22,013,047,479.27
	Variance	3,504,714,456.00	3,825,563,520.45	7,493,526,670.22	9,791,797,656.73
Utilization %		78%	82%	73%	69%

4.8 The Financial management practice of Addis Ababa city

Based on the evidence gathered from the city, the plan was prepared with active participation of the public. Sessions were usually held in hall with representatives of the public which includes members of religious leaders, Civic society, senior citizens, women's associations, youth associations, civil servants, etc.

Procedurally, draft plan is to be proposed by BoFED (which includes such units as Accounts, Budget, internal audit and Procurement) and then present it to the aforementioned participants from the public for discussion. The draft presented for discussion together with the suggestions of the public representatives is to be reported to the Cabinee (executive officers chaired by the mayor) for further discussion. After incorporating the interests of the public, the document will be presented to the council for approval. The council usually approves the plans and budgets in April every year.

After the budget gets approved, it is customary to disseminate the information to the public through notice boards at different places, such as office of the city administration, sub cities,

woredas, in areas where more people can have access to such information, etc and also through Medias and other means depending on the availability of such options in each city.

The Bureau of Finance and economic development (BoFED) is responsible for accounting functions of the city. And the city is using Integrated Budget and expenditure (IBEX), a modified cash basis accounting system is implemented and records are in a double entry form. A unified accounting system, which avoids decentralized accounting system and the practice of having different bank accounts for each sector and fund is made operational.

Progress reports on budget execution are being issued quarterly, semi-annually and annually. The annual financial report contains Revenue and expenditure reports, trial balance, financial assets and liabilities. These accounts were audited by external auditors each year. However the efficiency and effectiveness of the administration in collecting own revenue and in utilizing budget to the fullest possible extent was made an issue either in the audit reports or on progress reports.

Accordingly, it is possible to infer that the financial management activities of the city is rather busy with processing and preparing annual budgets and recording transactions there by to produce periodic reports. These periodic reports should have been used to take measures to collect revenues from each line or sources so that better municipal services could have been provided to the residents. What is explored in the case of Addis however is not only adequate municipal revenues are not collected but that amount of limited available resource were underutilized in all of the four study years.

4.9 Customers/ taxpayers opinion on municipal services & revenue collection

4.9.1 Profiles of customers/ taxpayers questioned

In this study, sex distribution, age structure, educational status, marital status, Occupation, years lived in the city were analysed to provide insight into the demographic characteristics/ profile of the sample Customers/ Tax Payers.

The demographic characteristics/ profile of the sample customers/ tax payers in the city is presented in Table 6. Among the 60 customers/ tax payers surveyed; 40% (24) are women while

60% (36) are Men. The age distribution of sample customers/ tax payers, constitutes about 20% of the 20-39 years old (very active working age population, 48% of 40-59 years old (matured working age population); while old age population (≥ 60 years) accounts only 32%. On the average about 60% of sample customers/ tax payers survey were reported to have first degree and above; while about 30 % are high school completers and 10% received vocational school or college diploma.

The major means of livelihoods (occupations) for the sample customers/tax payers are self-employment/ private business for about 60%, while salaried employment is reported by about 28% and Pensioners are about 12%. As to the occupancy (years Lived in the City) of the sample Customers/ Tax Payers, the great majority (about 80%) lived in the area for more than 20 years; which implies they have enough information about their cities and their perception won't be biased by limited information.

Among the questioned sample customers/ tax payers on the average about 60% reported that they are registered tax payers and have tax identification number (TIN). This implies that People in city tend to be more formal Tax payers.

Table 6 Demographic Characteristics of the Sampled Customers/ Tax Payers by Cities

Category	Response	Addis Ababa
	Valid N=	60
		% of the respondent
Gender	Male	60
	Female	40
Age	20-39	20.
	40-59	48
	>=60	32
Education	Don't Read and Write	0
	Only read and write	0
	Grade 12 completed	30
	Vocational School/ College Diploma	30
	Degree and Above	60
Occupation	Self-employed or business	60
	Salaried Employee	28
	Pensioners	12
	Other (Daily laborer/Brokerage)	0
Years Lived in the City	Less than 10 Years	8
	10-20 Years	12
	21-30 Year	38
	> 30 Years	42
Has TIN	Yes	60

Source: Customers/ Tax Payers questioner

4.10 Perception of respondent on how does the community think about tax payment

The findings of the questioner results (table 7) shows that, almost all of the customers/ tax payers believe that ‘it is wrong and punishable not to pay taxes’ (mean score =1.08). They also think that ‘paying tax is helping the government do worthwhile things’ (mean score =1.12).

On the other hand the respondents have rejected the idea that ‘paying tax is seen as a material loss so it wise and cleverness not to pay tax’ (mean score =2.89). The great majority (about 85%) also strongly disagree with the idea that ‘Taxpayers money is not wisely used by the government’ (mean score=2.58)

The issue in contention is whether ‘they think that they are forced to pay tax they are not believed in it or not’. Although some strongly disagree, most of the respondents feel that ‘they are forced to pay tax they are not believed in it’ (means score 2.30).

Table 7 Mean Score of Respondents Perception on how does the community in their area or work place think with regards to tax payment.

Questions	Mean
They think that paying tax is seen as a material loss so it wise and cleverness not to pay tax	2.90
They think that it is wrong and punishable not to pay taxes	1.08
They think that they are forced to pay tax they are not believed in it	2.30
They think that paying tax is helping the government do worthwhile things	1.12
They think that Taxpayers money is not wisely used by the government	2.58

Source: Customers/ Tax Payers questioner

4.11 Perception of respondent on commitment to paying tax by oneself

With regards to the attitude of tax payers/ customers on commitment to paying tax by oneself, the interview results (table 8) shows that ‘strongly feeling/ moral obligation to pay my tax’ (mean score of 1.02) and also ‘think that taxpaying is helping the government do worthwhile things (means score of 1.09). Moreover, almost all also think that ‘Paying tax ultimately advantages everyone; paying tax is the responsibility that should be willingly accepted by all residents of this city’ (mean score of 1.06). On the other hand, the majority of the responds also reject the idea that says ‘Paying tax is a material loss, so I feel bitter when I think about paying tax’ (mean score =2.86), and also strongly disagree with idea that ‘government is not wisely using Taxpayers money, so paying tax is wasting money ‘ (mean score =2.84).

Table 8. Mean Score of Respondents Perception on the Commitment to paying tax by oneself

Questions	mean
I feel a moral obligation to pay my tax	1.02
Paying tax is a material loss, so I feel bitter when I think about paying tax	2.86
I think of taxpaying as helping the government do worthwhile things	1.09
I think that government is not wisely using Taxpayers money, so paying tax is wasting money.	2.84
Paying tax ultimately advantages everyone. Paying tax is the responsibility that should be willingly accepted by all residents of this city.	1.04

Source: Customers/ Tax Payers questioner.

