Challenges of Municipal Government in Revenue Collection Performance: Case of Shambu Town, Oromia National regional State, Ethiopia (2014/15-2017/18)

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Abstract

In Ethiopia, fiscal decentralization to municipal governments has been regarded as viable in revenue rising in order to improve the service delivery and enhance development at both local and national level. However, as some literature reveal, municipal governments are incapable for accomplishing its responsibilities in effective and efficient manner. Hence, this study meant to assess the challenges of municipal government in revenue collection performance of Shambu town, Horro Guduru Wollega, Oromia National Regional State Government. In doing so, it considers the efficiency of revenue collection performance of municipality accompanied with some selected good governance of public financial principles: participation, transparency, and accountability. The study design was descriptive case study with mixed research approach. For sampling technique, probability (Stratified Random Sampling) and non probability (purposive sampling) were applied, and sample size was determined using Slovenes' (1995) formula by which 282 tax payers were selected as respondents. Data collected from primary and secondary sources. Data collected by survey questionnaires were analyzed by SPSS version 20 and data collected by focus group discussions and interviews were analyzed using description and used for the purpose of triangulation. This study found that the municipality was not efficient in its revenue collection performance. In view of that, the main defy for such inefficiency are : poor fiscal cadastre; lack of skilled human power in revenue collection; poor administrative capacity; lack of providing awareness about tax for taxpayers; lack of service charge rate computation methodology; using manual registration and records and poor governance public financial principle practices (ill ground of transparency, participation, and accountability).

Keywords: Revenue Collection, Good governance public financial principles, Efficiency and Effectiveness

1.   Introduction

Revenue collection is an integral function of the municipal governments in country where fiscal federalism was employed (Smith, 2003; Fjeldstad & Moore, 2009). Thus, municipal governments use taxation and fees as the main instruments to raise revenue from economic resources available to society to meet its expenditure (Bird & Zolt, 2003). In fiscal federalism, the aim of any local or municipal government's revenue collection is to collect what is owed. Thereof, improving collection of taxes and other revenues, increasing the amount cash of available for investment by speeding revenue collection performance and assuring accountability are targeted. Thereby, the aim and targets, generally achieved through improvements in the efficiency in the collection process, are commonly expected after local governments empowered (Allan, J. Ian, 2008).

Furthermore, what expected from fiscal decentralization is that municipal governments have to generate their own local resources efficiently because "Revenue sharing or grants are unlikely to change a poor town or city in to a rich one … cities… will have to bear the brunt of the fiscal challenge by utilizing existing internal resources efficiently" (Cheema,1990: 64). And also, Local Economic Development (LED) emphasizes on using the potential of local human and physical resources to stimulate new locally based economic activity. For this local governments should initiate development by using locally available resources and community based institutions (Blakley, 1996).

After more than a century, the 1995 Constitution of Ethiopia has focused fiscal decentralization efforts mainly on devolution of responsibilities and resources to national regional governments. Thus, each region has been empowered to establish systems of deconcentrated sub-regional structures including zones, woredas and kebeles. Thereinafter, by 2000, several regions have now turned their attention to reviving municipal administrations with the objectives of mobilize additional own-source revenue and capacity to address the needs of cities and towns. Therein, municipalities supposed to rely upon local taxes, business, and user fees to finance their activities rather than receive any direct budget support from either from federal or regional government (Groot. D. D., Connors, G., Meheret,A., &Yitbarek, T., . 2001).

In line with reviving municipal reviving administrations by 2000, constitution of Oromia National Regional State issued proclamation; Proclamation No. 65/2003 in which the power of local governments or municipal governments have assigned to collect revenue from a given sources of revenue items (Oromia National Regional Proclamation, 2003). Conversely, unpublished documents of Shambu Municipality Revenue Office (2014/15-2017/18) portray as revenue sources items are underutilized and financial problem persistently has faced Shambu

municipal government to delivery basic services for its residents.

Therefore, this research aims to reveals problem of municipal government in revenue collection performance by assessing the challenges of municipal government in revenue collection performance with particular case of Shambu town. In doing so, this research is organized into five sections: this introductory section followed by statement of the problem, materials and methods, a brief review of contending theoretical approaches, presentation of results and discussion, and conclusion.

2.   Statement of the Problem

As theory of fiscal federalism, the main rationale behind of fiscal decentralization is improving efficiency of public resource utilization, creating enabling environment for private sector development, empowering local communities to determine their own priorities through their local governments (LGs), in turn, the growth of the national economy (Baraki, 2014; Moges, 2005). Rather than these expectations, but, for political goals, in Ethiopia, 1995 Federal Constitution brought a major breakthrough in political governance by providing for the establishment and operation of municipal governments under national regional governments of Ethiopia (Dadi Wedajo, 2014).

