



**ASSESSMENT OF REVENUE GENERATION AND ITS CHALLENGES:  
IN THE CASE OF  
HADDIYA ZONE, SNNPR'S, ETHIOPIA**

A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in  
Partial Fulfillment of the Requirements for the Award of the Degree of  
Master of public management and policy (MPMP)

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**JUNE, 2019  
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## **Declaration**

I declare that this entitled, thesis “**Assessment of Revenue Generation and its Challenges: A Study in Haddiya Zone, SNNPRS, Ethiopia**” has been carried out by me under the guidance of Dr Eliyas Birhanu for the partial fulfillment of MPMP degree is original and it has not been submitted previously in part or full to any university for the award of degree.

The thesis is original and has not been submitted for the award of degree of diploma any university or instructions.

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## **Certification**

This is to certify that Ato Abrham Dea has carried out this research work on the topic entitled “**Assessment of Revenue Generation and its Challenges: in the case of Haddiya Zone, SNNPR’S, Ethiopia**” under my supervision. This work is original in nature and it is sufficient for submission for the partial fulfillment for the award of MPMP in Public Administration, and Development Management.

**Dr. Eliase Brihanu**

Signature\_\_\_\_\_

Date\_\_\_\_\_

ADDIS ABABA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT

(MPMP PROGRAM)

Assessment of Revenue Generation and its Challenges: in the case of

Haddiya Zone, SNNPR'S, Ethiopia.

BY

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## **Acronyms**

CSL: - City Service Levy

DT:- Direct Tax

EELPA:-Ethiopian electric light power Authority.

FD: - Finance department

FD:-Finance Department

FGD:- Focus group discussion

HZA: - Haddiya zone Administration.

Ibid: - in the same book or piece of writing as the one that has just been mentioned (from Latin 'ibidem')

ICT:-Information technology

IDT:- In direct Tax

IGR: -Internally Generated Revenue

LG: - Local Government

LGHT: - Local Government Hotel Tax

LGST: - Local Government Service Tax

LRR: - locally raised revenues

MI: - Municipality income

NT: - Non Tax

SNNPR'S:- South Nation, Nationality and People Regional State.

TA: - Tax Administration.

TRA: - Tanzania Revenue Authority

VAT:-Value Added Tax

### **Abstract**

*The adverse situation in the various local government areas of SNNPR'S, Ethiopia has led the researcher to go into this very topic. Hence, the purpose of this work is to enlighten people, mostly students in the school of financial studies on how revenue generated in local governments, problems confronting them as regards revenue generation as well as prospects. The function of revenue generation is basic sources of economic engagement for the local government to offer economic, social and services provision for citizen. On the other hands, revenue generation in its unique behavior, independently clarify mandatory act to this organ to fulfil those provision for citizen and development desire of the populace. The aim of the study is to assess revenue generation and its challenges in local level, in Haddiya Zone, by employing qualitative and quantitative research methods. The study adopts the participant observation method and source data from the secondary sources. Sample of 200 were included in the study by employing purposive sampling technique and 176 questionnaires returned back then analyzed. The observation, focus group discussion and statistical analysis employed for study. Additionally, secondary data gathered from revenue authority and finance department with four-year internal collected revenue and regional transfer report, years from 2015/16 to 2018/19. The paper holds that the **revenue collection without revenue independence, collection performance practice without best mechanism and absence of resource mobilization in studied way, lack of practice supporting revenue generation management, shortage of revenue collecting electronics infrastructure wide area network system**, that have directly affect revenue generation. Based on this, the paper recommended among other that, local government, Haddiya Zone Tax Authority and respective body should commit to secure sustainable internal revenue generation, improve positively affecting factors, **forward feedback to the area of complex tax laws to the concerned authority**, and encourage taxpayers who good perform.*

**Keywords: Revenue Generation, Taxation, Personal income, Loans, Rent and Royalty, Grant, Charge, Fins & Fees:**

## **CHAPTER ONE**

### **1. Introduction**

#### **1.1. Background**

Ethiopia has three- tiers of government systems. These are; the federal government, the state government and the local government (ethnic base (FDRE Constitution 1995: art. 52(2)). The essence of this division of government into federal, state and local levels is to enable the government exercise her administration easily and effectively. However, the 1995 constitution spells out the functions of each level of government. Generally, that the governments are responsible for the provision of the collective (social) goods and services on a non- commercial basis as well as the provision of other social and economic services. In order to meet up with the foretasted goals and services, the government needs to collect revenues ([www.grossarchive.com](http://www.grossarchive.com)).

Local government, which this work emphasizes on, can be described as the government at the local level, exercised through representative council, established by law to exercise specific power within definite areas. The government of such body locally selected (FDRE Constitution 1995).

The term local authority denotes administrative bodies that are officially responsible for all the public services in specific geographical areas such as cities, towns, municipalities, counties and boards. Local authorities tasked with ensuring provision and maintenance of public services to local residents through the utilization of funds generated from the local communities, in addition to loans and grants from the central government and other sources. A wide, secure and buoyant revenue base is critical if local authorities are effectively executing their functions. Local authorities must also possess some modicum of liberty to alter the level and composition of their revenue sources in line with the logic of fiscal decentralization. Fiscal decentralization devolves “taxing and spending powers from the control of central government authorities to government authorities at sub-national levels”. This entails determining their sources of revenue, tax rates and levels of expenditure. According to Larson (2004), most local government collection systems strive to achieve three goals, namely; to accelerate the receipt of available funds, to

safeguard the government's cash and to keep banking costs to a minimum. The term 'revenue' generally denotes all incomes from taxes, fees (charges), fines, loans which local authorities mobilize from within and outside their own jurisdictional arenas. Local authority collection systems vary depending on the size of jurisdiction, the payment methods allowed and the nature of revenues received (Larson, 2004, 452).(Zhou Gideon et al: 2013).

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

Unfortunately, over the years the LGAs have not been able to experience a strong revenue base nor possess a buoyant purse. A number of factors contribute to the poor revenue situation that continues to threaten the stability and development of the LGAs in the pursuit to meet the aspiration of the people. This challenge has brought pressure upon the local governments in the attempt to meet the constitutionally assigned responsibilities to the people. Very often, there is general public demand for service delivery at the grassroots. Therefore, to execute the functions specified in regional Constitution, local governments require the boosting of their Internally Generated Revenue (IGR) base (Felix Onen Eteng and Uno Ijim Agbor, 2018,). Similarly, there is need for adequate financial enhancement in their Statutory Allocation from the Regional government.

Since the local governments are lower level governments created to serve the people and provide linkages between the grassroots and the state or federal government, this study will therefore investigate the challenges of internal revenue generation and suggest the way forward to development at the grassroots

## **1.2. Statement of the Problem**

The problems that confront most local governments on revenue generation cannot be over-emphasized. Hence local government having numerous means of sourcing fund, are also, faced

with a lot of problems and difficulties in generating its revenue. These problems affect mostly its internal sources of revenue.

Tax avoidance and delinquencies are among the problems confronting most local governments on revenue generation, as most people of the society device some means source maximum reduction in the amount to be paid as tax obligation on the date it is due, thereby, escaping tax liabilities.

Most people inability to pay up amount due for rent and rates on local governments properties. This hinders local governments as regards revenue generation, as most people lack fiancé and some others not willing to pay – up.

Inadequate operational vehicles and other facilities confront local governments as a problem in generating revenue. Revenue generation needs mobilization and most local government do not have enough, which would have enable them to move easily from one part of the area to another for the collection of various fees.

Another problem hindering local government revenue generation lies among the staff. Many staff lack job related in service training, and some have poor educational background, some are not dedicated, diligent and honest. Often they do collude with tax or ratepayers to defraud the government.

The Problem of Revenue Generation of Local Government, in recent years, it has become increasingly difficult for local governments to fulfill their statutory obligations because of the costs involved. In real talk, Inadequacy of funds for various developmental projects stands as the cause for these shortcoming despite the increasing revenue allocation from the federation account to the local governments. Hence, the reasons for the various avenues granted the local governments to generate revenues themselves. The most severe problem facing public institutions is a fiscal one, particularly in the local government. The fiscal problem often birthed by factors including over-dependence on statutory allocations from the state and federal governments, deliberate tax evasion by the local citizenry. Creation of non-viable local government areas that is not self-sustaining and cannot cater for its local populace, differences in the status of local governments in terms of rural-urban dimension leading to variation in internal revenue, inadequate revenue and fiscal jurisdiction(Observation, 209).

For financially healthy local governments to exist, responsibilities and functions are must be allocated in accordance with their taxing power and ability to generate funds internally. The constitutional provision that recognizes local government's power in this regard must give them full freedom to operate and must be well granted and adequately protected. These measures, coupled with a review of the revenue sharing formula, the granting of fiscal autonomy and fiscal discipline as well as making local governments responsive, responsible and accountable to the people will set local governments free from fiscal stress promoted and strengthened by the Ethiopian 1995 constitution as well as Regional constitution (Ibid).

As mentioned above, it seems the local government faced with myriads of problems ranging from corruption and embezzlement, poor financing, mismanagement of funds to poor leadership. This obviously has deterred the development of local government in this region. However, the most important problem of local government is the revenue generation. Hence, the problem statement of these studies, the major issues to considered are; what factors have contributed to non-performance of local governments; is it because of total dependence on federal and state statutory allocation and support? Is it because of poor internally generated revenue drive? Is it because of ineffective utilization of the available resources or mismanagement by public office holders? Noteworthy is the fact that;

- i. Without revenue independence, best mechanism, the goal of local government cannot be achieved.
- ii. Absence of resource mobilization in studied way is by far the greatest challenges of local government administration.

Based on the mentioned problems, and to make avail academic/studies/ literature to support decision-making, in the area, it has become necessary to conduct a research analysis on the problem of revenue generation in SNNPR'S regional Government, In Haddiya Zone Local Administration.

### **1.3. Basic Research Questions**

1. What are the major challenges for revenue generation in Local government Haddiya Zone?
2. What are the features of those Challenges?

3. How can be these Challenges will be get responses in the future?
4. Are all the stakeholders taking involvement in the revenue generation?

#### **1.4. General Objectives of the Study**

The broad objective of this research is to evaluate the problems of revenue generation at the grassroots government in relation to development and its Challenges.

##### ***1.4.1. The specific objectives are:***

- i. To the relationship between the statutory allocations to the local government examined and internally generated revenue (IGR) of the local government.
- ii. To ascertain the extent to which the restriction of local government fiscal autonomy has affected the effective functioning of the local government.
- iii. To evaluate the reasons for low internally generated revenue, how it has contributed negatively to local government Revenue generation efforts.

#### **1.5. Significance of the Study**

These become a tool for most local government areas to a speedy set-up of some strategy which will enable them to generate their revenue easily, and as well as executing their projects and extract out the area challenges effectively. This will also give potential market men and women as well as other residence of various local government councils as regards payment of tax, rates, charges, etc.

This study will be of paramount significance to the society, mostly to those students in school of related studies (Banking and finance) who are making or intending to carry out research in the problems or as input for decision making that confront most local governments.

Finally, it will enable the researcher to have an in-depth knowledge of the study. Therefore, the significance of this study is by no virtue, exhaustive.

#### **1.6. Organization of the Study**

The study focused on revenue generation and its challenges and prospect of the local government areas. It will also involve the analysis of problems associate with revenue generation and its impact on the development of Haddiya Zone Administration /Local Government. The Structure of the study stated below;

This study divided in to five chapters. The first chapter deals with the major contents of the study which includes gives an overview of the study that Introduction, Background of the Study, Statement of Problem, Objectives of Study, Research Question, and Significance of the Study, Scope, and Structure of the Study. The second chapter will deal with review of related literature and its Strengths and Weaknesses. The third chapter will be mainly focused on the Theoretical Framework, Methodology, analysis, interpretation and presentation of the data gathered in the area of Revenue Allocation Process& it has face challenges in SNNPR'S, Issues in Revenue Generation. Chapter four will present Local Government and the Constitution, Local Government and Revenue Allocation, Haddiya Zone Local Government and Resource Question, Haddiya Zone and the State Government, IGR in Haddiya Zone Local Government, Revenue Generation Challenges in Haddiya Zone. At the end, Summary of the Study, Summary of Findings, Implications for Policy, Further Research, Concluding Remarks and Bibliography.

### **1.7. Scope of the Study**

This study conducted in Southern Nations Nationalities and People's regional state, In Haddiya zone. For the purpose of its manageability, the study is delimited to in the former structure of the Haddiya zone administration(current altered) of 10 rural woreda and 2 town administration base area by taking their representatives, by simple random sampling and some residential corporate in the same way, simple random sampling, with in Zone. This is with the intentional aim that their experiences provide a good representation of the whole situation in the Local Administration. Besides, the study expected to focus on the major revenue generation and its Challenges and prospects observed in the process of collection and generate enough income for the Local Administration development.