Overall, this positive attitude implies there is a willingness to pay tax by Customers/ tax Payers, as long as they are not forced to pay tax they are not believed in it.

4.12 Tax Payers Knowledge of Tax Laws and Regulations

Tax payer knowledge about Tax Laws and Regulations are similar from different individuals except for minor variations. The Tax Payers claim to have better knowledge about ‘municipal taxes- like municipal business tax, building tax, etc’, reported to be less knowledgeable about ‘tax regulation and tax system of the Regional/Federal Government’.

The source of information, be it multiple or single, for most of the tax payers who report to have some knowledge of tax law and regulation are TV and Radio (54%), Revenue Authority (29%), from friends/family/acquaintances (11%) and from the meeting conducted by city government (about 9%). This implies that people rely more on Mass Media for information about Tax Laws and Regulation than Revenue Authority, which is alarming.

Table 9 Percent Distribution of Tax payer knowledge about Tax Laws and Regulations

Type of Laws and Regulation	Valid N=	% of Respondent
Know the tax regulation and tax system of the Regional govt.'	YES , Know exactly	10.7
	Yes, Partially	27.7
	DON'T KNOW	61.6
Know the tax regulation and tax system of the city administration'.	YES , Know exactly	16.2
	Yes, Partially	33.2
	DON'T KNOW	50.6
Know municipal taxes like municipal business tax, building tax, etc'.	YES , Know exactly	39.6
	Yes, Partially	45.7
	DON'T KNOW	14.7

Source: Customers/ Tax Payers questioner

Overall, low level of knowledge of tax payers about Regional and City Administration tax laws and regulation, implies that tax education in these lines might have not been adequately provided to the customers. Of course this is substantiated by tax payers access to tax education. Among the interviewed customers/ tax payers, only about 10% of the respondents reported that one or more member of their family received tax education/training.

On the other hand better knowledge of tax payers about ‘municipal taxes- like municipal business tax, building tax, etc’, is a fertile ground to introduce and promote new municipal tax laws and regulation.

4.13 General view of the taxpayers towards the overall governance of their city and Revenue Authority handling system

General view of the taxpayers towards the overall governance of the city and Revenue Authority handling system was assessed using array of questions pretending to ‘easiness to find out which municipal taxes to pay’, appropriateness of Municipal Tax laws’, ‘level of implementation of tax laws with regards to municipal taxes’; ‘existence of variations in paying municipal taxes in the

city for similar business or property’; and ‘existence of discrimination against tax payers on municipal services’,

A. Easiness to find out which municipal taxes to pay'

The interview result (table 10) shows that, in general it is easy to find out which municipal taxes to pay. When asked 'how easy is it, to find out which municipal taxes to pay, on the average, over 85% of tax payers confirmed that it is easy to find out which municipal taxes to pay.

Table 10. Perception of Tax payer on how easy is it, to find out which municipal taxes to pay'

Valid N	60
	% of Respondent
YES, it is easy	84.5
NO, it is not easy	13.9
NO RESPONSE	1.7
Total	100.0

Source: Customers/ Tax Payers questioner.

B. Appropriateness of Municipal Tax laws

Customers /Tax payers’ opinion with regards to ‘appropriateness of Municipal Tax Laws’ is presented in table 11. The result shows that the tax laws perceived to be appropriate by majority (about 62%) of the respondents. However, it has to be noted that beside the 19% of tax payers who reported that tax laws are not appropriate, quite considerable number of tax payers, about 19 %, reported that they don’t know whether it is appropriate or not. This is definitely shows citizens are not well informed about tax laws.

Table 11. Opinion of Tax Payers on Appropriateness of Municipal Tax laws

Valid N	60
	% of Respondent
Yes it is appropriate	61.6
No, it is not appropriate	19.2
DON'T KNOW	18.5
NO RESPONSE	0.7
Total	100.0

Source: Customers/ Tax Payers questioner.

C. Level of implementation of municipal tax laws

With regards to Implementation of Municipal Tax Laws, the interview result (table 12) shows that, in general, tax laws are not fully implemented. On the average, only 39% of tax payers confirmed that tax laws well implemented with regards to municipal taxes, while 19% reported partial implementation of municipal tax laws. It has to be noted that beside the 20% of tax payers who reported that tax laws are not well implemented, considerable number of tax payers, about 21 %, reported that they don't know whether it is well implemented or not. This is definitely shows citizens are not only well informed about tax laws, but also not participated on the review of tax laws implementation.

Table 12. Opinion of Customers/ Tax Payers on Implementation of Municipal Tax Laws

Valid N	60
	% of Respondent
Yes, tax laws are well implemented	39.4
No, it is not well implemented	19.9
Partially implemented	19.0
DON'T KNOW	21.0
NO RESPONSE	0.7
Total	100.0

Source: Customers/ Tax Payers questioner.

D. Existence of variations in paying municipal taxes

Customers/Tax payers were asked if they feel existence of or have experience of variations in paying municipal taxes in this city for similar business or property. Table 13 shows that 57% of the city Tax payers reported existence of variations in paying municipal taxes in the city for similar business or property. This is expected and consistent with the response of the tax payers reported in previous section.

The five major reasons, each cited by more than 30% of tax payers as the sources of variations includes Due to poor tax assessment process, Due to corruption, Due to Nepotism, Due to loss of confidence in Revenue Authority.

Table 13 Tax payers’ opinion on 'variations in paying municipal taxes and Causes of Variations

Are there variations in paying municipal taxes in this city for similar business or property	Valid N=	60
		% of Respondent
	Yes	57.3
	No	21.4
	DON'T KNOW	21.2
	NO RESPONSE	0.2
The reason/causes for variation?	Valid N=	60
	Due to corruption	11
	Due to loss of confidence in RA	2
	Due to inadequate information	5
	Due to poor tax assessment process	30
	Due to negative attitude to tax payment	4
	Due to different understanding of tax laws	5
	Due to political power or stand	1.5
	Due to capital registered	0.0
	Due to difference in the Ranks of the location	0.0
	Due to Very High income return	0.0
	Don not Know	1.2
	No Response	0.3

Source: Customers/ Tax Payers questioner.

E. Existence of discrimination against tax payers on municipal services’ and reasons for discrimination

Customers/Tax payers’ opinion with regards to existence of discrimination against tax payers on municipal services (Table 14) 50% of Tax payers reported existence of discrimination in their city against tax payers on municipal services. This is again consistent with previous responses of the tax payers.