Accordingly, article 50(1) of the constitution empowered state governments to establish lower administrative levels and provide them with adequate power and responsibility to enable direct people participation in the political governance of the country. Thereupon, the Oromia National regional state (ONRS) issued legislations under proclamation 65/2003 to govern the legal status, role, responsibilities and relationships of municipal governments in a region (Ibid). Since then, Municipalities have got a responsibility to raise adequate revenue and deliver services to communities in a fast and efficient manner and it is an acknowledged fact that municipalities are struggling to collect revenue.

Conversely, different literature shows that municipalities do not discharge the expecting responsibilities and yet they are persistently facing inadequacy of municipal finance. For instance, a review study by the (Bureau of Industry and Urban Development (BIUD), 2013) identified the growth in municipal revenues since the start of the ULGDP program in 2008/2009 had been much lower and insufficient to meet the budgeted needs for investment in infrastructure, services, and operations and maintenance. In addition, Connors, G. et al. (2001), Mobedzi, E. and Gondo, T. (2010)   depicted as municipal governments in Oromia national regional state are inefficient and ineffective to raise revenue from their own revenue sources items and inferred as it is still requires investigation. Similarly, unpublished Shambu Municipality Revenue Office's documents (2014/15-2017/18) portray as sources of revenue items assigned to the municipal underutilized. Therefore, taking these empirical evidences, the study aims to investigate the challenges of municipal government in revenue collection performance in order to   highlights some of the key issues and opportunities for improving municipal government in revenue collection performance, the case of Shambu Municipal, Horro Guduru Wollega, Oromia National Regional State.

3.   Objectives of the study

The overall objective of this study is to assess challenges of municipal government in revenue collection performance with special case of Shambu town municipality during years of 2014/15- 2017/18. Specifically, it aims: to examine the efficiency of municipality in revenue collection performance; to investigate the practicability of transparency, accountability and participation by municipal government in revenue collection performance and to scrutinize the challenges of municipal government in revenue collection performance.

4.   Materials and Methods

The study design was descriptive case study with mixed research approach. Both primary and secondary sources were used. The primary data was collected via interview with the key informants, i.e. individuals involved in heading and directing the municipal(mayor) and head of municipal revenue office; focus group discussions (FGDs) of employees working in municipal and municipal revenue office and questionnaires for tax payers while secondary data was obtained by reviewing the official documents of the municipal (such as performance reports) and related literature pertinent to revenue approaches/theories and development studies.

For sampling techniques, non-probability and probability sampling techniques were employed to select samples from the target population (tax payers). Key informants and focus group discussants were purposely selected expecting as they are providers of valuable information. On other hand, Stratified Random Sampling and systematic random sampling were employed to stratifies (or divide) the tax payers according to their grades and identify respondents from each grade respectively.

To determine sample size, the researcher used the formula provided by Slovenes (1995), considering a level of margin of error at 5% based upon amount of tax payers of Shambu municipal. Accordingly, Shambu municipal document (2017) reveals, there are 953 tax payers and they are already graded in A, B, and C basing upon on their annual income; A whose annual income is 1000000.00 and above; B whose annual income is

greater than500000.00 but less than 1000000.00 while C whose annual income is up to 500000.00. After the total sample size is determined using the above formula, the sample size for each grade is determined from the total sample size using the stratified formula   to ensure a proportional representation of each as it represented below. According to Slovenes' formula:

$$n = \frac{N}{1+Ne^2}$$

Hence, $\frac{953}{1+953(0.05)^2}$ = $\frac{953}{3.3825}$ = 282

Where

N = target population

n = desired sample size

The sample size for each grade was determined from the total sample size based on the tax payers' size by stratified sampling formula as showed below:

$ni= (n/N)Ni$ where,

- Ni =population size in stratum
- n =total sample size required for study
- N = the total number of elements in the population all strata taken together
- ni = the sample size in stratum i

Hence, grade A= $\frac{282 \times 74}{953}$ = 22   Grade B= $\frac{282 \times 78}{953}$ = 23

Grade C= $\frac{282 \times 801}{953}$ = 237

Too simplify, it was portrayed in below table 1.

Table 1: Number of Representative Respondents for Each Grade

S/NO	Grade	Target population	Share of one grade from total tax payers
1	A	74	22
2	B	78	23
3	C	801	237
Total		953	282

Source: Shambu Municipality Revenue Office's Documents of 2017/18.