### **1.8. Operational Definition of Key Terms/Basic Terms**

#### **(i) TAXATION:**

This taxation is one of the ways local government generate revenue. This is a compulsory levy imposed by the local government, on most of the entire members of the society who are capable of paying tax or who expected to pay tax ([www.grossarchive.com](http://www.grossarchive.com)).

#### **(ii) PERSONAL INCOME:**

This is a form of direct tax, which levied on the wages, salaries and other earnings of individuals. In assessing this kind of tax, certain allowances (wife, children, dependent relative allowance, etc) deducted; the balance then taxed to determine the amount paid as tax (Ibid).

**(iii) LOANS:**

Loan described as a financial aid with interest payable. Sometimes local governments borrow money in form of loan from other bodies like: Banks, State Government, Federal (if possible) etc to enable them execute their projects when they are in short of fund. However, this loan is payable at a given interest rate over a specified period (Ibid).

**(iv) RENT AND ROYALTY:**

These are payments made to local government properties or revenue, such as land, building, etc.

**(v) GRANTS:**

Grant said to be financial aids without interest. This simply means that grants are form of gift granted to local governments by a body (federal, state or any other body) without paying back (Ibid).

**(vi) CHARGES, FINES AND FEES:**

These are among the means of generating revenue by the local government. They are payments made to local governments by those who indulge in one commercial activity or the other. Such fees are motor license fees, Road/bridge tolls, market fees etc (Ibid).

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 CONCEPT OF LOCAL GOVERNMENT**

Lawal (2000) argues from a normative point of view that ‘local government council is that tier of government closest to the people and is vested with certain powers to exercise control over affairs of people in its domain’. Here, a certain level of autonomy was given to local governments in the management of grassroots affairs. The local councils were seen in this light as a major force in the relationship between the machinery of the state (that is, the government) and the people.

On the other hand, Awa (1981) sees local government as a political authority set up by a nation or a state as a subordinate authority for the purpose of dispersing or decentralizing political power. In his own view, Akpan (2008) defined local government as a “separate tier of government that enjoys some reasonable measures of autonomy, with elected representatives as officials especially in a democracy” (Awa, 1981, Akpan, 2008).

Deriving from the definitions of Lawal, Awa and Akpan both have somewhat differing opinions on the level of autonomy and political control a local council should possess. In any case, they both see the need to decentralize power (Ibid).

The starting point for the design of a governance structure is economic efficiency. The decentralization theorem suggests that the efficient provision of services requires decision making to be carried out by the level of government closest to the individual citizen, so that resources will be allocated with the greatest efficiency (Oates, 1972)

#### **2.2. WHAT IS LOCAL REVENUE?**

Revenue is income collected and received by a Local Government. Revenue refers to a sum of payments received by a LG from individual residents and organizations and transfers by the national government for financing service delivery and devolved expenditure functions. The locally raised revenues (LRRs) are expected to be received from within the jurisdiction of the LG. (Cardno E.M USA, Ltd, 2016)

### **2.2.1. Local Revenue Context**

The context cited in Cardno E.M USA, Ltd, 2016, the capacity of local governments to raise and administer local revenues is essential for enhanced decentralization, participatory democracy, and better service delivery. This is the foundation of a genuine local government.

Communities are demanding more services and better services. The need for sustained local revenue enhancement can therefore not over emphasize. Survival and continued relevance of local governments are critically dependent on betterment of local revenues. Communities are likely to be willing to “buy” the concept if there is a significant linkage to quality and quantity of service delivered (Cardno E.M USA, Ltd, 2016).

### **2.2.2. What is the Key Purpose for Levying Revenue?**

Local governments levy taxes or charge fees for multiple purposes besides purely revenue generation, which include the following: (Cardno E.M USA, Ltd, 2016).

- Service provision: LRRs are a discretionary source of financing and therefore a critical success factor in providing sustainable service delivery and more especially the operations and Maintenance (O & M) costs. This includes all sources, though a more specific example is parking fees and market dues, which are purposely raised for maintaining the parking sites and market facilities, respectively
- Consumption/production of products/services or changing behaviour. These charges may include permits for sale and consumption of spirits, entertainment permits, grazing of animals in urban areas. Such charges may be higher than other usual charges.
- Regulatory purposes: such cases may include business licenses and permits. The fee is usually considerably low but when it is high, it often attributed to trying to make the business owner move to the right location/street or choose another type of business.
- Redistributing wealth/income or to cross subsidize services for lower income persons: Fees for collection of garbage would be higher in richer locations than in low income areas, other examples will include Local Government Service Tax (LGST), and Local Government Hotel Tax(LGHT), and property rates. It is known that these can only be paid by those with high incomes and thus taxing them raises revenue, which is later redistributed by providing services to the general population.

### **2.3. REVENUE GENERATION**

Without doubt, one of the most widely discussed issues in local government administration is revenue generation. The question of revenue of local government is such addressed in most literature as a factor of grassroots development. Francis Friday Nchuchume in Olojede I, Fajonyomi B, and Fatile J. (2011) noted that Local governments in Nigeria derive their revenues or finance from a number of sources, which categorized into two; Internal and External.

The Internal sources are taxes; rates; licenses, fines and fees; food control, security; social charges; health charges; economic charges; works and engineering charges; earning from commercial undertakings; rent on local government properties; interests and dividend on investments and miscellaneous.

The External sources are Allocation from the Federal Account, Allocation from The state governments, stabilization and general ecology fund, income from Value added tax, income from privatizations, grants from federal and state Governments, donations, loans, foreign grants, aids and assistance, share of Fertilizer subsidy, derivation funds.

Barber (1978) once noted specifically that the principal sources of local government revenue are local rates and fines. Olaoye (2004) also believes that local governments' revenue generation primarily derived from tax. This however opposed by major scholars with respect to Nigeria because statutory allocations remain the biggest source of revenue to local governments.

Despite the existence of numerous local governments in the country, its success and impact remains a fundamental issue in Ethiopia's political sphere. When this compeered with writer Adedeji (1970) blames the ineffectiveness of local governments on factors such as lack of comprehensive functional role, lack of proper structure, low quality of staff and low funding.

#### ***2.3.1. Unconditional grants to local governments Ethiopia***

Ethiopia, in contrast, follows a less transparent system. When determining the size of the grant one starts with estimates of total resources available from tax and non-tax revenue and counterpart funds. However, direct foreign assistance, which is extensive in some jurisdictions, is not included. After negotiations with the regions, the national government allocates the total pool between itself and the regional governments. In 1995/96, a formula-based system introduced in Ethiopia. However, the formula has changed every year since its introduction (Brosio (2000).

Promoting fiscal responsibility at sub-national levels calls for implementation of a stable and transparent system of transfers, geared to filling any gap between the assigned spending and revenue-raising responsibilities of lower-level governments (Ter-Minassian 1999). The definition of such a system is far from easy, especially given the need to preserve adequate incentives for tax effort and cost effectiveness in spending by the sub-national governments (Brosio, 2000).

However, in the process of fiscal decentralization it is important to be aware of the risks for macroeconomic management and fiscal discipline. Mechanisms of fiscal transfers may impose considerably rigidity to the central government budget. Therefore, substantial devolution of revenues and spending responsibilities to sub-national jurisdictions can affect the central government's ability to carry out stabilization and macroeconomic adjustment through the budget (Ibid).

### **2.3.2. Property tax**

Property tax is a major source of revenue in many urban types of council (Mikesell 2002). In the 1990s, property taxes accounted for 40 per cent of all sub-national taxes in developing countries (Bird and Slack 2002, p. 6), but less in many African countries; for instance 10–30 per cent in urban councils in Tanzania (Fjeldstad *et al.* 2004), and around 20 per cent in South Africa (Bahl and Smoke 2003). It also has the potential to become an important revenue source in semi-urbanized centers in district councils. Textbooks on revenue assignments between various levels of government argue that few fiscally significant taxes are more appropriate to local administration than property tax. 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 (Odd-Helge Fjeldstad, 2006).

Both local and central governments can administrate property tax. 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 the national revenue authority performs all parts of the administration of tax. In some countries, including Malawi, the

central government does property valuation, 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 administered and collected by the central government, whereas East and Southern African countries rely on local administration (Brosio 2000, p. 22).

Expert opinion diverges on how to improve property taxation in developing countries. Some experts blame the excessive centralization of property tax policy, which bars setting higher tax rates. Others blame what they consider the 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 take into consideration before heavy reliance 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).

Accordingly, the property tax base is inelastic, despite growth in the physical size or value of property, because old valuations are not updated and new properties not identified. In most cases, the system inherited from the colonial era and is poorly suited to present conditions (Ibid).

Foreign donors have been involved in a number of cases focusing on capacity building, but with mixed results. However, if property tax is to play a greater role in municipal finances it is required administrative and technical features of the system do not become obstacles. Hence, technical assistance should prioritize appropriate training of property valuers and to upgrading relevant skills of municipal staff. Moreover, current legislation is often a major obstacle in many countries (for example, in Tanzania and Uganda) and need to be revised (McCluskey *et al.* 2003).

### **2.3.3. Transfers and borrowing**

Almost without exception, governments across the world assign more expenditure functions to local authorities than can be financed from their own revenue sources. The result of this mismatching of functions and finances – often referred to as ‘vertical imbalances’ – is that local governments are generally dependent on transfers from higher levels of government.

There are a number of methods to close the fiscal imbalances of sub-national governments, some of which also reduce imbalances between jurisdictions (Ahmad 1997, p. 6). In practice, transfers may be in the form of surcharges or revenue sharing whereby a local government receives a share of the revenues from particular taxes collected by the central government within its jurisdiction (McLure 1999, p. 12). The main mechanism for intergovernmental transfers in Africa, however, is conditional and/or unconditional grants from central to local governments (see Box 4.1).<sup>1</sup> Moreover, in some countries, for instance in South Africa, municipalities are also given the right to borrow to finance investments in local capital infrastructure (Bahl and Smoke 2003, p. 8). See Ahmad (1997) for a more detailed discussion of intergovernmental fiscal transfers. Ajam (2001) provides a detailed presentation of intergovernmental fiscal relations in South Africa, and Boex (2003) discusses the formula-based grant system recently introduced in Tanzania (Odd-HelgeFjeldstad (2006).

#### **2.4. Revenue instruments for local governments**

A sound revenue system for local governments is an essential pre-condition for the success of fiscal decentralization (Olowu and Wunsch 2003). In addition to raising revenues, local revenue mobilization has the potential to foster political and administrative accountability by empowering communities (Shah 1998; Oates 1998). However, prescriptions deriving from the theory and from good international practice impose huge constraints on the choice of revenue instruments for local governments. In general, there are two main categories of current revenue for local authorities in Africa:

- (i) 'own revenue', which includes taxes, user fees, and various licenses, and
- (ii) Transfer from the central or regional levels, usually in the form of grants and revenue sharing (Bahlet *al.* 2003, p. 71). In some countries, municipalities also allowed to borrow money for capital investments in infrastructure. This section briefly reviews some general principles for revenue assignment between different levels of government, and discusses challenges to securing fiscal responsibility at sub-national levels with respect to transfer systems and borrowing (Odd-HelgeFjeldstad (2006).

#### **2.5. Who levies what taxes?**

There is no ideal assignment of revenue sources between central and lower levels of government. Nevertheless, a set of 'tax-assignment rules' has been developed in the traditional fiscal

federalism theory (Oates 1972; Musgrave 2000). These principles relate to the respective responsibilities of central and lower tiers of government in macroeconomic stabilization, income redistribution, and resource allocation (Boadway *et al.* 2000).

Furthermore, in developing countries the administrative capabilities of local governments in revenue design (that is, deciding on revenue bases and setting rates) must take in to consideration (Bird 1990). Moreover, in large and diverse countries the issue of revenue harmonization between jurisdictions is important when assigning taxing powers. The stabilization objective of the fiscal system calls for central control over the revenue instruments that may substantially influence central budget deficits or inflation. Thus, tax on international transactions (customs duties) and a considerable share of income and general sales taxes (such as VAT) should assign to central government. If there are wide disparities in income and wealth across regions, as there are in many African countries, then local taxing powers may exacerbate these differences. Hence, the distributive function of government is an argument for centralized, progressive corporate income and wealth taxes. Since the central government can borrow money to make up for shortfalls, it can live with the more unstable revenue sources, such as customs duties and income taxes. Local governments, by contrast, require relatively stable sources of revenue. Thus, lower-level governments should tax revenue bases with low mobility between jurisdictions. The ‘optimal’ way to do things, however, depends on how the government weighs these considerations (Bahl and Wallich 1992). Furthermore, the capacity to administer revenue instruments is always an important constraint to the assignment of ‘taxing powers’ to lower levels of government in developing countries. Finally, but not least important, local revenue sources must be politically acceptable (Bahlet *al.* 2003, p. 75). As a rule of thumb, less visible revenue instruments tend to be more acceptable to taxpayers (Odd-Helge Fjeldstad, 2006).