Although existence of discrimination against tax payers on municipal services was confirmed as an issue, on the average , by only 34% of the respondent, the five major reasons cited by tax payers as the reason(s) for discrimination against tax payers includes: Due to corruption, Due to Nepotism, Due to Wealth, Due to Social status, Due to Ethnic group

Overall repeated answers of by considerable proportion of the tax payers about the existence of variation of in paying municipal taxes and 'discrimination against tax payers on municipal services' and citing corruption and nepotism as the major causes for variation and 'discrimination' hint at loss of confidence by citizens on overall governance of their city and Revenue Authority handling system.

Table 14 Tax payers opinion on 'discrimination against tax payers on municipal services' and reason for the discrimination

Is there discrimination against tax payers on municipal services	Valid N=	60
		% of Respondent
	Yes	49.7
	No	27.4
	DON'T Know	22.9
	No Response	
The reason(s) for discrimination against tax payers	Valid N=	60
	Due to Social status	8
	Due to Wealth	10
	Due to Ethnic group	3
	Due to Religion	2
	Due to Nepotism	15
	Due to corruption	20
	Don not Know	1.7
	No Response	0.3

Source: Customers/ Tax Payers questioner.

4.14 Customers view and attitude towards the services offered by the city

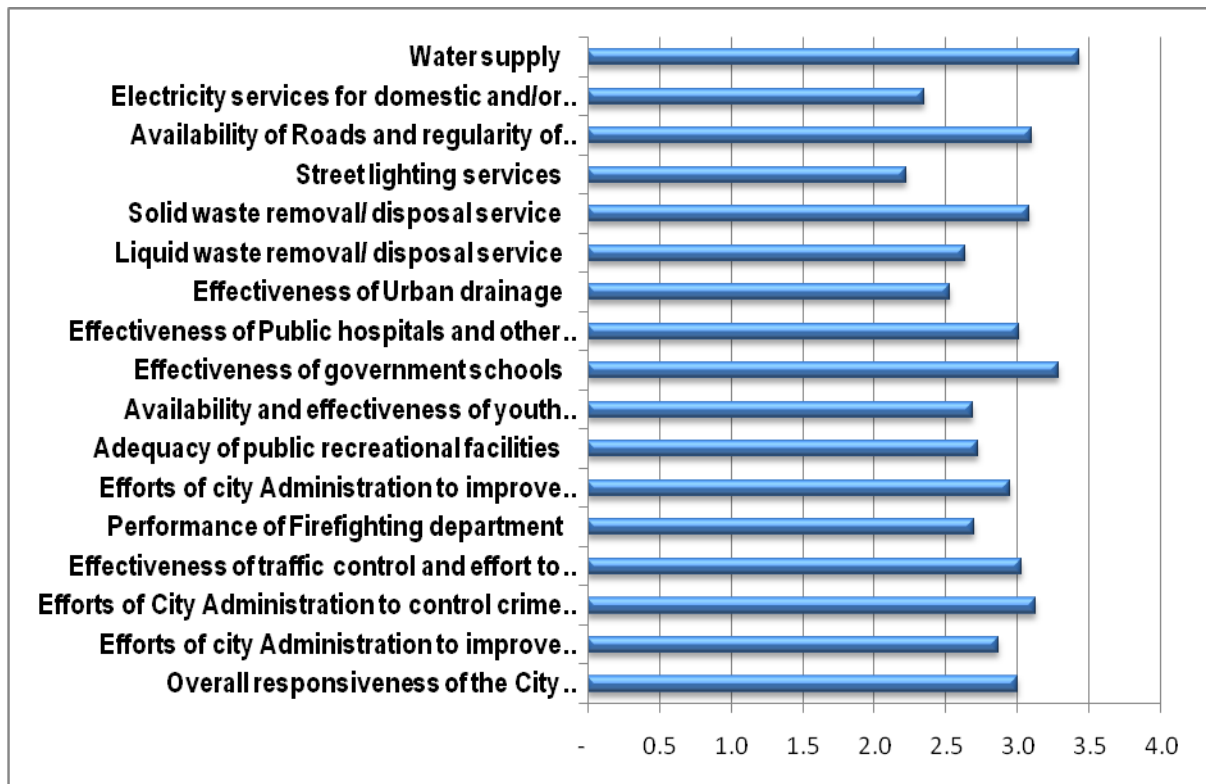
To assess the level of satisfaction of citizens about the various services ought to be provided by municipality/ City Administration, citizens score card was used. The expression of citizens for their very dissatisfied, dissatisfied, fairly/partially satisfied, highly satisfied were given the score of 1-4, respectively.

Accordingly, the interview result (fig 2) shows that tax payers of the city, on the average satisfied with only four of the 17 service areas assessed. These includes 'Effectiveness of government schools (mean score =3.3), Effectiveness of public hospitals and other health facilities (mean score =3.2) 'Efforts of City Administration to control crime and conflict' (mean score = 3.1); Solid waste removal/ disposal service (mean score =3.1). On the other hand the mean score of citizens of the city shows that citizens are dissatisfied with regards to 'Adequacy

of public recreational facilities' (mean score= 1.9) and Street lighting services (means score =2) and Electricity services for domestic and/or industrial use (means score=2.3). The level of satisfaction and/or dissatisfaction is of course very different, beside the above captioned four service areas, tax payers are satisfied with Water supply (means score =3.4), Availability of roads and regularity of maintenance (mean score =3.1), Effectiveness of traffic control and effort to improve transport services (mean score =3.0) and Overall responsiveness of the City Administration to public priorities and needs for municipal services (mean score =3.0).

Overall, taking 2.5 as cutting point for satisfaction and dissatisfaction with the service being provided by the City Administration, tax payers of the city reported to be satisfied with many of the municipal services provided by the City Administration.

Figure 2. Mean Score of level of satisfaction of Tax Payers of Addis Ababa City with regards to municipal and state services



4.15 Customers view on the Sources of Local Government Budget and Efficiency in Revenue Collection and Budget Utilization.

Customers view with regards to sources of government budget / expenditure to deliver services and efficiency in revenue collection were assessed, to look into the thought of citizens, if they really have feeling that level service provision by local government depends on the level and efficiency of revenue collection.