Thus, the sample was arrived at by first selecting a random starting point and then picking every K on element in the population for three tax payers of independent grades for the sampling frame. To compute k, we used the formula; K = n/Ni. Grade A; K = 282/74 = 3, Grade B; K = 282/78 = 3 and Grade C; K = 282/801 = 1 Hence, every 3rd of tax payer name in grade A & B; and beginning at 1st of tax payer of grade C was selected by using the sample frame units of the municipality. With regard to data analysis: data collected by survey questionnaires was analyzed by SPSS (version 20) while   the data collected by focus group discussions and interviews were analyzed using description and used for the purpose of triangulation.

5.   Theoretical and Conceptual Framework

5.1. Conceptualizing general theories of revenue

Although there is wide ranging international practice with the assignments of revenue sources to different levels of government, only two divorced have been developed in the literature to put in plain words and direct the practice of revenue assignments. These are: the expenditure-side approach to revenue assignments that grounded in the tradition of Musgrave (1959) and Oates (1972) and the revenue-side approach (Martinez-Vazquez, 2012).

The expenditure-side approach emphasizes the benefit principle. It resembles user- pay for their cost. It sounds when the application of the benefit principle is feasible, equilibrium prices and quantities resemble the outcomes of competitive markets, and as a consequence the problem of financing public expenditures can be solved efficiently. Under this theory, three policy rules formed which are widely accepted in revenue assignment principles. The first rule, which was virtually advocated by Mc Lure (2000), states that in order to set the amount of revenue collections at the level of expenditures most compatible with voters' preferences, sub-national authorities should enjoy "autonomy at the margin". The second policy rule calls for the sub national governments to collect a significant proportion of own revenues in order to create and enhance accountability mechanisms. It also significantly concerns citizens(residents or tax payers) involvement as it is essential to realize the efficiency gains that justify the decentralization itself, thus, in turn, make interdependency of sub national governments(local governments) with citizens (Bahl and Martinez-Vazquez, 2006; Martinez-Vazquez, 2012).

The third rule is mainly concerns about resources endowment. Besides, to have a relevant effect on accountability, own revenues must be combined with a "hard budget constraint," such that local authorities and the local community can expect to fully bear the costs of deficient budgetary management (Rodden, Eskeland

and Litvack, 2003). The third rule is mainly concerns about resources endowment. As Bird (19943) cited in Martinez-Vazquez (2012), it advices revenue sources be assigned to sub-national governments up to the point where own revenues are enough to cover the expenditure needs (net of conditional transfers) of the wealthiest jurisdiction(s) (Martinez- Vazquez, 2012 p.3).

On other hand, the revenue-side approach to the revenue assignment virtually concern cost revenue rising. It aims almost to minimize the costs of revenue collection performance across instruments of (sources of revenue items sources) and government levels. Moreover, it prefers to rely more on those revenue sources that are more productive under the optimal level of the marginal cost of funds (Dahlby and Wilson 1994; Smart 1998; Dahlby 2009; Martinez- Vazquez, 2012).

Surprisingly, as Martinez-Vazquez (2012), however, the revenue-side and expenditure-side approaches to the revenue assignment problem remain unconnected in the literature on fiscal decentralization. Generally, these two theories related to good governance principles in revenue raising performance, notably; participatory, accountability, transparency, efficient and effectiveness.

5.2. Local revenue raising authority

The ability local governments to taxes and other revenue are affected by their status as either a "home rule" or "Dillon's Rule" government. In the states allow home rule, local governments granted constitutional and statutory to provide services, raise taxes and other revenues to fund them and issue of debt for various public purposes, subject to only specific prohibitions. In states, Dillon's Rule is in effect, local governments granted to operate through statute; no authority granted through state constitution. Majority of states have granted home rule to their local governments; home rule, however, is a matter of degree (Allan, J. Ian, 2008).

Based up on theories and literature have revealed above, the ultimate goal of this study to find out challenges of municipal government to encourage revenue collection performance to meet the expenditure requirements of municipal government which enables municipal government to provide better municipal services to their clients (residents). Revenue collected within the jurisdiction of municipal government and allocated largely for urban development activities and the expansion of municipal services increases revenue yields. This approach will help to break the vicious circle of municipal under spending caused by a low level of revenue rising for municipal services and capital investment. It means, if the revenue collection performance of municipal governments is low, resources to invest and service provision will be limited and/or poor.

The direct consequence of this is that citizens (residents) not satisfied with the service are less willing to pay. In return, the level of income is low and the vicious circle starts again, and municipal economic development becomes unthinkable. Furthermore, finally, it might lead to erosion of legitimacy of municipal governments particularly, national government generally. Therefore, revenue collection performance and enhancement has to address the gap between expenditure requirements and available revenue, taking into account the existing fiscal gaps and those projected for the future. Thus, to be effective and efficient in revenue collection performance, active participation of the general public should considered in the assessment of tax sources and other revenue items source (fees, or charges) and billing of taxes   processes with respect to transparency and accountability.