## **2.6. Reforming local government ‘own revenue’ systems**

A widely found characteristic of local ‘own’ revenue systems in Africa is the huge number of revenue instruments in use by local authorities (Bahiigwaet *al.* 2004; Brosio 2000; Fjeldstad & Semboja 2000). In many countries, local governments seem to raise whatever taxes, fees, and charges they are capable of rising, often without worrying excessively about the economic distortions and distribution effects that these instruments may create. Odd-Helge Fjeldstad (2006)

A complicated and non-transparent local government revenue system is costly to administer and it facilitates corruption and mismanagement (Bardhan and Mookherjee 2002). Moreover, many local taxes have a distorting effect on resource allocation decisions, and, thus, an inhibiting effect on the start-up of new enterprises and the achievement of economic growth (Bahiigwaet *al.* 2004; Devas and Kelly 2001; Sander 2003). These effects occur when effective rates vary greatly between different goods that traded, or when license fees are set too high for start-up small-scale enterprises to survive. In addition, the levels and types of local revenue instruments by themselves can result in the tax burden falling more on the poor than on the relatively better off in local communities (Fjeldstad and Semboja 2001). This is mainly due to the basic design of the local revenue system and the way revenues are collected (Fjeldstad and Semboja 2000; Fjeldstad 2001).

### **2.7. Strengths and weaknesses of major local ‘own revenue’ instruments**

As noted above, the local ‘own revenue’ systems across Africa’s are often characterized by a huge number of revenue instruments. However, the main sources of ‘own revenues’ in 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 *al* 2005). Moreover, complex business licensing systems have proved to be major impediments for the startup and expansion of especially micro and small enterprises (Devas and Kelly 2001; Sander 2003). However, international evidence shows that when well administered, these revenue instruments can provide substantial and reliable revenues for urban municipalities (Odd-HelgeFjeldstad, 2006).

### **2.8. Business licenses**

Local business taxes generally levied in one of two ways (Devas and Kelly 2001): As fixed amount, this usually varies either by type, size, or location of the business, or as a percentage of turn over 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. (Ibid)

In Francophone Africa, local governments levy a tax called the *Patents*, which originally based on the French *Tax Professionals* (Devas and Kelly 2001). In Cote D'Ivoire, the *Patent* 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, and 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. (Ibid)

Interestingly, and a typical for Anglophone Africa, urban councils in Tanzania levy a local business tax named 'City Service Levy'. The City Service Levy (CSL) 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 (Ibid).

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 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 and Chambas 2003). Furthermore, weak financial management will often imply that collection and enforcement provisions are rarely enforced. This erodes the tax base and introduces inequities into the system. Thus, many existing business license systems across Africa contain serious defects. These include (Devas and Kelly 2001, p. 385):

- High compliance costs to businesses, due to multiple licensing and complex procedures;
- Tariff structures that are complicated and do not reflect ability to pay;
- A process loaded with ineffective regulatory requirements, which provide opportunities for rent seeking;

- Poor administration and evasion, which reduce the tax base and generate inequities; and
- A revenue source that generates relatively little income for local governments.

Recently, several African countries have reformed (Kenya and Uganda) or are in the process of reforming (Mozambique and Tanzania) their local business license systems, to make them simpler, more transparent, and effective (Devas & Kelly 2001; Sander 2003; URT 2005). The main objectives of these reforms are to (a) enable local authorities to collect significantly more revenues, and (b) to reduce the compliance burden on the businesses. In the late 1990s, Kenya pioneered a single business permit (SBP) system, which has since become a model for other countries in the region. (Ibid)

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. According to Devas and Kelly (2001, p. 387), the initial reports were positive. However, one major problem experienced was the lack of effective dialogue and communication with the local business community in the early stages, leading to misunderstandings and some initial resistance to the reform.

Moreover, 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 and Kelly 2001). On the positive side, 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 and Kelly 2001, p. 388). (Ibid)

In both Kenya and Uganda, the time required to obtain business permits has been substantially reduced due to the introduction of one-stop-kiosks. This has cut the compliance costs of the enterprises, though not necessarily the total costs since the tariffs have been raised. In general, however, collection performance remains a problem and there is a need for improved financial management. However, the early evidence is positive. The new system seems to enable local authorities to enhance revenues. At the same time, compliance costs on businesses are lowered and the opportunities for rent seeking and corruption are reduced (Ibid).

### **2.9. User fees – linking payment and service delivery**

Taxes aren't 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 (Bahlet *et al.* 2003, p76). 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 valued by citizens. Free or subsidized services may result in over-consumption of such services. (Fjeldstad *et al* 2005; McDonald and, 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. (Ibid)

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 and Smoke 2003). In particular, service charges on water and electricity supply are important. This revenue 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. (Ibid)

According to Bahlet *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 used to cover the cost of providing the service. However, in some municipalities a substantial surplus left for general local government purposes. Hence, the tax

component of the user fee hidden for rate payers, and the ‘true level of local government taxation is not transparent’ for citizens. The accountability capability of the local revenue system is therefore undermined. More over since the consumer price of the service (for example, electricity) is overstated by the amount of the implicit tax; this may have negative impacts on economic efficiency (Bahl *et al.* 2003).

In Namibia, the majority of town councils are not determining their tariffs in accordance with an approved tariff policy of cost recovery (Fjeldstadet *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 and 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 (Ibid).

An increasing amount of evidence suggests that the rate of contribution to a public good 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 observed not paying is, the lower the perceived risk of being prosecuted is. This impact on the individual rate payer’s perception of the credibility and trust worthiness of the revenue administration. Moreover, 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 (Ibid).

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 ward, 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. Initially, it might be advisable to link payment directly to visible improvements in services. Finally, the cooperation between local government officials, councilors, and community leaders in setting common goals might be a crucial trust-enhancing device (Ibid).

## **2.10. Strengths and Weaknesses**

### **1. STRENGTHS**

The literatures reviewed all believe in the notion of autonomy and decentralization for local governments though they differ in their opinion in the degree of power and control needed by or given to the local government.

They also demonstrate that there are general ways through which local government generate revenue for development. While it is not clear the degree to which one form/means of local government revenue differ from another in generating greater revenue, it is agreed that these ways are mutually exclusive to local government revenue generation.

### **2. WEAKNESSES**

None of these arguments adequately engages the critical issue of the position of the constitution with respect to Local Government Autonomy. While they conceptualize local government as having some degree of autonomy, they do not address its connection with the constitution.

Developmental issues of local government are not reflective in the conceptualization of local government. It is quite obvious that revenue generation is strictly connected to development. The reviewed literature neglects this phenomenon.

The reviewed literature is not conclusive and encompassing in the sense that they do not consider what procedures are necessary to achieve proper and optimal revenue generation within the local government system.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design**

This is a descriptive study where both qualitative and quantitative approaches used to triangulate and exhaustively investigate any issues of revenue generation. Variable is something that varies. It represents persons or objects that manipulated, controlled, or merely measured for the sake of research. It categorized as dependent and independent. Dependent variables are not controlled or manipulated, but instead are simply measured whereas, independent are input function. The rate is Independent variable for this study; the dependent variable here the revenue generation and manipulated by rate increasing and decreasing.

#### **3.2. Approach and Methodology**

The study employed both quantitative and qualitative methods. In quantitative methods, emphasis was put on numerical analysis of data collected from national and local government budget documents and other relevant data sources (i.e. CG releases to LGs). Trends in planned and actual performance in revenue generation and utilization were established. Qualitative approach provided insights on perceptions, facts, feelings, and experiences of communities and their leaders about their awareness, perceptions, attitudes, and levels of participation in revenue mobilization, allocation and utilization processes in the three districts. A combination of the two methods ensured descriptive, analytical, flexible, naturalistic and interpretative perspectives describing the state of affairs both numerically and verbally.

The following methods were used in undertaking the study:

**Document Review:** -is involved comprehensive literature and statistical review to capture information on legal, administrative and implementation frameworks in relation to the process of revenue mobilization, allocation and utilization. Document review involved the collection and review of all relevant primary and secondary data and analytical studies from various sources. Some of the documents reviewed included the 2001 Constitution of SNNPR'S, and acts0 Approved revenue and expenditures, District Development Plans and District Approved Budgets and work plans. List of key documents reviewed are included in the References.

**Key Informant questionnaires:** Questionnaires' were held in the 10 rural woreda and one Zone center Town with: a) Technical staff: Chief Administrative Officers (CAOs), zonal Planners, Chief Finance Officer, Chief Revenue Officers, and land valuation officers.

**Focus Group Discussions (FGDs):** FGDs were organized in Zone Center with higher officials. FGDs provided insights on community awareness, perceptions and attitudes and levels of participation in revenue mobilization, allocation and utilization processes. Efforts were made to capture variations among; tires supported by observation.

The methods adopted in analyzing data collected for this research work is tabulation, charts and statistical analysis. The Annual Financial Statements for four years of the local governments were used. Simple percentages used to compare and analyze percentage contribution of total internal generated revenue (TIGR) on total revenue (TR) of the local governments over the four years period. When the boundaries between phenomenon and context are not clear evident; and in which multiple sources of evidence are used (Yin, 1984, p. 23, spring1997).

### **3.2.1. Data gathering tools**

The data collection instruments that employed for the study include the use of semi structured, observation, pocket notebook and institutional secondary data. These tools employed to facilitate the data collection process. These tools employed to ensure a complete assessment and understanding of the phenomenon under investigation. The semi structured questionnaires allow the researcher to construct a series of open-ended questions to identify the challenges or problems in revenue collection and how effective the introduction or application of mechanism can eliminate or reduce revenue generation challenges. The researcher resorted to this type of interview because it enable him to probe the interviewee to elaborate more on issues discussed in order to obtain more information. Face-to-face/focus group discussion (FGD) used to establish rapport with potential participant in order to gain their cooperation. This method used to gain information from the HZ Tax Administration and Finance Department, financial and ICT department about available information and documentation of properties in the Zone. This method became necessary because it enables the researcher to obtain clarification to ambiguous answers and follow-up on information when appropriate.

Observation aid the researcher to obtained good description of the functions of both institutions Tax administration (TA) and Finance department (FD). Information gathered from the composite Tax Administration and Finance Department of the Haddiya Zone Administration (HZA) and

Land Administration. Drawing understanding from this, observation can lead to deeper understandings than questionnaire alone, because it provides knowledge of the context in which events occur, and may enable the researcher to see things that participants themselves are not aware of, or that they are unwilling to discuss (Patton, 1990, Sander, 1997).

### 3.2.2. Population, Sample and sampling techniques

The target population is the management and staff of Zone Tax Administration and Finance Department from Zonal and woreda Administration. A sample of 20 staff members purposively selected from both institutes of TA and Finance Department. In addition to this, a cross section of property owners randomly selected for this exercise. The staff of TA comprised of the ICT unit, Zone Finance Office comprised internal Audit Unit, and the divisions of the Lands Commission comprise of the Land Valuation unit and the land registry. In carrying out the study, the purposive sampling method be employed in the selection from all 17center under Local Government, with zone center staff. From these selections undertakes all rural woredas and town revenue administration (TA) and finance department (FD) in addition to, each center of administrative office/ Lands commission/ (valuation division) staffs members selected from each 20 respondents as a center. All Population becomes 340 respondents. Purposive sampling seeks information-rich problems that be studied in depth (Patton, 1990, Sander, 1917). The need of TA selection for the study due to the evidence of the assembly is of revenue collection and the usage of ICT system in revenue collection. The finance departments selected to obtain and examine allocated grant transfer data from the regional government center. The Land commissions mix up here due to the data obtained by the valuation unit that is turn to be necessary for the assembly's revenue collection.

According to Yamane (1967)), sample size be computed in the formula,

$$n = \frac{N}{1+N(e^2)} \text{----- (1)}$$

Where, n= Sample size

N= population size of the study

e= level of precision

To this study the sample size computed as  $n = \frac{340}{1+340(0.05^2)} = \frac{340}{1+340*0.0025} = \frac{340}{1.85} = 183$

Purposive sampling technique employed in order to address the TA and FD officials who have direct relation with the revenue generation practice, others are direct link and support for the functions of revenue generation. However, sample for the study did not include the taxpayers and other stakeholders.

### **3.2.3. Data collection and Analysis Technique**

The data collected from primary sources using semi-structured questionnaires, observation, and pocket notebook in addition to institutional secondary data by using mentioned methods. Using techniques are organized, coded, condensed, and analyzed in to appropriate manner based on their similarities. Information collected through focus group discussion and questionnaires examined to identify errors and omissions. The purpose is to ensure the accuracy and consistency of the collected data with other facts secured and as complete as possible of the study summarized and presented using descriptive statistical tools by analyzing **d**escriptively supplemented by quantitative tools like percentages and tables.