A. Sources of budget for the expenditures of the City Administration

The multiple response analyses of the interview results (Table 15) show that nearly a (52%) of the respondents reported that sources of budget for the expenditures of the City Administration is ‘Taxes collected from the public’. While, 30% and 9.6% of the customers have also reported that ‘Municipal fee collected from the public’, and ‘Public Contributions; respectively, as the sources of budget for the expenditures of the City Administration. Some tax payers (2.7% and 4.1%) also reported Transfer from Regional Govt and Transfer from Federal Govt, respectively; as the sources of budget for the expenditures of the City Administration. The least reported source of budget for the expenditures of the City Administration is ‘Grants from foreign Donors’

Table 15. Percent Distribution of Respondents on the Sources of Budget for the Expenditures of the City Administration

Valid N=	60
	% of Respondents
Taxes collected from the public	51.5
Municipal fee collected from the public	30.3
Public Contributions	9.6
Transfer from Regional Govt	2.7
Transfer from Federal Govt.	4.1
Grants from foreign Donors	1.1
NGO	0.2
Don not Know	0.5

Source: Customers/ Tax Payers questioner.

B. Revenue Target and Collection Efficiency of the City Administration.

Tax payers were asked, if they know the annual planned revenue target of the City Administration and how do they rate the effectiveness of the city Administration in realizing the budget/plan of revenue collection, to see their awareness of revenue target of their City and perception of collection efficiency. The survey result shows that, on the average, it is only about 19% of Tax Payers who know the annual planned revenue target of their City. (Table 16). With regard to effectiveness of their city Administration in realizing the target (plan of revenue collection), majority (60%) of the customers have rated it as good; while 25% rated it as very good. .

Table 16 Customers Awareness of Revenue Target and Opinion on Revenue Collection Efficiency of the City Administration

Issues	Valid Response	
	Valid N=	60
Do you know the annual planned revenue target of the City Administration		% of Respondents
		YES, I know
	NO, I don't know	81.6
How do you rate the effectiveness of the city Administration in realizing the budget/plan of revenue collection?	Poor	2
	Fair	16.3
	Good	60.3
	Very good	19.3
	DON'T know	2

Source: Customers/ Tax Payers questioner.

C. Customers perception of uncollected revenue and reason for not collecting it

To investigate if citizens have information and/or feelings that there is leakage/ revenue loss, tax payers were asked if they have ever felt that there is uncollected revenue in their city. The result of the survey shows that, the majority (54%) said that they don't know or have no information, if there is leakage/ revenue loss. It is less than 26% that reported they have a feeling that there is leakage/ revenue loss.

The major reasons for leakage/ revenue loss are Weakness of Revenue Authority to collect the tax, Pervasive Corruption and Unfairness of the tax rate.

Table 17 Customers perception of uncollected revenue and reason for not collecting it

Issues	Valid Response	
	Valid N=	60
		% of Respondents
'Have you ever felt that there is uncollected revenue in this city?	YES, there is leakage/ revenue loss	25.7
	NO, there is no leakage/ revenue loss	18.9
	DON'T KNOW	55.1
	NO RESPONSE	0.3
'What do you think the major reason for leakage/ revenue loss?'	Valid N=	60
	Weakness of tax laws	13.6
	Weakness of RA to collect the tax	28.6
	Pervasive Corruption	26.8
	Unfairness of the tax rate	16.7
	Unfairness of tax base	10.4
	Hiding of real income	2.6
	Grants from foreign Donors	0
	Economic problem	0
	Don not Know	1.3
No Response	0	

Source: Customers/ Tax Payers questioner.

D. Customers Awareness of City's Annual Budget and Perception of Utilization Efficiency.

To see their awareness of budget/expenditure plan of their City and perception of utilization efficiency; tax payers were asked, if know the annual budget for expenditure by the City Administration and how do they rate the effectiveness of the city Administration in utilizing the budget/planned expenditure. The survey result shows that, on the average, it is only about 21% of Tax Payers who know the annual budget/ expenditure plan of their City. (Table 18). With regard to effectiveness of the city Administration in using the budget to address public priorities, majority (about 69%) of the customers have rated it as good and about 13% rated it as Fair. It is only 11% of tax payers that rated it very good.

Table 18 Customers Awareness of City’s Annual Budget and Perception of Utilization Efficiency.

Issues/ Variables	Valid Response	
	Valid N=	60
		% of Respondents
Do you know the annual budget/ expenditure plan of the City Administration?	YES, I know	21.4
	NO, I DON'T know	78.6
How do you rate the effectiveness of the city Administration in using the budget to address public priorities?	Poor	1.3
	Fair	12.9
	Good	69.6
	Very good	11.2
	DON'T know	4.8
	No Response	0.2

Source: Customers/ Tax Payers questioner.

E. Customers perception of budget wastage and reason for wastage (improper use)

Tax payers were asked if they have ever felt that there is wastage (improper use) of budget in their city; to get insight if citizens have information and/or feelings that there is wastage (improper use) of budget.

The result of the survey is inconclusive as there is no agreement by majority to say yes or no. It is only about 28%, who said that they have a feeling that there is wastage (improper use) of budget. About 23% said there is no wastage /improper use, while 48% said that they don’t know or have no information, if there is wastage/improper use of budget. The major reasons for wastage/improper use of budget are Pervasive Corruption and Weakness of the implementing organization.

Table 19 Customers perception of budget wastage and reason for wastage (improper use)

Issues	Valid Response	
	Valid N=	60
		% of Respondents
Have you ever felt that there is wastage (or improper use) of government budget in this city?	YES, there is wastage	28.2
	NO, there is no wastage	22.4
	DON'T KNOW	49.1
	NO RESPONSE	0.3
What do you think is the major reason for wastage (improper use) of budget in this city?	Pervasive Corruption	68
	Weakness of the implementing organization	23.1
	Low level of skill of govt. employee	5.9
	Shortage of manpower	0.6
	Improper and frequent change of city leadership	0.6
	DON'T KNOW	1.2
	NO RESPONSE	0.6

Source: Customers/ Tax Payers questioner.

CHAPTER FIVE

5. Conclusions and Recommendation

5.1 Conclusion

Addis Ababa city administration's revenue target and collection shows that the average performance of state revenue for the last four years was 94% as compared to the plan. This indicates that the city's state revenue targets more predictable and performance in this regard is commendable. However, the average collection of municipal revenue for the last four years was 62% of what has been planned. This implies that the average variation between plan and actual during the four years was 38% which represents a loss in revenue and is manifestation of poor predictability of municipal revenue budgets. The major reasons identified for municipal revenue loss are weakness of Revenue Authority in collecting tax, perception of tax payers as to the existence of Corruption and discrimination related to revenue collection, poor assessment of potential revenue sources and inadequate planning, and lack of awareness by taxpayers.

Multiple revenue lines share same base and are levied on same level of transactions. Besides, similar revenue lines are included in the list of municipal revenues as well as that in state revenue menus. This means that a tax payer could be required to settle various charges as a result of a single transaction by the local government itself or he/she may be subject to double charges by both city administration and that of the federal government organs.