Here, the researcher prefers the ideal local governments (municipal governments) revenue raising should involve a mix of 'bottom-up' and 'top down' processes. The 'bottom-up' contribution comes from the local residents and business people and the 'top-down' contribution from federal and regional government. For example, it is important to involve the community if they are expected to make a contribution to projects or services either in cash or kind ('bottom-up'). By doing so, their trust in municipal governments will be reinforced. On the other hand, tax compliance must be enforced 'top-down' by the public authority. In addition, community participation improves the transparency, efficiency and effectiveness of the municipal authority's revenue raising performance and service provision. And also, it enhances taxpayer's awareness about regional proclamation and regulation on tax and improves public relations. Accordingly, the conceptual framework of this research drives from the relevant approaches,   in the subject matter of revenue collection performance of municipal governments.   A below diagram is depicting conceptual framework utilized and a significance assumed after challenges of municipal government in revenue collection performance addressed.

Figure 1: Conceptual Framework
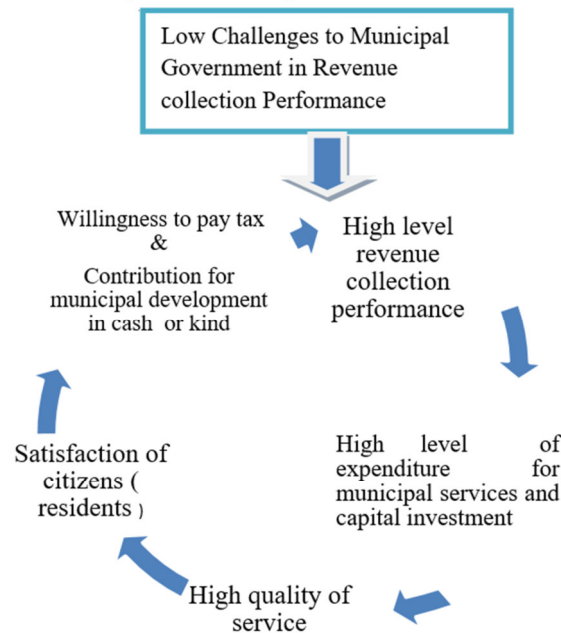
6.   Results and Discussions

6.1. Background of the study area

Shambu Town was established in 1919. It found in Horro woreda, Horo Guduru Wollega zone*, Oromia National regional state, Ethiopia. It located at distance 314 km in the West of Addis Ababa. Shambu Town is 2nd level B, town of Oromia National Regional state and have total population 75,512 according to information obtained from (Regional Urban Planning Institute(RUPI), 2018) of* Shambu town.   Shambu town geographically located at latitude of 9° 38 N and longitude of 37° 4'E. The area under study is having an average altitude of 2400 m above sea level. The mean annual temperature is 15.7°C; the mean monthly rainfall is 126.4 mm and the mean annual rainfall of 1543.4 mm (Mulatu Kassa, 2017). Its map shown as below by
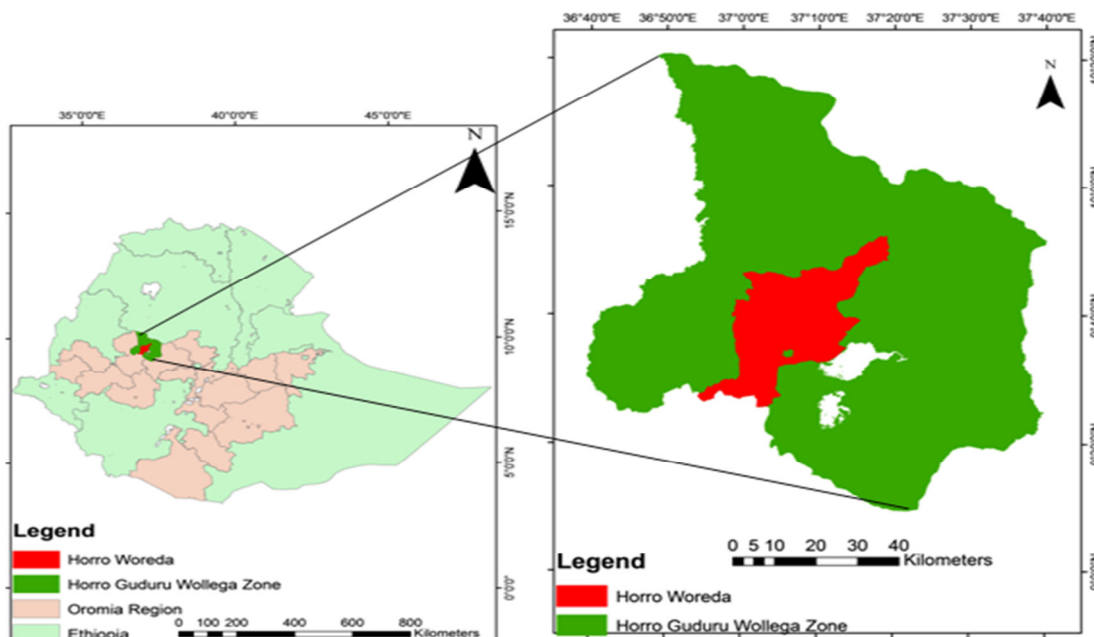