## CHAPTER 4

### DATA PRESENTATION, ANALYSIS AND INTERPRESENTATION

#### 4.1. Background of Haddiya zone

Haddiya zone situated roughly at the margin of the great Ethiopia rift valley at the western fringe in the northwestern part of SNNPR. In the Northwest, it shares common boundaries with Oromiya region and Yem special woreda. The zone neighbors in east and northeast are Halaba special woreda and siltie zone & kembata-Tembaro Zone at its immediate south. However, Wolaita zone at the near far is the neighbor of detached two woredas. Misrak Badawacho, at the southeast beyond Bilate River, inland boundary of Haddiya zone is Oromiya region. (Haddiya zone Statistical Abstract, 2011)

This zone is relatively vast in size. Latitudinal and longitudinal extension of the zone is roughly between 7<sup>o</sup>07-7, 92’N and 37<sup>o</sup>29'-38<sup>o</sup>13E. The zone is fully situated north of the equator it also founded east of the prime meridian. Because of the zones situational location at tropical high land climatically it resemble mid-latitude countries. There for, Haddiya zone is greatly, influenced by location factors. Recently the zone has ten woredas and one town administration. Currently zone has expanded its administrative Divisions to 13 rural & 4 town administration.

#### 1. Administrative Divisions of LGs’

No	Woreda/town Adm.	Capital	Number of kebeles		
			rural	Urban	total
1	Misha	Moresuto	33	2	35
2	Gibe	Homacho	21	1	22
3	Lemo	Hosanna	33	2	35
4	Soro	Gimbichu	46	3	49
5	Anlemo	Fonko	27	1	28
6	Mirab Badewacho	Danema	20	2	22
7	Misrak Badewacho	Shone	38	1	39
8	Shashogo	Bonosha	34	2	36
9	Duna	Ansho	31	1	32
10	Gombora	Habicho	22	1	23
11	HOsana town Adm.	Hosanna	--	8	8

1. Table 1: Administrative Divisions LGs

(SNNPRFEDB, 2003 E.C)

#### 2. Basic Geographic information the LGs’

woreda	Total area In sq km	Mean annual temperature in	Mean annual rainfall in	Elevation meter	Astronomical location (In degree)	
Haddiya	3652.20	12.6-27.5	801-1400	501-3000	7.07-7.92	37.29-38.13
Misha	363	12.6-20	1001-1200	1501-3000	7.51-7.88	37.66-37.92
Lemo	354	15.1-20	1001-1200	1501-2500	7.42-7.75	37.80-38.07
Anlemo	224.1	15.1-20	1001-1200	1501-2500	7.54-7.73	37.89-38.06
Misrak Badewacho	307.7	17.6-22.5	801-1400	1501-2500	7.69-7.91	37.95-38.10
Mirab Badewacho	150.2	17.6-22.5	1200-1400	1501-2500	7.65-7.87	37.85-38.00
Gombora	462.2	17.6-22.5	1001-1400	501-2500	7.48-7.70	37.45-37.77

Soro	706	17.6-27.5	1001-1400	501-2500	7.31-7.68	37.29-37.76
Shashogo	374.2	17.6-20	1001-1200	1501-2500	7.41-7.70	37.92-38.12
Duna	222.5	12.6-20	1001-1400	2001-3000	7.26-7.53	37.53-37.82
Gibe	447.8	17.6-25	1001-1200	1001-2500	7.56-7.79	37.55-37.76
Hossnna Town	40.5	15.1-20	1001-1200	2000-2500	7.30-7.35	37.48-37.52

Table 2:

Basic Geographic information the LGs'

(SNNPRFEDB, 2003 E.C)

### 3. Municipality status Towns, in LG.

No	Woreda/Town	Town	Rank	Rank Desc
1	Soro	Gimbichu	5	Municipal Town
		Jajura	5	» »
2	Misha	Morsuto	5	» »
		Geja	5	» »
3	Shashogo	Bonosha	5	» »
		Doesha	5	» »
4	Anlemo	Fonqo	5	» »
5	Misrak Badewacho	Shone	5	» »
6	Gibe	Homecho	5	» »
7	Duna	Ansho	5	» »
8	Hosanna Town Ad	Hossnna	2	Major City

Table 3: With municipality status, certified Towns in LG.

(SNNPRFEDB, 2003 E.C)

Climate as a weather condition or average conditions of weather of a place it includes temperature and rainfall. Climate influence human activities, distribution of vegetation, location of industries and the way of life of people. In general, climate has either positive or negative effect on socio-economic development of any nation or region on the surface of the earth.

Climate determines social and economic nature of any country or settlement on the globe. Rainfall distribution in Haddiya zone is seasonal. The amount of rainfall received ranges from 801mm to 1400mm. The rainy season lasts from June to August. This season, in native language called "Hagayee" in Hadiiyissa. (Haddiya zone Statistical Abstract, 2011).

Temperature data obtained from Hossnna metrology station gives 22.54<sup>0</sup>c Annual mean-maximum temperature. Mean-minimum annual temperature is 10.54<sup>0</sup>c. This shows the temperature in this zone is moderate except in very low points along the gibe river valley. Then the zone experiences medium temperature or the climate in Haddiya Zone is mild tropical highland type.

Relief of Haddiya zone is consisted of high and low lands with small plain lands here and there and valley at the courses of major rivers crossing the zone. The size of Haddiya zone is 346958.5 hectares. From this 12.9% is kola or low altitude, 68.1% is woina dega or moderately undulating land and 19% is dega or high altitude area. The altitudinal variation between the average highest peak and the lowest point in the Zone rages from 2970m at sangiye in Duna woreda and 840m and 800m at Gortancho and Gibe valley in soro woreda respectively.

Dega is agro ecological zone at an altitude that range from 2500m to 3500m above sea level and comprises about 23.7% of the total land area of Haddiya zone. Kola as climate or agro-ecological zone occupies about 11.6% of the total land area and ranges between altitudes 500m to 1500m above sea level (Ibid).

The third one is woina-degas with its medium elevation and moderate climate. It occupies land relief with an altitude ranging between 1500m and 2500m above sea level. It comprises about 64.7% of the total land area of Haddiya Zone (Ibid).

#### **4.2. Local Government in Practice**

Major issues on local government and revenue generation and its challenges with special focus on Haddiya Zone Local Government being the study area elaborately examined in this chapter. In addition, this to show its foundation of this local government, accordingly in federal and regional constitutions depicted clearly as autonomies local structure.

The type of local government envisaged in Federal constitution article 39 is a local government whose territorial boundary largely delimited along ethnic lines. This is true in terms of the underlying objectives and the institutional arrangement that this particular category of local government is supposed to take. As a result, it, arguably, it have established across the country on a wall-to-wall basis. Federal constitution article 50 (4) provides 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.” The constitution, directly or indirectly, requires the states to establish a local unit, which is democratic and autonomous, as opposed to a deconcentrated local administration (Ayele F –The place of local government. Pre-print).

This is evident from the Federal constitution both article 39(3) and article 54 (4). Ethiopian local governments as local governments roughly divided on Federal constitution article 50(4) and article 39(3). In addition to, with the hierarchy is local government the zonal administration while *kebele* is at the bottom of the hierarchy. However, the most important and arguably the relatively powerful tier of article 50(4) local government is the intermediate local government, *woreda*. A *woreda*, created through the regional constitutions, throughout the rural areas of the country. The equivalent of a *woreda* in urban areas is a city administration, an equally autonomous local government. (Ibid)

The local governments have been operative as part of the Regional government as native authorities prior to independence and as local councils after independence. It was however not until the entrenchment of the local government in the 1995 and latter on 2001 Constitution that local government became recognized according to Articles 85 as a Next-tier of Regional government with selectively given power full-fledged duties and responsibilities, and the establishment clause of the local government was thus enshrined in the constitution. (Ibid)

### **4.3. Result and Discussion**

#### **4.3.1. Data Analysis.**

##### **1. General Information about the Respondents**

A total 200 questionnaires were distributed out of which 176(88percent) were filled and returned to the researcher. Besides, the data collected from selected informants from mix of front line positions of TA, FD and administrative body (Land valuation office) of LG practitioner/implementation and follow up of its performance such as the Core process head and other officials from woreda level the same office.

**Table4. Summary of Number of Questionnaires Distributed and Returned**

<b>Respondents</b>	<b>Questionnaires Distributed</b>	<b>Questionnaires Returned</b>	<b>In percent(%)</b>
Zone center	20	19	95%
At branch offices/Woreda	180	157	87.222%
Total	200	176	88%

**Source: Field Survey, April 2019**

##### **2. Demographic Analysis**

This chapter is dedicated for data presentation and analysis that the researcher collects from respective department, revenue authority, finance department and administrative officials and employees, revenue generation and its challenges response found from selected officers through questionnaires, discussion and by examining different secondary data documents of the authority. The chapter also show base to deliver findings based on the study and interpreted in statistically analysis.

As indicated in the objective part of this thesis, it is to identify problems and the main cause of these problems in related to revenue generation and its challenges. For this view, the researcher prepares and distributes questionnaires to employees, according to selection. Analysis based on the response of these three parts, the questionnaire, focus group discussion with

selected officials, observation and secondary data, in order to have deep understanding and get detail information that have not included in the questionnaires or in other cause may neglected. Accordingly, analysis is organized and presented turn by turn and finally, summarized all together.

### **4.3.2. Demographic Background of the Respondents**

#### **1. Sex, Age and Marital Status of the Respondents**

Tax officials were the main witnesses to explain the revenue generation and its challenges in the office. The survey result in this section reveals the gender, age, marital status, educational qualification of the respondents. The following parts summarize frequency and percentage of demographic background of the respondents sequentially.

As it has been shown in the Tabel-5 below, 154(87.5%), 19(10.8%) and 3(1.7%) of the respondents were male, female and unfilled respectively. It indicates that the number of female tax officials was less than one-third of the total respondents. On the other hand, the number of male tax officials was about three fourth of the total respondents. According to Qaisar, Abdul and Aamer (2011), gender does not affect the productivity of the employees, unless discrimination exists in the hiring, promotion and facility.

Regarding the age of the respondents, as it has been revealed in the figure 4 above, 31(17.61%), 60(34.09%), 79(44.9%) and 3(1.7%) were in the age range of 15-25, 26-35, 36-45, above 46 and those respondent not specify their age respectively. The result indicates the age of the surveyed revenue generation officials majority 79(44.9%) were in the age range of 36 to 45 years. The age of the revenue generation officials below the age of the 35 years are less than one-third 60(58.66%) of the respondents. According to Skirbek (2003), the productivity of individuals decreases from around 50years of age. Productivity reductions at older ages are particularly strong for work tasks where problem solving, learning and speeds needed, while in jobs where experience and verbal abilities are important, older individuals' maintain a relatively high productivity level. Increase in age of the individuals challenges to come up with the changing technology, but their experience improves performance whereas, individuals with low age simply cope up with the changing economy. As a result, it is better to keep both experienced individuals with older and young who come up with the changing technology. The young are highly subject to employee turnover when compared

to the older individuals. As it is shown in the above graph, revenue generation officials who are with age of 26 to 35 are good opportunity to cope up with the changing environment of technology and those age above 35 are also important to share their experience to the young. The combination of these older and younger individuals is the good opportunity that increases the revenue generation, transferred finance administration of the government.

Regarding marital status of respondents', the response rate indicates 35(19.88%) single/unmarried, 135(76.7%) married, 0(0%) divorced and unspecified 8(4.55%). Above greater number of the revenue generation, transferred finance administration official respondents were married followed by 35(19.88%) single/unmarried, whereas (01%) of revenue, generation officials were divorced and others not specify their marital status. According to Padmanabhan and Magesh (2016), the unmarried perform better than married due to less commitment towards their family and social related issues whereas the productivity of married are less. On the contrary, the employee turnover is high in the unmarried employees when compared to married. In this study the composition of married and unmarried is obviously not equivalent (33.52% single/unmarried 76.7% married) in percentage, this is good opportunity for the Haddiya Zone revenue generation authority to achieve its objective by reducing the threat of unmarried employees turn over by handling them& keep the married defect to achieve governmental revenue generation plan .

As it has been shown in the educational qualification part of the figure 4 below, the composition of educational background indicates 3 (1.7%), 99(56.25%), 56(31.82%) and 18(10.23%) with Diploma, BA/BSc, MA/MSc and unspecified respectively. This result indicates most of the revenue generation, transferred finance administration and administrative officials of the local government 96(90.6%) were BSc/BA holders whereas; only 1.9% and 7.5% of the respondents were MSc/MA and Diploma respectively, which are insignificant when compared to the number of respondents who hold BA/BSc Degree. The educational qualification of the respondents is promising for Haddiya Zone revenue generation, Authority to achieve its objective in the revenue generation and finance department transfer administration in particular.