In principle most municipal functions should be financed by municipal revenues for they by very nature are charges for services that the city administration provides to residents. However, in the case of Addis, municipal revenue is in short of municipal function expenditures to the extent of 173 million birr in 2005 EFY and by 799 million birr in 2008EFY. Collection trend shows that own source of revenue couldn't go with the increase in expenditure for municipal services.

The study revealed the existence of consistence underutilization of available resources implying a lost opportunity to provide better service to residents. This implies that even when it was

possible to mobilize significant revenue collection, the capacity of the administration in utilizing its budgeted resources is yet to be improved.

The primary data collected from residents show that most are aware of municipal revenues and accept the appropriateness of the laws governing such revenues, rather they feel that they are morally obliged to pay their share. However they believe that there is discrimination among tax payers and claim that even for similar businesses the amount of tax and municipal charges assessed and required to be paid is not uniform. Nepotism and corruption are figured out at the top cause for such discrimination.

5.2 Recommendation

Based on the discussion and analysis and the conclusions indicted here above the following recommendations are forwarded.

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The city is not in the position to finance municipal functions from municipal sources of revenue, as a result of this state revenue which mainly is collected in the form of tax as opposed to service charges are being used to cover the deficit. This implies that municipal functions or services are being provided at charges which are lower than their costs or these services are being provided at no cost to users. As a result the state revenue which is supposed to be used to finance education, health, justice system or other state services will be under financed. Thus the city should exhaustively study its municipal revenue potential and look for new sources on top of periodically improving rates for existing ones. This way it is possible to have a predictable plan and is possible to generate adequate amount of revenue that can meet the ever increasing demand for municipal services.

It was identified that some revenue sources such as capital gain tax, assurance charges and title transfer fees etc calls repetitive charges of various in nature or type and at various level of government. These conflicting payments (where it is not clear as to which charge could be considered as an allowable deduction to the others) can be said as conflicting and such repetitive

charges on a single transaction &/or same tax base could send signal of tax burden and double taxation. This feelings in turn would motivate tax payers to evade payments. Hence a single tax or charge should be designed for a single transaction and should be paid at a particular level of government by clearly segregating the sources of revenue attributable to municipal revenues and those that are attributable to state functions.

The feeling of discrimination and variations in the amount of charges and taxes levied on among tax payers' who are in similar situations and conditions should be curbed through trainings and by promoting transparency before such perceptions negatively affect the willingness of the tax and service fee payers to genuinely pay their obligations.

It was revealed that resources allocated for various expenditures were underutilized in three of the four years under study. This implies a lost opportunity to provide better service to residents there by satisfy them. Residents satisfaction n trigger voluntary compliance of payments of municipal and state revenues and can promote their participation of in the various activities of the city administration.

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Annex 1 Interview Questioner for selected government organization

Interview Questioner with selected Sub city, woredas and City level government organization

Interview Question with Addis Ababa Revenue Authority

1. What are the role and responsibility of your organization (A.A city Revenue authority) on municipal revenue administration?

2. Who is responsible for studying municipal revenue, planning, assessing municipal tax base, tariff setting and revising? What is your organization role?

3. What is your organization responsibility on developing enforcement mechanism on municipal revenue? And what is your opinion on enforcement mechanism that exists on municipal revenue administration?

4. Is the municipal revenue potential of the Addis Ababa city studied?

5. If your answer is yes for question number 4, by comparing the actual collected and potential is the city efficient in collection of their potential? If not why?

6. If your answer for number 4 is no why?

Interview questions to Addis Ababa BOFED

A. Expenditure related

1. What are the principles/standards and criteria used in the allocation of budget to recurrent and capital expenditure? BI code

2. What are the basic principles and criteria used in your office to allocate budget for different department in municipality?

3. Is the workers in each department are made to know clearly their responsibility in relation to expenditure assignment?

4. What are the expenditures functions assigned to the municipality /ULG/ level government?

5. Who has decision power on municipal budget? What is your organization responsibility? Is there any influence from other party on its decision?

6. According to proclamation 65/2003 municipal budget should be spent on municipal expenditure but, the experience shows that offices from state function are using huge amount of budget from municipal budget, why?

7. What are the problems related with expenditure assignment in the city?

8. Does the supply of municipal infrastructure much with the demand of the resident? If no why?

9. Do you publish or post on the board or somewhere else to publicize your accounts on planned or utilize budget (expenditure) on public services?

10. If you have any additional comments and suggestion on the practice of expenditure assignment in your city.

Annex 2 Questionnaire for customers

Questionnaire for Customers (Tax Payer Households) attitude towards municipal revenue and expenditure for the city of Addis Abeba

<p>Q101 ከተማ : አዲስ አበባ</p> <p>Q102 ወረዳ</p>	<p>Q103 የመላሹ ሥም (ፈቃደኛ ከሆኑ ብቻ)</p> <hr/> <p>Q104 መላሹ ከአባወራው ጋር ያላቸው ዝምድና?</p> <p>1=ራሳቸው ናቸው</p> <p>2=ባለቤት</p> <p>3=ሌላ</p>	<p>Q105 የቤተሰቡ አስተዳዳሪ ስታ?</p> <p>1=ወንድ</p> <p>2=ሴት</p> <p>Q106 አባወራው/ዋ የግብር መለቀጥ አላቸው?</p> <p>1=አላቸው</p> <p>2= የላቸውም</p> <p>Q107 የአባወራው ዕድሜ</p> <hr/>
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ክፍል 1: የቤተሰቡ አስተዳዳሪ መሰረታዊ መለያዎች እና ባሕርያት

ጥ. ቁ.	ጥያቄዎች	ምላሾች
Q108	ለስንት ዓመታት እዚህ ከተማ ኖሩ	0መት [___]
Q109	የትምህርት ደረጃ	<p>አልተማርኩም (ማንበብ አልችልም) 1</p> <p>ማንበብ እና መጻፍ ብቻ 2</p> <p>12ኛ ክፍል ጨርሻለሁ 3</p> <p>የኮሌጅ ዲፕሎማ ይዣለሁ 4</p> <p>የመጀመሪያ ዲግሪ አለኝ 5</p> <p>የማስትሬት ዲግሪ አለኝ 6</p> <p>የዶክትሬት ዲግሪ አለኝ 7</p>

Q110	በአሁኑ ሰዓት የቤተሰቡ ዋነኛው የገቢ ምንጭቅ ምንድርነው?	የግል ንግድ	1
		ደመወዝ (ተቀጣሪ)	2
		የቤት/ህንፃ ኪራይ	3
		የጉልበት/የቀን ሥራ	4
		ጡረታ	5
		ከሰው የሚለክልኝ ገንዘብ	6
		ምንም የገቢ ምንጭ የለኝም	7
		ሌላ (ይጠቀስ: _____)	