Figure 2: Map of the study area.

6.2. Trend analysis of municipal revenue collection performance

To inspect the challenges municipal government in revenue collection performance, past revenue performance of

four years, 2014/15-2017/18 was assessed based up on own revenue -sources of the municipal government. This is needed because, it allows for a detailed overview of all revenue sources, and help to understand the scope of the municipal government's mandate and the potential revenue base available. Accordingly, as WB (2014), in Ethiopia, by law, municipal governments are empowered to collect and use the revenue items listed under five categories, namely: tax revenues from municipal services, municipal rent revenues and investment incomes, municipal service charges, revenues of sales of goods and services and other capital receipts. Hence, the trend of municipal revenue collection performance of above five categories assessed as shown below.

6.2.1.   Tax Revenues from Municipal Property Tax

Property tax is the main the municipal source of revenue in different municipal governments (Mikesell, 2002). In theory and in practice of coming up to property tax is paradox. In theory assessment of property value and revenue collection are straightforward: conduct a cadastral survey that assesses the market or site value of each plot of land or property, and send a tax bill to each owner whereas in practice, however, cadastral surveys are expensive and time consuming (Bahl et al. 2003). Thereon, even though the property tax is a good tax for local government, it rarely provides sufficient revenues to meet expenditure needs. Revenues are insufficient at least in part because of ineffective administration -- inadequate land registration systems, inefficient assessment practices, and deficient tax collection and enforcement. Moreover, property taxes are never politically popular because of their visibility and the inherent arbitrariness in assigning values to individual properties UN-Habitat, 2015). A table 2 shows municipal property tax contribution to the Shambu municipal government was fluctuated one and, in comparison, its contribution increased in 2015 (35%) whereas desperately deescalated in 2016 (17%).

As the documents of Shambu municipal revenue office (2014/15-2017/8) show, the property tax is based on seriously outdated valuations despite of the law requires that valuations be carried out every four years. And also, data from focus group discussants indicated as many valuable properties are not taxed at all, and many newly refurbished buildings have not been re-valued. Systems of recording and valuing properties are seriously deficient. Accordingly, this is partly because the skilled technical staff needed to organize and supervise valuation work is in short supply. Hence, skilled technical staff needed to organize and supervise valuation work, then, timely bill and collect it as billed.

Table 2: Analysis of Tax Revenue Collection Performance of Shambu Municipality (in birr) of 2014/15 – 2017/18 years

Year	Planned Revenue	Collected Revenue	Percentage Achieved (%)
2014/15	27800.00	7560.72	27
2015/16	39342.00	13710.75	35
2016/17	115309.00	19920.30	17.3
2017/18	177083.34	41088.75	23

Source: Computed from Shambu municipality Revenue office's Documents of 2014/15-2017/18

An assessment of the actual revenues of municipality over the four-year period 2014/15 to 2017/18, presented in table 2, reveals the planned revenue was not actualized.   To put on another words, own-revenues of tax was poorly collected. According to focus discussants from municipal revenue office opinion, this was happen due to inconsiderate of mayor and head of municipal revenue office to motivate employees in assessment and timely billing and collecting whereas key informants; mayor and head of municipal revenue department reacted as it was caused because of municipal weak enforcement systems. Poor listing and documentation system limits the effectiveness of even the best collection procedure. Allowing payers' participation in revenue related issues also improves their willingness to pay, that reduces the burden of control from tax administrators enabling to perform better even with limited capacity (Mc Master, 1991). However, Moreover, using appropriate information and documentation system to ensure the registration of all payers is also recommended for efficient revenue generation (Bird, 1992)

6.2.2.   Municipal Rent Revenues and Investment Income

Investment related activities and responsibilities of municipal governments are indicated under Proclamation No138/2000 of ONRS. Thus, the municipal government should   facilitates conducive environment for businesses by; avoiding arbitrary handling of activities, improving bureaucratic performance, reducing the cost of doing business and increasing predictability. Better municipal government makes starting of new businesses and maintaining existing ones easier (World Bank, 2003:77). Thereon, table 3 presents an analysis of rent and investment revenue collection performance of Shambu Municipality (in birr) of   2014/15 – 2017/18 years.