### Sex, Age and Marital Status of the Respondents

No	Item/VARIABLE		Respondent			
			Office holders		Focus Group	
			N	%	N	%
1	Sex	Male	154	89.06	4	100
		Female	19	10.80	-	-
		Not filled	3	1.7	-	-
	Total	176	100	4	100	
2.	Age of Respondents	15-25	31	17.61	-	--
		26-35	60	34.09	1	25%
		36-45	79	44.9	2	50%
		Above 46	3	1.7	1	25%
		Not filled	3	1.7	--	--
		Total	176	100	4	100%
3	Marital status of respondent	Married	87	49.43	4	100%
		Single	59	33.52	-	-
		Divorced	22	12.5	-	-
		Widowed	-	-	-	-
		Not filled	8	4.55	-	-
		Total	176	100	4	100%
4	Educational Status	College Diploma	3	1.7	--	--
		Under Graduate	99	56.25	2	50%
		Graduate/MA	56	31.82	2	50%
		Not filled	18	10.23	--	--
		Total	176	100	4	100

Table 5: Computed by the researcher from the primary data, 2019

#### 4.3.3. Questioners Analysis

##### 1. The main source of locally generated revenue at the local government

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Internal sources	51	28.97%
External sources	26	14.77%
Bothe of them	96	54.54%
I don't know	3	1.7%
Total	176	100%

Table6: Computed by the researcher from the primary data, 2019

Table 6 shows that 96(54.54%) percent of the respondent are of them opinion that both internal and external sources constitute the main source of revenue, 51(28.97%) percent indicate internal sources, 26(14.77%) indicate external sources and 3 (1.7%) indicate that they are not know

specific revenue sources. From these statistics filtrations, it implies that internal and external revenues are the main source of revenue of the local government. Other source that detailed respective regional tax law is few or more or less not applicable.

2. The method, which adopted for revenue collection by the local governments

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Direct	23	13.06%
Indirect	10	5.68%
Others	16	9.09%
Both of them	127	72.15%
I don't know	0	0%
Total	176	100%

Table 7: Computed by the researcher from the primary data, 2019

Table7 shows that 127(72.15%) percent of the respondent are of them opinion that revenue collection method adopted in local government constitute the **adopted revenue collection methods are both, they are Saied**, Direct and Indirect, Others, 23(13.067%) percent indicate the **adopted revenue collection method is** direct, 10(5.68%) indicate indirect method, and 16(9.09%) indicate that other method. It implies that the **adopted revenue collection methods are both** Direct Indirect and Others **revenue collection method in** the local government.

3. Revenue generation faced challenges and constraints.

One of the major noticeable challenges under the 2001 regional constitution is the constitutional provision of the Local Government in the constitution. The constitution in fact recognized the local government and emphasized its duties and responsibilities but did not create a concrete stand for the local governments to carry out these duties without domination of the state governments. The Regional government had separate structure that was unique and distinct from that of the state but, Local Gov't now has distinct and full-fledged power to generate revenue. With the control and right of creating local governments at the disposal of the state by virtue of the dictates of the constitution, there was a proliferation of local governments. Those were not self-sustaining, and stand without input of the Regional state. The local governments received very low percentage share of the regional revenue that worsened the sordid region of local governments. The local government of that era was politically impotent and financially insolvent

such that they could not pay their salaries let alone performing their statutory functions as contained in the 2001 Constitution. (Garcia and Rajkumar 2008:24)

The Internally Generated Revenue (IGR) cannot even pay the salaries of the local government staffs notwithstanding a bulk of other fiscal needs in the local government. Hence, the statutory allocation handled towards the payment of staff salaries, covering of overhead costs and other miscellaneous needs of the local government. Additionally, an observation during one of the visits to the local government was, number of staffs working in the local government, the number of political office holders which are the political head (Chairman) – collecting quite huge salaries and allowance from the local purse.

As all, the level of revenue generation in Haddiya Zone Local Government over the last four years has been in a low pace. The state of generated revenue largely accounts for the low development. As there is a direct relationship between generated revenue and development, development do low resources drag down being? **Beyond general observation, the collected primary data analyzed and the flowing findings provided.**

Table 8: 80(45.45%) percent, respondents opinions are constitute, according to revenue generation challenges are, respective body not used up best mechanism, with this there is absence of resource mobilization in studied way and the authority is without revenue independence in the studied area.

**59(33.52%)** percent, respondents opinion are indicate, the **challenges and constraints for revenue collection in this LGs' are** the resource mobilization way/mechanisms are not studied 19(10.79%) respondents indicate that, **challenges and constraints to revenue collections is revenue performance practices out of revenue independence in** local government, 15(8.52%) indicate the **constraints are** absence of best mechanism for revenue collection, and 3 (1.7%) nothing indicated.

This is implies that the **challenges and constraint to revenue collection in this local government, revenue collection** without revenue independence, collection performance practice without best mechanism and absence of resource mobilization in studied way.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Without revenue independence	19	10.79%
best mechanism	15	8.52%
Absence of resource Mobilization in studied way	59	33.529%
Both of them	80	45.45%
None, no suggestion	3	1.7%
Total	176	100%

Table 8: Computed by the researcher from the primary data, 2019

#### 4. The revenue performance level of the local government

Table 9: Shows that 96(54.54%) percent of the respondents are of then constitute the **revenue** performance level is medium, 38 (21.59%) percent indicate revenue performance level become high, 23(13.06%) indicate low revenue performance, and 9(5.11%) indicate revenue performance very high and 7(3.97%) percent indicate that revenue very low performance level.

These imply, the revenue performance level of the local government is medium. in this regard studies inform that local government to improve their effort develop/to achieve their minimum annual plan.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Very high	9	5.11%
High	38	21.59%
Medium	96	54.54%
Low	23	13.06%
very low	7	3.97%
Total	176	100%

Table 9: Computed by the researcher from the primary data, 2019

#### 5. Modes of revenue collection used by the respective government

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
By man power	164	93.18%
Electronics method	10	5.68%
I don't know	--	----%
None	2	1.13%
Total	176	100%

Table 10: Computed by the researcher from the primary data, 2019

**Table10. Shows that 164(93.18%) percent of the respondent are of them opinion that constitute the mode of revenue collection used by work force, it means manual collection**

method used in this Zone & there is no effective and efficient revenue collection. **10(5.68%) percent indicate the** revenue collection performance is electronics method, **the remained is 2(1.13%) indicate none. It implies that the** revenue by electronics materials collection performance level of the local government is less and it wishes improvement.

6. Local government encounters difficulties that in the mobilization of revenue.

As a respective zone center and sub local governments put it, Internally Generated Revenue is the primary source of local government sustenance. It is the livewire of a local government. This is beyond regional grant transfer, the only source of money that the local government has control. As such, the extent to which a local government can go in accomplishing its goals will largely depend on its internally Generated Revenue strength”.

Nevertheless, it is not real in its real action. The state of Internally Generated Revenue in this Local Government calls for urgent review. This is owing to the fact that Internally Generated Revenue is very low in Haddiya Zone Local Government. As a Central Zone, the local government deemed a major commercial centre in the state and having a considerable level of Internally Generated Revenue. On the contrary, the Internally Generated Revenue of Haddiya Zone Local Government is among the lowest when making comparisons between a numbers of local governments in the Region. It is obvious that the Internally Generated Revenue is extremely low that it cannot allow for development and implementation of capital-intensive projects.

The local government had fluctuating Internally Generated Revenue in the years reviewed.

In 2016, the Local Gov’t had the highest Internally Generated Revenue. However, this was only a nominal value and not the real Internally Generated Revenue value. The local government not took loan for any purpose. In some other developed country loan used to purchase commuter buses for entrepreneurs in the transport business, which would pay back in installment to the local government. It is absent here in our local government.

In 2017, the Internally Generated Revenue of the local government was lowest in the years reviewed. This was because the processes and procedures used for revenue generation were not very effective. In addition, the administration of the local government did not want to pressurize the citizenry to pay rates, fines and fees because of elections that were at the corner.

In 2016& 2018, the Local Gov't Internally Generated Revenue increased. A number of factors resulted in this increase. Firstly, a new political administration emerged which introduced new means of collecting revenue from the local community. This helped to boost the Internally Generated Revenue for the year 2016. By 2018, the Internally Generated Revenue again reduced as against the previous year.

Amidst these fluctuations, it is noteworthy to identify some notable problems of revenue generation that are peculiar to Local Government most especially in the years reviewed.

**(i)** Non-awareness of increase in all revenue sources etc.

The local authority oftentimes does not make the general public officially aware of the increase in local rates and fees, the reason behind the attempted increase and its attendant benefit on the local community. On the other hand, the local authority at its own discretion makes sharp and unexpected increase, same times, without consultation of the people, especially respective region. An action usually does not go down well with the people who consequently refuse to pay these bills.

**(ii)** Nature of governmental actions and policies undertake in unorganized way towards the people.

In a discussion with one of the staffs of Haddiya Zone Local Government, they reported that the government at times makes policies, which does not favor the local populace. The decisions do not often go down well with the local community, which decides in turn not to meet their obligatory responsibilities to the local government.

**(iii)** Change of Government without continuity in the governance process

Change of local administration after the conduct of transitions to evoke problems in internally generated revenue of the local government. This was reflective in the recent change in local administration as the Action Congress (AC) now metamorphosed into All Progressives Congress (APC) took over the reins of local administration in Local Government. As an aftermath of this change, the new administration imported its own policies and programmes that was not so match different from that of the previous administration.

Most of these newly introduced policies, programmes and systems of administration is not different from previous methods and does not more allow for continuity in governance. This it may usually include increase in local fees. The local populaces at such meet these new methods with sharp resistance, as the people do not embrace outright change, which may not favor their wellbeing.

**(iv) Lack of Visible Community Impact**

The local populace in the Haddiya Zone Local Government is not motivated to pay local rates as there are no visible impacts of the local government on the community. While the local government does embark on a few projects within its own capacity and at its own discretion, there is no profound impact of these projects on the needs and expectations of the community. The volume of projects implemented does not align with societal need. (Computed by the researcher from the primary data, 2019)

According to respondent's idea, here listed that major things are at the side of tax payers note clear understanding (awareness) on revenue generation, the response show that 42(23.86%) percent respondent have no clear and enough understanding at the public revenue generation side in depth. This gives as to make strong plan and to do massive awareness creation in all stakeholders. Withstanding, modernizing the governmental service to satisfy customer/taxpayers clear from tax evasion and the like issue. In addition to, government face/encounters' difficulties was doesn't mobilize tax payers and all stake holders from his obvious shortages of skilled workers, budget, infrastructure logistics/resource, workers safety work position and motivation, and the budget explanation of implementations at local administrator. These suggested from the 33(18.75%) respondent. This inform to the government to take feasible measure and solve those shortage by feeling skilled man power, enough budget and logistics which use and support practitioners' to performs his personal duty and responsibility. Here to depict clearly, the idea that there is unwise utilization of limited resource and the way of inactive Mobilization of revenue generation take in to account as difficulty of mobilization. In addition to this, it becomes the limitation/ the Absence of internal and external resource mobilization in studied way which streamlining revenue potentials and low collection of internal resource 29(16.47%). Apart from this, taxpayers, lack of initiatives to pay tax interims of shortage with respect to infrastructures and lack of awareness. These respondents' constituted 15(8.5%). The less here to show as difficulty was the shortage/manual use of electronics and insufficient information technological

materials. With this needed to mansions, the less commitments by the side of officers same times the tendency or inner wish of corruptions and absence of revenue, good governance and tax law compliance, with this at the side of business persons at the past abnormal attitude on tax & Law misinterpretations was 14(7.95%). Some other situations where someone has low and Shortage of income because of low cash crop, some others was business and their paying tax are not balance and vice-versa. The crank not forgotten here are political issue and the low outlook of administration become not supportive, same people out of citizenship duty and absence of tax fee, Contrabandists and none licensed, mismatch between number of workers and customer in the local tire, need & revenue not match at the local area become 11(6.25%). In the base of this idea, to tackle this challenge, local governments have to do strong and organized effort. **(Computed by the researcher from the primary data, 2019)**

#### **7. The ways of overcoming the mentioned challenges**

The ways of overcoming the mentioned challenges, 124(70.46%) respondent constitutes, to follow Continues awareness creation and attitude changing training need for taxpayers & the all society. In addition to this, respective members of revenue specialist & management up to bottom must be honest & transparent commitment in a modernized automated method of revenue collection based on studied/Assessing and levying fair and exact tax potentials by keeping duty & right those workers, motivations with enough resource and equipped infrastructural facility. Apart this, adjusted logical plan with attentive solving political effect without negligence of Council which all powers to bring stabilized good governance and customer satisfaction by restore grassroots' mobilization and wish wise applications are feeling and suggestion of 34(19.3%) respondent. These all informed us clearly that have to do Continues awareness creation and attitude changing training need for taxpayers and the all society respective authority drive mechanisms and take measure with response on whatever the mentioned challenges of the affairs. (Field survey 2019)

#### **8. Collaborate with the Woredas and the tax payers in revenue generation**

The relationship between the Haddiya Zone Local Government and the Regional government has been more of a superior-subordinate relationship rather than a complementary one. As the Central Zone, the local community houses the Regional government but has not much benefitted from the gains of this relationship (Zemelak Ayitenew Ay and Yonatan Tesfaye Fessha).