ክፍል 2: የከተማው ነዋሪዎች ግብርን ስለመክፈል ያላቸው ሀሳብ/አስተያየት

ሀ) ለሚቀጥሉት አባባሎች እባክዎን በዚህ መልኩ ይመልሱልን

(1=ትክክል አይደለም (አልሰማማም)፤ 2= በጣም ትክክል ነው (አሰማማለሁ)፤ 3= በመጠኑ ትክክል ነው

ተ.ቁ	በእርስዎ አካባቢ ወይም የሰራ ቦታ ያሉ የህብረተሰብ ክፍሎች ስለ ግብር ክፍያ እንዴት የሚያስቀጣ እንደሆነ ያስባሉ	ትክክል አይደለም (አልሰማማም)	ትክክል ነው (አሰማማለሁ)	በመጠኑ ትክክል ነው	እርግጠኛ አይደለም
Q201	ግብር አለመክፈል ስህተትና የሚያስቀጣ እንደሆነ ያስባሉ	1	2	3	99
Q202	ግብር አለመክፈል መልካምና ብልህነት እንደሆነ ያስባሉ	1	2	3	99
Q203	ያላመኑበትን ግብር እንዲከፍሉ ግፊት እንደሚደረግባቸው ያስባሉ	1	2	3	99
Q204	የከተማው ነዋሪዎች ግብርን መክፈል ንብረት /ጥቅም እንደ ማጣት ይወስዱታል/ያዩታል።	1	2	3	99
Q205	የግብር ክፍያ ገንዘብን መንግስት በአግባቡ አይጠቀመውም	1	2	3	99
	እርስዎስ ስለ ግብር ክፍያ እንዴት ያስባሉ?	ትክክል አይደለም (አልሰማማም)	ትክክል ነው (አሰማማለሁ)	በመጠኑ ትክክል ነው	እርግጠኛ አይደለም
Q206	የራሴን ግብር ለመክፈል የስነምግባር ግዴታ እንዳለብኝ ይሠማኛል	1	2	3	99
Q207	በአጠቃላይ፣ በበጎ ፈቃድ ግብሬን እከፍላለሁ	1	2	3	99
Q208	ግብር መክፈል ሳስብ ምርጫ ይለኛል	1	2	3	99
Q209	አግባብነት ያለው የግብር ድርሻዬን ለመክፈል ኃላፊነትን እቀበላለሁ	1	2	3	99
Q210	ግብር መክፈል መንግስትን ጥሩ/ጠቃሚ ስራዎች እንዲሰሩ መርዳት እንደሆነ አስባለሁ	1	2	3	99
Q211	ግብርን መክፈል ትክክል የሆነ ተግባር ነው።	1	2	3	99
Q212	ግብርን መክፈል ሁሉም የዚህ ከተማ ነዋሪዎች በፈቃደኝነት መቀበል ያለባቸው ኃላፊነት ነው።	1	2	3	99
Q213	ግብር መክፈሉ ሁሉንም ሰው ይጠቅማል	1	2	3	99

ለ) ስለ ግብር ስርአት (ስለ ግብር ክፍያ ልዩነት መኖር) አስተያየት

	እንደ እርስዎ አስተያየት የሚከተሉት ቡድኖች የራሳቸውን ግብር ድርሻ ይከፍላሉ?	አዎ ይከፍላሉ	አይ አይከፈሉም	እርግጠኛ አይደለሁም
Q214	የመኖሪያ ቤቶች ባለቤቶች	1	2	99
Q215	የጥቃቅንና አነስተኛ ንግድ ስራ ባለቤቶች	1	5	99
Q216	መካከለኛ የንግድ ስራ እና መለሰተኝሆቴል ባለቤቶች	1	5	99
Q217	ትላልቅ ነጋዴዎች (አስመጪና/ላኪዎች)	1	5	99
Q218	የትልቅ ድርጅት እና ትልቅ ሆቴል ባለቤቶች ወዘተ	1	5	99
Q219	የአውቶቢስና ጭነት መኪና ባለቤቶች	1	5	99
Q220	የእርስዎ ጎረቤቶች	1	2	99
Q221	ከእርስዎ አነስ ያለ ቤትና ቦታ ያለው ሰው	1	2	99
Q222	ከእርስዎ ሰፊ ያለ ቤትና ቦታ ያለው ሰው	1	2	99
Q223	እርስዎ ራስዎን የግብር ድርሻዎን ይከፍላሉ?	1	2	99

ክፍል 3: የግብር ከፋዮች ስለ ግብር ሕጎች ያለቸው ዕውቀት፣ አመለካከት እና ግንዛቤ

ጥ. ቁ.	ጥያቄዎች	ምላሾች	ኮድ	የአለፍ ትዕዛዛት
Q301	ስለ ፌዴራል መንግስት የግብር ህግና ስርዓት ያውቃሉ?	አዎን በሚገባ አውቃለሁ በመጠኑ አውቃለሁ አላውቅም	1 2 3	
Q302	ስለ ክልል መንግስት የግብር ህግና ስርዓት ያውቃሉ?	አዎን በሚገባ አውቃለሁ በመጠኑ አውቃለሁ አላውቅም	1 2 3	
Q303	ስለ ከተማ አስተዳደሩ የግብር ህግና ስርዓት ያውቃሉ?	አዎን በሚገባ አውቃለሁ በመጠኑ አውቃለሁ አላውቅም	1 2 3	
Q304	ስለ ማዘጋጃ ቤታዊ ግብር ማለትም የቦታ፣ የጣሪያ እና ግድገማዳ እና የጽዳት ግብር ያሉትን ወዘተ ያውቃሉ?	አዎን በሚገባ አውቃለሁ በመጠኑ አውቃለሁ አላውቅም	1 2 3	መልሱ 3 ከሆነ ወደ ጥያቄ 306 አለፍ
Q305	ዋና የመረጃ ምንጭ ምንድነው (አብዛኛው ከግብር ጋር የተያያዙ መረጃዎችን ከየት አገኙ?)	ቴሌቪዥንና ሬድዮ ጋዜጣ ከጓደኛ /ቤተሠብ/ ከሚያውቋቸው ሠዎች ከገቢዎች ቢሮ ከገቢ ግብር መፅሔት/በራሪ ጽሁፎች ከማስታወቂያ ሰሌዳ/ቢል ቦርድ ሌላ _____ መልስ አልተሰጠም	1 2 3 4 5 6 99	
Q306	የቤተሠብህ/ሽ አባል ስለ ግብር ስልጠና/ት/ት ወስደዋል?	ወስደዋል አልወሰዱም	1 2	