Table 3: Analysis of Rent and Investment Revenue Collection Performance of Shambu Municipality (in birr) of 2014/15 – 2017/18 years.

Year	Planned Revenue	Collected Revenue	Percentage Achieved (%)
2014/15	5101949.00	2,019,979.00	39.6
2015/16	5993500.00	2,668,202.00	44.5
2016/17	5781000.00	1870788.12	32.3
2017/18	5716000.00	3498533.52	61

Source: Computed from Shambu municipality Revenue office's Documents of 2014/15-2017/18

Above table shows, in its fluctuated trend, there appears to be significant potential for increasing the revenues in 2017/18 compared to other years of this study. In addition, the detailed list of own revenue source of the Shambu municipality revenue office's documents (2014/15-2017/18) have shown that some potential sources of rent revenue and investment income were neither planned nor collected.

On other hand, theoretically, the ability of the private sector to play its crucial role in creating jobs for residents and expand the capital base for revenue generation depends on how much it is attracted and maintained through the provision of incentives and support systems of the municipal governments (UNDP, 1997:16). This infers, good municipality governance is needed to mitigate the existing challenges.

6.2.3.   Municipal Service Charges

There is ample consensus that user charges and fees are the most appropriate source of revenue for local governments, in particular because they best fit the benefit principle; economic efficiency advantages of benefit charges, and from a political economy perspective they also offer the advantage of not directly competing for any tax base with central governments(UN-Habitat, 2015). When properly designed, user charges provide information to public sector suppliers on how much clients are willing to pay for particular services and by ensuring that what the public sector supplies are valued by citizens (Fjeldstad, O H., 2004). On other hand, designing and implementing user charges can be difficult and costly because the municipality has to distinguish among services for which charges can be levied, calculate the marginal cost of the service, and find ways to exclude people who do not pay for the service. Even if properly designed, however, user fees are not very popular with citizens, administrators, or politicians (UN-Habitat, 2015).

As detailed list of own revenue source of the municipal revenue documents(2014/15-2017/18) have shown that similar to rent and investment, but, in greater degree, many potential sources of municipal service charges were neither planned nor collected that tax base has been too poor. It shows increasing the tax base ignored and most municipal service charges sources of revenue items left without its contribution to municipality revenue.

Table 4: Analysis of Municipal Service Charges Revenue Collection Performance of Shambu municipality (in birr) of 2014/15 - 2017 /18 years

Year	Planned Revenue	Collected revenue	Percentage Achieved (%)
2014/15	681000.00	114,449.00	16.8
2015/16	358000.00	351,351.00	98
2016/17	1550000.00	448756.33	29
2017/18	970000.00	642341.39	66

Source: Computed from Shambu municipality Revenue Office's Documents of 2014/15-2017/18

Above table also portrays, municipality service charges revenue collection performance has been flexible that highly increased in 2015(98%) whereas in 2016 it was decreased by more than half to 29%. Focus group discussants of municipal revenue collection office's personnel commented as taxpayers are resist to pay because of their housing conditions are too poor or municipal basic services are not provided to their areas whereas mayor and head of municipal revenue office reasoned out as it was due to collector did not know who are taxpayers to ask and report to mayor and head of municipal revenue office to use enforcement mechanism.

6.2.4.   Property and Services Sales of Goods and Services

This refers to public prices; the revenues received by local governments from the sale of private goods and services. It includes all sales of locally provided services to identifiable private beneficiaries –whether they are public utility charges or entrance fees to recreation facilities are included under the category of public prices (UN- Habitat, 2015). As the detailed list of own revenue source of the Shambu municipal revenue office's documents (2014/15-2017/18) have shown, in greatest extent in comparison to rent and investment and municipal service charges, the property and services sales of goods and services' revenue   bases of its items were excluded.   Here, below, an assessment of   Shambu municipal revenue collection performance from property and services sale of goods and services presented below in table 5.

Table 5: Analysis of Revenue Collection Performance of Shambu Municipality from Property and Services Sales of Goods and Services (in birr) of 2014/15-2017 /18 years

Year	Planned Revenue	Collected Revenue	Percentage Achieved (%)
2014/15	810400.00	98385.00	12
2015/16	1616000.00	411095.00	25.4
2016/17	1287000.00	609210.35	47.3
2017/18	1360000.00	568570.17	41.8

Source: Computed from Shambu municipality Revenue Office's Documents of 2014/15-2017/18.