As regards issues of resource allocation, the Regional government manages the joint pool account of all the local governments in the Region through the Region-Sub Local government joint account. All allocations from the Region to the local government were first received by the Region government that is then redistributed based on the discretion of the regional government to all the local governments in the region. This is an action by the Regional government presumed to ensure development of all local governments in the Region. The local government at such may not know the actual figure of statutory allocations, as they do not receive it directly.

Article 69(G) of the 2001 Constitution of SNNPR'S Region provides for a Region-sub local government joint account. This has been grossly abused by some state governments as a result of unlimited and inordinate influences exerted by states on local government funds. As a result, local government has continued to suffer fiscal emulation in the hands of the Regional governments and this has virtually rendered the local governments financially impotent.

This brings to fore the question of autonomy of the local government. In a discussion with the staff of the local government, he observed that over 90% of local government staff wants autonomy. He further observed that lack of autonomy is restricting the local government from fully achieving its potential, as there is so much control by the state government. The state government wants to control virtually every aspect of community governance and this may not give the local council ample space and opportunity to effect positive and visible change in the local community.

The officials of the local government have also lamented the fact that the local government does not receive allocations from the Regional government. Putt in Constitution 1995, into perspectives, the state government required by law to remit certain percentage of their revenue to the local government. On the contrary, the Haddiya Zone Local Government does not receive befit allocation from the state government. Grants received from the regional government in very few circumstances. We must emphasize here that grants from the Regional government is different from Regional allocation and one does not constitute the other.

The Regional government monitors almost excessively the actions and inactions of the local council. This includes the projects be conducted by the local council. In some circumstances, the Regional government requires the local government to request for its approval before embarking

on certain projects. It may take a while before the government endorses the project. In some cases, the Regional government jettisons the projects if it does not sign/augur well with the Region. This brings a situation of subordinate loyalty in which the state only supports those that are loyal to the state in their political interest. Consequently, there is a slowdown of development in the local community as the local authority dances to the tune of the Region executives rather than the local populace.

Moreover, the Regional government does encroach in the responsibilities of the Regional government. The power of the 1995 Constitution states exclusively the functions of the local governments. Yet, it is not clear which tier of government should handle some specific projects and activities in Haddiya Zone Local Government because the Region seems to have hijacked major obligatory responsibilities of the local government especially in some areas that tends to bring revenue.

In history, any one public body has its process to do what they plan. In this regard, here to look deep about the collaboration of Haddiya zone revenue authority with lower woreda level and tax payers for effective revenue generation assessed by questioners. Which The compiled assessment shows that all from sub local government/woreda and zone center 52(29.54%) assure that, with future hope, there is collaboration, others 24 (13.63%) respondent neglect this idea, they Saied lack of good collaboration between them. In addition to they mention revenue generation need more collaboration in this depth to brining the aimed/planed effect wish more collaboration, but know there is no enough collaboration. The Compliance of legal institution/public participation needs to support and take part in development endeavor. Same respondent 34(19.31%) inform that, to Plan, evaluate whatever public need by making periodical discussion / conference and educating or inform, train tax law for stakeholders and work with them by intimacy. The rests are from respondent 10(5.68%) inform about collaboration, awareness creation and Meer trust from all side need to achieve which effective and right collaboration. These imply that there is collaboration in the respective local government in the revenue generation, but it is not strong and wish to handle the present status and it wish to take measure on other side. (Computed by the researcher from the primary data, 2019).

9. The advantages of stakeholder involvement in the revenue generation are:

The word involvement in its real sense take the meaning of to make some body part of, or make same body take part in, an event or ongoing process. Likewise, to take up same body's whole attention. In this depth, we take it in the completely meaning sense and express for this analysis. The response we get are show simply attentions of respondent, but in the observation show reality is no take depth as a meaning. From the very beginning, the response collected in questioner gives as the general idea that inconsistency. It is one of a genuine, which no any bias and it is personal one. From this instance who one which us this study materials as a literature, we suggest that to take as it is.

From the respondent 141(80%) opinion about advantage is critical, because of this the involvement delivering growth of revenue amount in a consistent way and develop the economic level. In addition, the real involvement of stakeholders are make good opportunity to lay basement for accelerate revenue generation more/ and exalted the amounts of revenue/income. This the mentioned involvement use to protect business which practiced beyond business law, Saied "underground business" and the likes. This respective authority should be using the great opportunity that forwarded and availed good attitude or supportive power. 7 (3.9%) of respondents inform that to give revenue collecting responsibility to 3rd party in the behalf of revenue authority. The other also the same to previous idea those who are less skill officers assigned in a revenue collecting activity. This must be to take relative measure and correction. Others which the lift over amounts 4(2.27%) they have no idea in these issue and the others they are not give their opinion. These imply that, stakeholder's involvement in the revenue generation for respective LGs' is subcritical. It enhances income generation more above imagination. These become practical when as mentioned respective tax authority make handling mechanisms and avail different accessible opportunity for participation on its seasonal revenue generation campaigns. (Computed by the researcher from the primary data, 2019).

10. uses of ICT in the revenue generation operations in Local government.

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Yes	123	93.18%
No	47	5.68%
I don't know	5	---%
None	2	1.13%
Total	176	100%

Table 11: Computed by the researcher from the primary data, 2019

Table 11: Indicate that, Government collects the revenue through manual and electronic. ICT a one of mechanize to collect revenue, to prepare report to stakeholders. In addition to, feed information to customers. According to SNNP'R revenue regulation 109/2008 to make accessible ICT infrastructure for woreda are regional revenue Authority. But, regarding to ICT operation in woredas summarized in the tables indicate that most of the woredas revenue collecting authority office use the ICT technology, but very less number of woreda authority office they haven't use ICT. (Computed by the researcher from the primary data, 2019)

11. LG use of ICT in its revenue mobilization process

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Yes	96	55%
No	74	42%
I don't know	6	3.4%
None	0	---%
Total	176	100%

Table 12: Computed by the researcher from the primary data, 2019

Regarding to using ICT for revenue mobilization Table 12: 96(55%) percent of the respondents they had use for revenue mobilization.74(42%) percent respond they didn't use ICT for mobilization. very less number respondent answered they hadn't knowledge ICT use for revenue mobilization. These imply that the respective LG uses ICT in its revenue mobilization proses. Nevertheless, the nearest amount with the previous number of LG area not uses ICT in its Mobilization. (Computed by the researcher from the primary data, 2019).

## 12. Revenue collection officers trained in the use of ICT system

RESPONSES	NO. OF RESPONDENT	PERCENTAGE (%)
Yes	90	51.13%
No	70	39.77%
I don't know	15	8.52%
None	2	1.13%
Total	176	100%

Table 13: Computed by the researcher from the primary data, 2019

Effectiveness' of ICT operations depend on human resource empowered by training. So when trained ICT practitioners maximize enough revenue collection and feeding information for stakeholders become useful for income generation. According to respondents Table 13: 90(51%) were trained and 70(40%) were not trained. The others they have no any idea. However, It implies that current officials more or less they are trained, but it is not enough, according to study on long term departments to have farther brief speculation for the need trained manpower as findings (Computed by the researcher from the primary data, 2019).

## 13. The challenges which face in the use of ICT in revenue collection

Respondents 134(76.13%) opinion constitutes, Shortage of electric power and electronics materials/infrastructures(especially in woreda level), lack of skilled man power on ICT use and practice and other professionals, absence or shortage of area network functionality and specially in woreda level are **the challenges in the use of ICT in revenue collection**. These are include the electric power, obviously, does not serve this the revenue collection practice in a normal ground. In addition to, the same to that wide the area network absence or shortage of connection at work place/area are the main **challenges of revenue collection. This and the likes problems are sever cause in this arena. With this, same impacted problems are** lack of awareness on ICT equipment on professional side problems are the other one. Here, some other problems mentioned that is on employ side of management problems are another problems. There is another things important to mentioned is recurrent budget shortage as a whole. Others, those 18(10.22%) respondent are not gave any suggestion. This implies that the mentioned shortage of electric power and electronics materials and skilled

worker problem should be come to fulfill especially in sub LG (Computed by the researcher from the primary data, 2019).

14. To be taken, the measure on entire problem/situation/ or findings.

The revenue generation is as we know one of function done by the public body to secure government expenditure purse, which to fulfill different resource question from his constitutes. It is constitutional obligations for any government. Any government without governmental revenue cannot fulfill his plan of public expenditure need. It is like engine next politics in any government system. In these regard revenue generation is supercritical as a function. It is important without choice. Here know the aim we to express, not about government. However, the aim here is this critical functions how become fulfilled in study area and what face this local government is gate response on this study. To express findings, respondents on open-end question gave their suggestion. **(Computed by the researcher from the primary data, 2019)**

From 176 respondent, 97(44.33%) are crafting their opinion on, to be **making** effective study on revenue potential to change real situation, important to work more on all sided awareness creation and different kinds of training for officers & stakeholders, these include present work force, by hiring new skilled man power improving the mentioned situation & solving the problems. In addition to, continuous brainstorming and on the job training is important with motivations of tax collector by applying good administration. Other opinion, 53(30.11%) resemble first idea. It is to be availing enough materials or ICT equipment with skilled workers and important infrastructure for the successful implementation of technological revenue collection. Unless and otherwise, the mentioned previous problems are backstay there and it leads to other distortion and complex shortage. Somehow respondents, 9 (5.11%) responds because of previous resource shortage know responsible body to fulfill recurrent budget wishes for this ICT department and awareness creation for stakeholders. The other 7(3.9%) respondents are forwarded they have no any idea according to discussed issue, because of this they not give any positive or negative idea. This imply that to become solved those the case for entire problems gotten by study which to change real situation that revenue generation 'based process as usual' trend, and not based on efficient and effective process, to alter this situation it is important to make deep, problem based study. In addition to workers and co-coworkers training

become avail inadequate way and the like as study. (Computed by the researcher from the primary data, 2019)

#### **4.4. Discussed Results of Focus group**

These Studies incorporate focus group discussion as a part. Participant's asses according to discussion points, those are:-

From the viewpoints, they are discussion assure that the main sources which revenue generated/ applicable in local governments are Tax on Income from Employment / Personal Income Tax, Business Profit Tax, Tax on Income from Rental of Buildings, Tax on Income from Royalties Tax on Income from Rental of Property, Agricultural Income Tax and Land Use Tax from the direct Taxes. The others are, Tax on Interest Income on Deposits, Dividend Income Tax, Tax on Income from Games of Chance, Tax on Gain of Transfer of certain Investment Property and Rendering of Technical Services outsidess are not applicable in this LG.

The next one the area of tax source are that indirect Taxes. In our discussion in this item taxes applicable items are Turnover Tax and Value Added Tax only. The others that Excise Tax and Customs Duty tax sources not applicable in local administration. Group discussion the group asses also stump duty a taxed item in LG.

About the challenges of revenue, generation in local Gov't reveled as main problems FGD try to confirm that taxable amounts and total taxed income mismatch related with economic potentials. With this, in addition to the following problems are reveled. Those are, Tax evasion, LG understanding revenue potentials is low, misinterpretation of tax law by taxpayers, and narrowness of tax bases and existence of business without licenses are slated critical problem.

According to FGD discussion, not only the mentioned pointes suggested but also, other which motivation and incentives for work steel not known in area of study. In addition to local government (LG) in its activity encounter problem in collecting revenue are Tax evasion, Corruptions and Tax avoidance, in these regard suggested as measure are tax law enforcements, training and regularly to avail awareness creation for taxpayers. These are by formal audit and continuous Supervisions are good to solve the problems.

Others to give a brief, from focus group discussions (FGD) that the income generation plans from 2015-2019 are not fully successful, but they perform a half, that from 2015-2016 successful and the other are those 2017 and 2018 are challenging and not achievable years. The measure

informed for the successful revenue generation authority should have to loyal, transparent, Conducting effective tax base study, asses Potential development and awareness creation. Take law enforcement measure and modern technology for controlling and tax assessment

At the end, focus group discussion (FGD) show that for local government main contributions providers/stakeholders in this revenue generation are tax payers association /Chamber play intermediate roll, Religious organization. They provided useful information for assessment, withstanding, they Support tax law enforcement and feed information use for assessment.