ጥ. ቁ.	ጥያቄዎች	ምላሾች	ኩድ	የእለፍ ትዕዛዛት
		አላወቅኩም	88	
		መልስ አልተሰጠም	99	
Q307	መክፈል ያለብህን የማዘጋጃ ቤታዊ ግብር ዓይነት ለማወቅ/ለመለየት ቀላል ነው?	አዎን, ቀላል ነው	1	
		አይ: ቀላል አይደለም	2	
		መልስ አልተሰጠም	99	
Q308	ከማዘጋጃ ቤት ግብር ጋር በተያያዘ የግብር ህጎች በሚገባ እየተተገበሩ ነው ብለው የሰበሉ?	አዎን, በሚገባ እየተተገበሩ ነው	1	
		አይ, በሚገባ እየተተገበሩ አይደለም	2	
		አላወቅኩም	88	
		መልስ አልተሰጠም	99	
Q309	የማዘጋጃ ቤት የግብር ህጎች አግባብነት አላቸው?	አዎን, አግባብነት አላቸው	1	
		አይ, አግባብነት የላቸውም	2	
		አላወቅኩም	88	
		መልስ አልተሰጠም	99	
Q310	በአርሰዎ አመለካከት እዚህ ከተማ ውስጥ ተመሳሳይ ለሆኑ የንግድ ስራዎች ወይም ንብረቶች የማዘጋጃ ቤት ግብር ሲከፈል ልዩነት አለው?	አለው	1	'1' ካልተመለሠ ወደ ጥያቄ 312 እለፍ
		የለውም	2	
		አላወቅኩም	88	
		መልስ አልተሰጠም	99	
Q311	ለልዩነቱ መንስኤው /ምክንያቱ ምንድን ነው?	ሙስና	1	
		የገቢ ሰብሳቢ መስሪያ ቤቱ ብቃት ማነስ	2	
		በመረጃ እጥረት (በቂ መረጃ ስለሌለ)	3	
		ደካማ የግብር ትመና ሂደት	4	
		ግብር ለመክፈል ጥሩ ያልሆነ አመለካከት	5	
		የግብርን ህግ መረዳት ላይ ልዩነት ስላለ	6	
		በፖለቲካ ስልጣን/አቋም አማካይነት	7	

ጥ. ቁ.	ጥያቄዎች	ምላሾች	ከድ	የእለፍ ትዕዛዛት
		ሌላ (ይጠቀስ)-----	88	
		አላወቅኩም	99	
		መልስ አልተሰጠም		
Q312	እንደ እርስዎ ግንዛቤ ለግብር ከፋዮች በሚሰጠው አገልግሎት ላይ ለሚታየው አድልዎ ምክንያቱ ምንድር ነው?	ምስና ዝምድና በማህበራዊ ደረጃ ምክንያት በሁብት ምክንያት በብሔርምክንያት በሃይማኖት ምክንያት አላወቅኩም መልስ አልተሰጠም	<u>Y</u> <u>N</u> 1 2 1 2 1 2 1 2 1 2 1 2 88 99	

ክፍል 4: ስለ መንግስት ወጪ እና የግብር ክፍያ ጠቀሜታና ውጤታማነት የግብር ክፍያዎች አመለካከት

A. ስለ የመንግስት ወጪዎች ጠቀሜታነትና ውጤታማነት አስተያየት

ጥ. ቁ.	ጥያቄዎች	ምላሾች	ኮድ	የእለፍ ትዕዛዛት
Q401	ከተማ አስተዳደር (መዘጋጃ ቤቱ) እየሰጠ ላለው አገልግሎት፤ የገንዘብ ምንጭ ምን ይመስሎታል?	<p>ከህዝብ የሚሰበሰብ ግብርና ቀረጥ</p> <p>ከህዝብ የሚሰበሰብ የመዘጋጃ አገልግሎት ክፍያ</p> <p>ከህዝብ የሚሰበሰብ መዋጮ</p> <p>ከክልል መንግስት የሚሰጥ ድጎማ</p> <p>ከፌዴራል መንግስት የሚሰጥ ድጎማ</p> <p>ከውጭ ሀገር (ከሊጋሾች) የሚገኝ ዕርዳታ</p> <p>ሌላ _____</p> <p>አላውቅም</p> <p>መልስ አልተሰጠም</p>	<p>Y N</p> <p>1 2</p> <p>1 2</p> <p>1 2</p> <p>1 2</p> <p>1 2</p> <p>1 2</p> <p>1 2</p> <p>88</p> <p>99</p>	
Q402	የከተማው አስተዳደር (መዘጋጃ ቤቱ) በየዓመቱ ለመሰብሰብ የሚያቅደውንና የሚሠበሰበውን ገቢ መጠን ስምታው ያውቃሉ?	<p>አዎን</p> <p>አላውቅም</p>	<p>1</p> <p>2</p>	መልሱ 2 ከሆነ ወደ 404 እለፍ
Q403	ከተማ አስተዳደሩ የታቀደውን ገቢ ከመሠብሰብ አንፃር የአፈፃፀሙን ውጤታማነት እንዴት ያዩታል/ይለኩታል?	<p>እጅግ በጣም ጥሩ፤</p> <p>በጣም ጥሩ</p> <p>ጥሩ</p> <p>መጠነኛ</p> <p>ደካማ</p> <p>አላውቅም</p> <p>መልስ አልተሰጠም</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>88</p> <p>99</p>	
Q404	እዚህ ከተማ መሠብሰብ ያለበት ገቢ ሳይገኝ (ሳይሰበሰብ) ቀርቷል ብለው ይገምታሉ?	<p>አዎን</p> <p>የለም</p> <p>አላውቅም</p>	<p>1</p> <p>2</p> <p>88</p>	መልሱ 2 ከሆነ ወደ ጥያቄ 406 እለፍ