Above table 5 depicts, the contribution of this revenue source items were flexible; there was progressed in 2016 (47.3%) and 2017 (41.8%) compared with its planned despite almost its revenue base was underutilized. As UN- Habitat (2015) cited (Bird and Tsiopoulos, 1997), efficient user charges can be achieved by two mechanisms; first, municipal governments should provide information to the public sector about how much users are willing to pay for the particular service. Second, municipal governments should ensure that citizens value what the public sector supplies at least at its marginal cost (the cost to an additional user) (UN-Habitat, 2015, p.34).

6.2.5.   Other Capital Receipts

Other capital receipts refers revenue collected from sale of municipally owned movable and immovable properties including vehicles and buildings and revenue collected from sale or cash equivalent of capital receipts from the community and another which include government transfer. On contrary, in Shambu municipal revenue documents, no community contribution and other receipts were documented. Below table 6 shows revenue collection performance of Shambu municipality from other capital receipts.

Table 6: Analysis of Revenue Collection Performance of Shambu Municipality from Other Capital Receipts   (in birr) of 2014/15-2017 /18 years

Year	Planned Revenue	Collected revenue	Percentage Achieved (%)
2014/15	1000000.00	89,996.00	9
2015/16	500000.00	2,045.00	0.4
2016/17	500000.00	16775.00	3.4
2017/18	250000.00	200.00	0.08

Source: Computed from Shambu municipal Revenue Office's Documents of 2014/15-2017/18

Mayor and head of municipal revenue office have commented that community contribution expected to contribute in labor and sometimes kind which is not comfortable to document in birr despite it should be calculated in birr whereas focus group discussants agreed as it is a function of the mayor and other cabinets rather than experts. A table 6 depicts as Sales of movable and immovable property revenue collection performance of Shambu municipal decreased from 9% in 2014 to 0.08% in 2017/18, which infers the municipality has paid least attention to other capital receipts to record it, particularly government transfer and community contribution although community contribution expected to be 30% of project allowed in municipal.

6.3. Analysis of Efficiency of Revenue Collection Performance

In this study,   collection efficiency was measured by the collection rate; the actual collections compared to the "billings" or estimated collections were used to estimate the efficiency of revenue collection performance. Data from Shambu municipality revenue office presented in Chart-1 indicates that the average collection rates are often low and it was varied meanwhile of study 2014/15-2017/18. It also reveals, however, that its "good performance" is mostly due to a large increase in collections in 2017/18 compared other years of the study.

Moreover, it shows that there is a huge gap between plan and achievement in revenue collection and the pattern of growth of revenue generated fluctuates showing moderate either low rate of increase or decrease. This implies that a lot has to be done in exhausting the identification and registration of all possible sources in addition to revising the tax rate and base. Inefficient revenue collection performance become more evident for the availability of the arrears, that is, the gap between the amount of tax estimated or billed by the government and the amount paid by the taxpayers.

Chart-1: Analysis of Efficiency Revenue Collection Performance of Shambu Municipality (in birr) in 2014/15-2017/18 Years
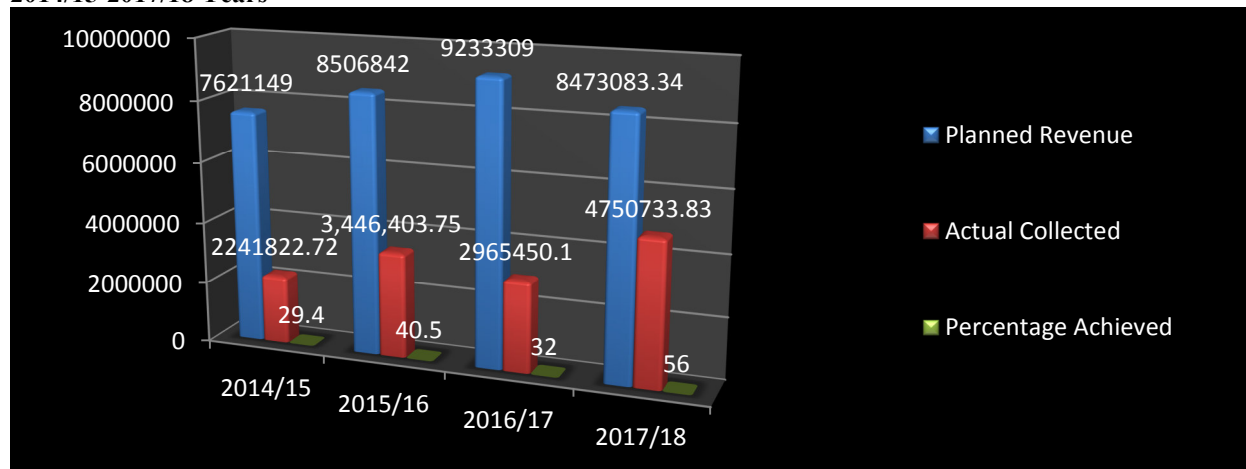
Source: Computed from Shambu municipal Revenue Office's Documents of 2014/15-2017/18.