**4.5.The Correlation between Variables**

Correlation measures the extent of correspondence between the ordering of two random variables. Pearson’s correlation coefficient is a statistical measure of the strength of a linear relationship between paired data, its value fall in between -1 and +1. The positive sign of correlation designates the increase of a variable increases the other variable and vice-versa, whereas, the negative correlation sign shows the increase of a variable decreases the other variable and vice-versa as well as no correlation means the effect of one variable has no effect on the other variable by either increase or decrease. According to this study Revenue generation performances show when the income, those the taxes increase it become increase (Computed by the researcher from the primary data, 2019)

**4.6. Revenue generation performance**

No	Perfor mance year	Source of Revenue												Impac t in %
		DT (1100-1119)			IT (1120-1299)			NT (1410-)			MI(1701-1900)			
1	2015	181,130,744	22	47.5	53,768,693	63	14	66,085,086	11	17.3	80,383,418	78	21.6	30.46
2	2016	240,675,652	00	48.9	82,778,990	00	16.8	87,256,231	00	17.7	81,823,833	00	16.6	32.94
3	2017	274,224,260	00	48.5	96,168,469	48	17	96,449,345	00	17	97,773,462	00	17.3	26.52
4	2018	260,733,525	00	63.8	76,197,384	00	16.7	87,386,192	00	21.3	71,416,126	00	17.5	31.77

**Table 14:** Computed by the researcher from the secondary data, 2019

Source: Zone revenue

Authority,

The table 14 Show the performance of the Haddiya Zone local government total income profile of previous four year. The performance depicted as the more tax, effort increase the local government revenue generation. Tax is the vital fluid that ensures that Government is run

effectively and in a sustainable manner. Tax effectively applied not just provided necessary internally generated revenues for development but also assures the prosperity of the nation as a whole and its component parts. The nature of a tax system defines the essence of how a state and LG either works together for the common good or divides the polity in a manner that makes focus on the nation state as distinct from its component parts difficult. How we handle the tax system must be very delicately handled to support unity and bring equity to its sub component parts.

Internally Generated Revenue in normal day to day parlance refers to those revenue sources that are generated solely by the State and Local Governments. However, I have pointed out in the past, and wish to reiterate that the real focus should be on deepening and widening the entire revenue base as collected by state government and not just internally generated revenues as defined, as what is of utmost importance is that additional revenues are generated for the State and Local Government **regardless** of how it is collected. We should focus more on the quantum of collection and how to grow that quantum and allocate it, than on merely who collects it, as such narrow focus sub-optimizes what can be collected, and how monies are utilized. Indeed, it accentuates the challenges of multiple taxation which is not only unconstitutional, but exacerbates the problems of the tax payer and electorate who increasingly get frustrated at the numerous amount of taxes borne – formal and informal for which a clear solution needs to be articulated and implemented by all of the Regional government on behalf of both Zone and Local Governments as provided for in the Constitution.

#### **4.7. Haddiya Zone Local Government and the Resource Question**

It is interesting at this point to examine the resource question in **Haddiya Zone** Local Government. The **Haddiya Zone** Local Government has its greatest receipt of fiscal resources from regional allocations. The Table below illustrates the statutory allocation and the Internally Generated Revenue of the Haddiya Zone Local Government within the years reviewed.

**Table 15: Computed by the researcher from the secondary data, 2019**

	2015	2016	2017	2018
1. Statutory Allocations	996,706,706.62	1,157,508,569.91	1,585,410,672.59	1,776,644,964.80
2. Internally Generated Revenue(IGR)	303,640,052.27	381,367,972.74	420,567,991.57	564,615,539.21
3 Share %	30.46	32.94	26.52	31.77

Source: Zone revenue Authority and Finance Department annual report,

There have been considerably sharp differences between the statutory allocations received from the regional government and the Internally Generated Revenue of the Local Government. In Table 15, 2015, Internally Generated Revenue constituted only 30.46% of the statutory allocation in the years reviewed. In 2016, it increased sharply to 2.47%, which has been the higher so far. In 2017, again it sharply reduced to 6.41% of statutory allocations while it further increased to 5.25% by 2018. It is observable that the rate of statutory allocations varies on a yearly basis. In a questionnaire with a staff of the local government at, it was noted that Haddiya Zone Local Government received Regional grant that was given to local governments all over the Region from the excess crude account. The local government has not received much of this afterwards (Computed by the researcher from the primary data, 2019).

In comparison with a number of sub local governments under Haddiya zone Local Government, more or less, it can say the whole; the statutory allocation from Haddiya Zone Local Government is relatively low. While there is huge overhead cost and recurrent expenditure in the local government, the annual resource cannot allow for proper and effective implementation of the council's policies and programmes. This is such a huge constraint to the local government.

Moreover, the officials of the local government lamented the delay in receiving allocations from the zone that tends to reduce the pace of progress in the local government. The period of receipt of statutory allocations, do not match with the fiscal year of the local government and projects earmarked periods are either suspended or postponed due to constraints in financial capacity.

Observable from this is the fact that the internally generated revenue of the local government is insufficient to handle developmental projects in the community. The Internally Generated Revenue (IGR) cannot even pay the salaries of the local government staffs notwithstanding a

bulk of other fiscal needs in the local government. Hence, the statutory allocation hanneled towards the payment of staff salaries, covering of overhead costs and other miscellaneous needs of the local government. Additionally, an observation during one of the visits to the local government was, number of staffs working in the local government, the number of political office holders which are the political head (Chairman) – collecting quite huge salaries and allowance from the local purse.

It is important to note that local revenues can potentially provide a sustainable source of funding for LGs to meet their development agenda. Local revenue mobilization empowers local people to participate, own the development programmes and demand for effective delivery of services, which improves people’s livelihoods. To achieve this, citizens, civil society, private sector, media and LG officials need to be mobilized around local revenue generation and their capacity to demand for accountability strengthened.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. Content Summary**

Revenue Generation is the base, which has the objective of ascertaining compliance with the applicable tax laws and regulations of the country. Its objective is securing the government by the collection of appropriate revenue by smoothing the tax administration system and imposing fair, equitable and ability based tax from the taxpayers. The effective and efficient application of the revenue generation improved by critically on the nature and scope of powers in the underlying legal framework in place, including the provision of adequate powers to execute local development that economic, social, and service delivery plan with obtaining information and an appropriate regime of sanctions to deter and penalize non-compliance. Effectively carried out revenue generation with standardize periodic evaluation and vested revenue generation power, with affordable tax law can reduce those challengeable findings. These functions help to establish viable and effective local tax administration, to bring back the local government at normal its objective function. In addition these educate taxpayers identify areas of the law that require clarification.

In consistence way, revenue generation one of a primary activity that to finish as a unique government functions, like education, agriculture and so on. In these regard in the area of study this revenue generation function is not reach the right growth domain/level. Steel the function wait its right plan and true and committed performer. Haddiya Zone Tax Authority should have to assure/apply strong revenue generation by using relevant practitioner by keeping the pervious status of work activity and activate the new plan in a need of bringing basic change in LG. This is not a simple but it is critical and need systematic and furnished organization, cooperation of stakeholders support and the whole workers true commitment. It is currently very important issue for this LG.

To achieve the objective of the study quantitative and qualitative research method employed by gathering data from primary source via close ended, open-ended questionnaires, researcher observation and focus group discussion and secondary data from revenue generation report of the respective tax and transfers collectors. From the study, impressing and very alarming events and findings are come-out as endowment for the respective LG. It is my good advice that the

respective local government to incorporate this findings in its current short-term or long-term local government plan as a mandate.

### **5.1.1. Findings of the study**

The main sources of revenue to generate this LG are Internal and external, however, other source that detailed under these all are, internal and external source, few or more or less not applicable. Internal sources of revenue generation seem highly ignored and could contribute to low revenue base of local governments.

The LG uses ICT in its revenue generation Mobilization, Nevertheless the 47% of LG area not uses ICT in its Mobilization in this era. It is important to recheck its use of ICT in its revenue generation Mobilization.

The adopted revenue collection methods are both Direct Indirect and Others revenue collection method in the local government. It should be keep it as it is.

It implies that the revenue by electronics materials collection performance level of the local government is less and it wishes improvement.

That the challenges and constraint face to revenue collection in this local government, revenue collection without revenue independence, collection performance practice without best mechanism and absence of resource mobilization in studied way.

The revenue performance level of the local government becomes medium. In this regard studies inform that local government should have to improve their effort develop/to achieve their minimum annual plan.

The study informed us clearly that have to do Continues awareness creation and attitude changing training need for taxpayers and the all society respective authority drive mechanisms and take measure with response on whatever the mentioned challenges of the affairs.

That study show as there is collaboration in the respective local government in the revenue generation, but it is not strong and wishes to handle the present status and it wish to take measure on other side.

According to stakeholder's involvement in the revenue, generation for respective LGs' is critical. It enhances income generation more above imagination. These become practical when as

mentioned respective tax authority make handling mechanisms and avail different accessible opportunity for participation on its seasonal revenue generation campaigns.

regarding to ICT operation in woredas summarized in the tables indicate that most of the woredas revenue collecting authority office use the ICT technology, but very less number of woreda authority office they haven't use ICT.

That current officials more or less they are trained, but it is not enough, according to study on long term departments to have farther brief speculation for the need-trained workers as findings.

That the mentioned shortage of electric power and electronics materials and skilled man power problem should become fulfilled especially in sub LG.

That the entire problems become should have to solve. Those the case for entire problems gotten by study which to change real situation that revenue generation 'based process as usual' trend, and not based on efficient and effective process, to alter this situation it is important to make deep, problem based study. In addition to workers and co-oworkers training become avail inadequate way and the like as study.

## **5.2. Conclusions**

Revenue generation one of a primary activity that to finished as a unique function among in other government functions, like education, agriculture and so on. In these regard in the area of study this revenue generation function is not reach the right growth domain/level. Steel the function wait its right plan and true activator. Haddiya Zone Tax Authority to assure strong revenue generation use stronger practitioner by keeping the pervious status of work and activate the new plan in a need of bringing basic change. This is not a simple but it is critical and need stronger organization, cooperation of any associate body support the whole workers, and stakeholder's inner commitment. It is very important issue for this LG.

Especially, this paper has attempted to assess the current performance of revenue generation and its challenges of Haddiya Zone by employing qualitative and quantitative approach of research.

The study addresses particularly, revenue generation, effect of different practices in the strengthening the tax administration and contribution of different department in the revenue

generation. To address the objective of the study, data gathered from primary and secondary sources. Based on the collected data analysis and the findings of the study, the following conclusion forwarded.

The challenges and constraint to revenue collection in this local government, revenue collection practiced without revenue independence, collection performance practice without best mechanism and absence of resource mobilization in studied way. Because of this it is backing for the respective body to conduct study in the mentioned area of problems.

The stakeholder's involvement in the revenue generation for respective LGs' is subcritical. It enhances income generation more above imagination. These become practical when as mentioned respective tax authority make handling mechanisms and avail different accessible opportunity for participation on its seasonal revenue generation campaigns.

Those the case in findings that the entire problems which to change a situation that revenue generation 'based process as usual' trend, and not based on efficient and effective process have to alter/to be changed, this situation it is important to make deep, problem based study. In addition to avail for workers and co-coworkers training inadequate way and the like as study.

The regional constitution in fact recognized the local government and emphasized its duties and responsibilities but did not create a concrete stand for the local governments to carry out these duties without domination of the state governments. In this regard revenue generation no used up best mechanism, absence of resource mobilization in studied way and practices without revenue independence, both of the mentioned constraints **depicted** in the studied area.

Haddiya Zone Tax Authority should advance the factors positively affecting the effectiveness of the revenue generation practice such as ICT, materials, empowerments of work force and the mentioned defect. In order to improve the effectiveness of revenue generation and should simplify revenue generation mechanism in studied way with worker empowerment and by hiring skilled workers.

The practices were statistically significant factors that affecting the effectiveness of revenue generation positively, whereas, strong mobilization and official's empowerment are factors that significantly affecting the effectiveness of the revenue generation practice in negative direction.

As we Saied previous, revenue generation is one of the activities that in its last result help to achieve the objectives of government. A well-structured tax audit program is vital to ensure the fiscal wellbeing of the country, and sustain the strength of the tax system by reducing tax gap through voluntary compliance and additional revenue generation.

For local government main contributions providers/stakeholders in this revenue generation are tax payers association /Chamber play intermediate roll, Religious organization. They are feed useful information for assessment, with standing; they Support tax law enforcement and feed information use for assessment. Respective tax authority should have to keep this opportunity.