ጥ. ቁ.	ጥያቄዎች	ምላሾች	ኮድ	የእለፍ ትዕዛዛት
		መልስ አልተሰጠም	99	
Q405	ገቢው ላለመግባቱ (ላለመሰብሰቡ) ምክንያቱ ምንድነው ብለው ያስባሉ?	የግብር ህጎች ደካማነት የግብር ሰብሳቢው መ/ቤት ድክመት የሙስና መንሰራፋት አግባብነት የሌለው የግብር ምጠኔ (መጠን) መሠረቱ የልታወቀ ግብር ስለሚጠየቅ ሌላ _____ አላወቅኩም መልስ አልተሰጠም	1 2 3 4 5 88 99	
Q406	ስለ ከተማው አስተዳደር የበጀትና የወጪ መጠን ስምታው ያውቃሉ?	አዎን አላወቅኩም	1 2	መልሱ 2 ከሆነውደ 408 እለፍ
Q407	ስለ ከተማው አስተዳደር የበጀትና የወጪ መጠን መረጃ በዋናነት ከየት ነው የሚገኙት?	ከቴሌቪዥን ወ/ም ከሬድዮ ከጋዜጣ ጻደኛ /ቤተሠብ/ ከሚያውቋቸው ሠዎች ከገቢዎች ቢሮ ከተማው አስተዳደር መጠኑ/በራሪ ወረቀቶች ከማስታወቂያ ሰሌዳ/ቢል ቦርድ ሌላ _____ መልስ አልተሰጠም	1 2 3 4 5 6 99	
Q408	የከተማው አስተዳደር (መዘጋጃ ቤቱ) በጀት/ወጪው ህዝብ ቅድሚያ የሚሠጣቸውን የልማት ስራዎች ላይ ከማዋል አንጻር እንዴት ያዩታል?	እጅግ በጣም ጥሩ፤ በጣም ጥሩ ጥሩ መጠነኛ ደካማ አላወቅኩም	1 2 3 4 5	

ጥ. ቁ.	ጥያቄዎች	ምላሾች	ኮድ	የእለፍ ትዕዛዛት
		መልስ አልተሰጠም	88	
			99	
Q409	በመንግስት በጀትና ወጪ አስተዳደር ላይ እንደ ዜጎች ፅቅድ ቅደም ተከተል በማውጣት የእርስዎ ሚና ምንድን ነው?	<p>ከትትልና ግምገማ ላይ መሳተፍ</p> <p>ምንም ሚና የለኝም</p> <p>ሌላ ይጠቀስ _____</p> <p>መልስ አልተሰጠም</p>	<p>1</p> <p>2</p> <p>3</p> <p>99</p>	
Q410	እዚህ ከተማ በከተማው አስተዳደር (በመዘጋጃ ቤቱ፣ የበጀት ብክነት (በትክክል ሥራ ላይ ያለመዋል) አፈፀፀብለው ይገምታሉ?	<p>የሙስና መንሰራፋት</p> <p>ፈፃሚ መ/ቤቶች አስተዳደራዊ ድክመት</p> <p>ፈፃሚ መ/ቤት ሠረተኞች የክህሎት ማነስ</p> <p>ቃላይ የሰው ኃይል እጥረት</p> <p>ብክነት የሌለው ሹም ሽራት</p> <p>_____</p> <p>ቅኩም</p> <p>ስ አልተሰጠም</p>	<p>1</p> <p>2</p> <p>88</p> <p>99</p>	መልሱ 2 ከሆነ ወደ ክፍል-እለፍ
Q411	ለበጀት ብክነት (በትክክል ሥራ ላይ ላለመዋል) በዋናነት ምክንያቱ ምንድን ነው ብለው ያስባሉ?	<p>የሙስና መንሰራፋት</p> <p>ፈፃሚ መ/ቤቶች አስተዳደራዊ ድክመት</p> <p>ፈፃሚ መ/ቤት ሠረተኞች የክህሎት ማነስ</p> <p>ቃላይ የሰው ኃይል እጥረት</p> <p>ብክነት የሌለው ሹም ሽራት</p> <p>_____</p> <p>ቅኩም</p> <p>ስ አልተሰጠም</p>		

ክፍል 5: በከተማው አስተዳደር በመስጠትላይ ያለው አገልግሎት ከሚከፈለው ግብር ገንዘብ አንፃር የግብር ከፋዮች የእርካታ ሁኔታ/ደረጃ

ጥ. ቁ.	እርስዎን ከተማ አስተዳደር (መዘጋጃ ቤቱ) እየሰጠ ባለው አገልግሎት፤ ከሚከፈለው ግብር ገንዘብ አንፃር፤ ምን ያህል እንደረኩ ወይም እንዳልረኩ ቢነገሩን?	በጣም አልረኩም	በመጠኑ አልረኩም	በመጠኑ ረክቻለሁ	በጣም ረክቻለሁ	እርግጠኛ አይደለሁም
Q501	የውሃ አቅርቦት	1	2	3	4	99
Q502	የኤሌክትሪክ አቅርቦት/አገልግሎት	1	2	3	4	99
Q503	የመንገድ ስራ፤ ጥገና እና ፅዳት	1	2	3	4	99
Q504	የመንገድ መብራት	1	2	3	4	99
Q505	የደረቅ ቆሻሻ ማስወገድ አገልግሎት	1	2	3	4	99
Q506	የፈሳሽ ቆሻሻ ማስወገድ አገልግሎት	1	2	3	4	99
Q507	የከተማ የፍሳሽ መጮኻ ቱቦዎች በሚፈለገው ደረጃ አገልግሎት መስጠት	1	2	3	4	99
Q508	የመንግስት የሆስፒታሎች (ጤና ተቋማት) በሚፈለገው ደረጃ አገልግሎት መስጠት	1	2	3	4	99
Q509	የመንግስት ት/ቤቶች በሚፈለገው ደረጃ አገልግሎት መስጠት	1	2	3	4	99
Q510	የወጣት ፕሮግራሞች መኖርና በሚፈለገው ደረጃ አገልግሎት መስጠት	1	2	3	4	99
Q511	በቂ የህዝብ መዝናኛዎች እንደ ፓርክ መጫወቻ ሜዳና የመሳሰሉት መኖርና በሚፈለገው ደረጃ አገልግሎት መስጠት	1	2	3	4	99
Q512	ከተማ አስተዳደሩ አረንጓዴ ቦታዎችን ለማሻሻል የሚያደርገው ጥረት	1	2	3	4	99
Q513	የእሳት አደጋ መከላከል ክፍል አሰራር ሁኔታ	1	2	3	4	99
Q514	የትራፊክ ቁጥጥር ውጤታማነት	1	2	3	4	99
Q515	ከተማ አስተዳደሩ ወንጀልና ግጭትን ለመቆጣጠር የሚያደርገው ጥረት	1	2	3	4	99
Q516	የከተማ አስተዳደሩ የንግድ ስራዎችን ለማሻሻል (የገበያ ቦታ/መሸጫ ሠቅ በመገንባት ወዘተ) የሚያደርገው ጥረት	1	2	3	4	99
Q517	የከተማ አስተዳደሩ ህዝቡ ቅድሚያ የሚሠጣቸውን የመዘጋጃ ቤት አገልግሎቶች ለማሟላት የሚያደርገው ጥረት	1	2	3	4	99