Those informed by finding to us clearly that have to do Continues awareness creation and attitude changing training need for taxpayers and the all society by respective authority and drive mechanisms and take measure with response on whatever the **mentioned challenges of the** affairs.

The revenue performance level of the local government is medium according to study. In this regard studies inform that local government to improve their effort develop/to achieve their minimum annual plan. If may it dawn it is danger, it fall and under plan, in other side this performances are totally wish support.

The simplification of tax laws and applicable regulations and directives are important to undertake effective tax administration and revenue generation. TOT Proclamation No 308/2002 has not supported by regulation and weak legal framework when compared to VAT Proclamation and income tax proclamation, whereas, VAT and Income tax proclamations have Regulation No 79/2002 and 78/2002 respectively. Because of weak legal framework and lack of educative penalty of TOT proclamation, there were insignificant numbers of category “B” taxpayers in Haddiya Zone.

Computerization is essential element for modernizing tax administration. In addition, there are no sufficient computers in order to computerize the revenue generation practices and sufficient training not provided for the human power both technological and empowerment.

Tax collectors capacity building is base to the revenue generation undertaking; however, the Tax Authority is not providing appropriate and sufficient training to the tax officials. The Authority

has been providing may be short time training it is strong challenge to address relevant issues in the area of income collectors in the limited training period.

Appropriate tax accounting and reporting expected to improve the effectiveness of the revenue generation practice. But taxpayers who declare relatively better return and cost of goods purchase has been subjected to high tax liability, interest on tax liability and administrative penalty than those who conceal their return and cost of goods purchase in their financial report.

In principle tax audit reduce tax evasion, tax avoidance, improve compliance of taxpayers to the tax law, bring new taxpayers to the tax net, educate taxpayers by applying the tax law of the country which in turn reflected by improving the tax filing compliance, reporting compliance and payment compliance of the taxpayers. In Haddiya Zone, the filing natures of the taxpayers have been improved, but taxpayers have been using the office to get support in order to get loan from banks to run business in the name of their relatives. but the return at the end of the budget year financial statement and monthly report of VAT were null.

The revenue generation has been generating significant revenue to the government in which the tax declared by taxpayers is significantly lower than the tax computed by mobilization

### **5.3. Recommendations**

In light of the aforementioned conclusions of the study, the following recommendations prevailed to improve revenue generation of Haddiya Zone Tax Authority.

The **challenges and constraint to revenue collection in this local government, revenue collection** without revenue independence, collection performance practice without best mechanism and absence of resource mobilization in studied way. **The tax authority should have to do hard with the respective council for the** independency of revenue generation and to seat best mechanisms with studied resource mobilization.

The regional constitution in fact recognized the local government and emphasized its duties and responsibilities but did not create a concrete stand for the local governments to carry out these duties without domination of the state governments. In this regard revenue generation no used up

best mechanism, absence of resource mobilization in studied way and practices without revenue independence, both of the mentioned constraints depicted in the studied area.

Haddiya Zone Tax Authority should advance the factors positively affecting the effectiveness of the revenue generation practice such as ICT, materials, empowerments of work force and the mentioned defect. In order to improve the effectiveness of tax revenue generation and should simplify income generation mechanism in studied way with worker empowerment and by hiring skilled workers.

To ensure the fair, equitable and reduce subjective assessment of tax among taxpayers' concerned Authority should simplify tax laws and issue workable regulations especially to the TOT proclamation 308/2002, regarding to the administrative and criminal penalty fail to provide sales invoice for service provide and sales made.

Since computerization is essential element for modernizing of tax administration in general and revenue generation in particular. The Tax Authority of Haddiya Zone should fulfill the electronics equipment, provide sufficient training to tax collectors on software and technologies, upgrade the wide area network supply and important to work hard and solve the serious shortage of network connection problems as a whole up to bottom structure of LG.

In order to improve the revenue generation effectiveness the Tax Authority should upgrade the capacity of electric power for use of tax collection and it is important to deal with respective stakeholders ELPA.

To levy and collect, based on ability to pay principle, tax authority should encourage those taxpayers' who pay respective fee, relatively proper books of account and recording to assess tax based on the return. They provide and tax declare with the modification rather than rejecting the self-assessment of taxpayers' and assessing based on taxable income rate of category "C" taxpayers which discourage voluntary compliance.

The Tax Authority of Haddiya Zone should scrutinize the taxpayers' real return and identify the real cause of decrease in the self-assessment return and tax in order to take corrective action for the identified problems.

For the successful revenue generation authority practitioner should have to loyal, transparent, Conducting effective tax base study, asses Potential development and awareness creation. Take law enforcement measure and modern technology for controlling and tax assessment

There is collaboration in the respective local government in the revenue generation, but it is not strong because of this tax authority should be handle the present status and it wish to take measure which it can alter the present situation.

Tax Authority should follow up the taxpayers' premises periodically and teach taxpayers' in order to improve their fee practice and to get evidence about business transaction to assess tax based on either objective evidence or taxpayer's books of account/record by replacing the taxable income rate of category "C" taxpayers.

Haddiya Zone Tax Authority should effectively support the tax audit Endeavor, in order to carry out effective tax audit to support government budget and to encourage voluntary compliance of the taxpayers'

Tax Authority should teach taxpayers to change their self-assessment nature in order to minimize the gap of self-assessment tax and audited tax to save taxpayers' from unnecessary and sever penalty and interest on unpaid tax liability.

Haddiya Zone Tax Authority should undertake the audit and assess tax within the specified limit of five years period to minimize the risk of sever administrative and criminal penalty and interest due to the concealment of tax and return or violation of tax laws. Tax Authority should teach taxpayers' to declare their tax and consequence of concealing in their business.

#### **5.4. Future Research Direction**

This study did not consider associations who are considered as the individual taxpayers, because there was a dilemma to consider those associations as individual taxpayers or body. In the Ethiopian, the assessment and collection from body is the mandate of federal government rather the regional government. Currently, regional government has licensed the associations and collecting tax from such associations by considering them as individual taxpayers rather than body. It was also confusion whether taxed at the rate of 30% as a body or progressive tax rate from 10 % to 35% of their taxable income and collection of dividend tax from distribution of net income.

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APPENDIX 1  
ADDIS ABABA UNIVERSITY

COLLAGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT

PROGRAM OF MA IN PUBLIC MANAGEMENT AND POLICY (SMPMP)  
(ACADEMIC PURPOSE)

TOPIC: **Revenue Generation and its Challenges of Local Government**

RESEARCH STUDY: **in Cause of SNNPR'S Region, Haddiya Zone** QUESTIONNAIRE FOR ZONE CENTER

**Interview:**

**Part I. personal Information of respondent**

1. Sex: A Male  B. Female
2. Age: A. 15-25 years  B.26-35 years  C. 36-45 years
3. Marital Status: A. Married  B. Single  C. Divorce
4. Educational statuses: A. Diploma from College/  B. Under Graduate/Degree  C. Graduate/MA

**Part I**

1. What are the main sources of locally generated revenue at the Haddiya Zone?  
A/ internal sources.  B/external source  C/bd  D/ I don't kn .
2. What are the revenue collection methods adopted by the Zone?  
A/ Direct  B/ Indired  C/ Othe  D/ Bd  E/ I don't ow
3. What are the challenges and constraints to revenue collections?  
A/Without revenue independence,  B/ best mechanism  C/ Absence of resource mobilization in studied way  D/ both.
4. What is the revenue performance level of the Zone?  
A. very high  B. High  C. Medium  D. Low  E. very low
5. What are the modes of revenue collection used by the Zone?  
A/ by man power  B/ Electronics' method  C/ I don't know
6. What are the difficulties the Zone encounters in the mobilization of revenue?  
.....
7. What are the ways of overcoming these challenges?  
.....

8. How does the Zone collaborate with the Woredas and the tax payers in revenue generation? .....

(Please don't miss at the back one.)

9. What are the advantages of stakeholder involvement in the revenue generation? .....

10. Does the Zone use of ICT in its operations?

- a. yes       b. No       c. I don't know

11. Does the Zone use ICT in its revenue mobilization process?

- a. yes       b. No       c. I don't know

12. Are revenue collection officers trained in the use of ICT system?

- a. yes       b. No       c. I don't know

13. What are the challenges in the use of ICT in revenue collection? .....

14. What do you suggest can be done to improve the situation? .....

Thanks for your salient cooperation!

**APPENDIX 2**  
**ADDIS ABABA UNIVERSITY**  
**COLLAGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT**  
**PROGRAM OF MA IN PUBLIC MANAGEMENT AND POLICY (MPMP)**  
**(ACADEMIC PURPOSE)**

**TOPIC: Revenue Generation and its Challenges of Local Government**

**RESEARCH STUDY: in Cause of SNNPR'S Region, Haddiya Zone QUESTIONNAIRE FOR SUB**  
**ZONE / WOREDAS**

**Interview:**

**Part I. personal Information of respondent**

5. Sex: A Male  B. Female
6. Age: A. 15-25 years  C. 36-45 years  B. 26-35 years
7. Marital Status: A. Married  B. Single  C. Divorce
8. Educational statuses: A. Diploma from College/  B. Under Graduate/Degree  C. Graduate/MA

**Part II**

**1. What are the main sources of locally generated revenue at the town center?**

A/ internal sources.  B/ external sources.  C/ both.  D/ I don't know.

**2. What are the revenue collection methods adopted by the town?**

A/ Direct  B/ Indirect  C/ Others  D/ Both  E/ I don't Know

**3. What are the challenges and constraints to revenue collections?**

A/ Without revenue independence,  B/ best mechanism  C/ Absence of resource mobilization in studied way  D/ both.

**4. What is the revenue performance level of the town?**

A/ very high  B/ high  C/ medium  D/ low  E/ very low

**5. What are the modes of revenue collection used by the town?**

A/ by man power  Electronics' method   
C/ I don't know

6. What are the difficulties the town encounters in the mobilization of revenue?  
.....

7. What are the ways of overcoming these challenges?  
.....

(Please don't left at back one)

8. How does the town collaborate with the tax payers in revenue generation?  
.....  
.....

9. What are the advantages of stakeholder involvement in the revenue generation?  
.....

10. Does the town use of ICT in its operations?

A. yes       B. No       C. I don't know

11. Does the town use ICT in its revenue mobilization process?

A. yes       B. No       C. I don't know

12. Are revenue collection officers trained in the use of ICT system?

A. yes       B. No       C. I don't know

13. What are the challenges in the use of ICT in revenue collection?  
.....

14. What do you suggest can be done to improve the entire problem/situation?  
.....

Thanks for your salient cooperation!

APPENDIX 3

**ADDIS ABABA UNIVERSITY**

**COLLAGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT MANAGEMENT**

**PROGRAM OF MA IN PUBLIC MANAGEMENT AND POLICY (SMPMP)**

(ACADEMIC PURPOSE)

**TOPIC: Revenue Generation and its Challenges of Local Government**

**RESEARCH STUDY: in Cause of SNNPR'S Region, Haddiya Zone QUESTIONNAIRE FOR ZONE CENTER**

Focus group discussion:

- Major Types of Taxes listed here existing in our Region, but which are applicable in this zone?

**1.1 Direct Taxes**

- Tax on Income from Employment / Personal Income Tax
- Business Profit Tax
- Tax on Income from Rental of Buildings
- Tax on Interest Income on Deposits
- Dividend Income Tax
- Tax on Income from Royalties
- Tax on Income from Games of Chance
- Tax on Gain of Transfer of certain Investment Property
- Tax on Income from Rental of Property
- Rendering of Technical Services outside Ethiopia
- Agricultural Income Tax
- Land Use Tax

**1.2. From Indirect Taxes most common collected in this zone are**

- Turnover Tax
- Excise Tax
- Value Added Tax
- Customs Duty

**1.3 Is there Stamp Duty collected in Haddiya Zone?**

2. Categories of Tax Payers. Which Category more applicable?

- Category "A" Tax Payers
- Category "B" Tax Payers
- Category "C" Tax Payers
- Schedule 1 for Category "C" Tax Payers

3. Mention the main local Gov't challenges in revenue generation?

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**4. Major Sources for Revenue Generation for State**

Taxes, Tariffs

Internal & External Borrowing

Penalties & Fines

Aids & Grants

5. Do you give staff incentive or motivation to work? What? -----  
-----

6. Do you encounter problem in collecting revenue in the local government?-----  
-----

7. What is measure taken for those challenges?-----  
-----

8. Is the present revenue machinery strong enough to generate revenue to the local government? -----  
-----

9. Is the local government able to meet it targeted revenue over the year (2001-2013?)-----  
-----

10. Do the local government make plan for additional sources of revenue?-----  
-----

11. What is main contributions from stakeholders side in our local government in this revenue generation?-----  
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12. What measure leads us to successful revenue generation ?-----  
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