One vital aspect of municipal revenue collection performance is to locate and place all taxpayers on the rolls to improve tax coverage. This on the one hand improves revenue capacity and on the other ensures that all businesses are treated equally to facilitate fair competition among them. If some businesses are left free without paying tax it might discourage others and invite them to follow the same suit. Therefore, efficient system of identification and registration has to be employed in Shambu town revenue collection Office to improve revenue capacity and ensure fair and equal treatment of all businesses.

6.4. Analysis of   Good Governance Practice of Municipal Government in   Revenue Collection Performance

This research examined good governance practice of municipal government in revenue collection performance emphasizing on participation, transparency and accountability. Thereon, it is presented separately below.

6.4.1.   Participation

To assess 'participation', which is one version of good governance principle, the researcher used examines the act of engagements of tax payers in various decision making processes as it is presented in table 7 below.

Table 7: Analysis of   Participation of Tax Payers in Revenue Collection Performance of Shambu Municipality 2014/15-2017/18

S/NO	Questions	Responses	Frequencies	Percentage (%)
1	The extent tax payers' voice considered in tax collection	very low	90	32.0
		Low	169	60.1
		High	22	7.8
Total			281	100.0
2	The preferences' of tax payers are prioritized in service delivery	strongly disagree	221	78.6
		Disagree	50	17.8
		Agree	10	3.6
Total			281	100.0
3	There is tax payers involvement in tax assessment	strongly disagree	123	43.8
		Disagree	145	51.6
		Neutral	13	4.6
Total			281	100.0

Survey study, 2018

From above table, it shows that 60% of respondents understood as the consideration of tax payers' voice in tax collection performance has been low while 78.6% respondents do believe as service delivery was not based up on their preferences. In addition, a table reveals as tax payers did not allow by the municipal government in tax assessment or valuation. On contrary, experience has shown, stretching revenue sources to new businesses depend mainly on business owners' willingness to register for tax. On another hand, Dillinger (1992) provides, tax coverage can be improved by changing systems that discover new sources from one that depends on owners declaration to that mainly depends on the administrative body itself. Regardless, the municipal should pay attention to open room for engagement of tax payers in revenue collection performance because; at least it helps to bring harmony to conduct its function.

6.4.2. Transparency

To look 'transparency' which is one aspect of good governance principle, the researcher used   information flow; freely available and accessible to tax payers so that municipal revenue office's decisions and their enforcement are made honestly and fairly. Thereon, transparency of Shambu municipality government in revenue collection performance is examined as in table 8 below.

Table 8: Analysis of Transparency of Shambu Municipality Government in Revenue Collection Performance   in 2014/15-2017/18

S/ no	Questions	Responses	Frequencies	Percent
1	There is awareness of tax law	strongly disagree	228	81.1
		Disagree	52	18.5
		Agree	1	.4
Total			281	100
2	Do you believe tax imposition is clear	Disagree	233	82.9
		Agree	48	17.1
Total			281	100
3	Tax payers know where their money go or why they pay tax and who benefit from it	Disagree	237	84.3
		Neutral	34	12.1
		Agree	10	3.6
Total			281	100
4	Residents know recurrent and capital budget of a year	Disagree	197	70.1
		Agree	84	29.9
Total			281	100

Survey study, 2018

Respondents responded as there is lack of transparency in the municipal revenue collection performance and revenue collection office. A table depicts 81 % of respondents responded as they are not informed about tax law. Moreover, 83% respondents perceived as tax imposition procedure is not clear for them while 84% of respondents responded that yet they do not know where their money went and for what it spent. In addition, 70% of respondents reacted as they do not know about annual budget either recurrent budget or capital budget. However, as supported by theoretical discussions, informing how tax money is spent would increase effectiveness than simply educating on duties and possible punitive measure. Hence, Shambu municipality government needs   forums focus on informing the business community about their duties and rights, the benefits of paying tax and the consequences of evasion and under payment and using media also vital.

6.4.3. Accountability

To explore 'accountability' which is one version of good governance principle, researcher employed the answerability of Shambu municipality government or employees and tax payers for their actions and resulting consequences in implementing legal measure. On that point, accountability of Shambu municipality government in revenue collection performance is explored as in table 9 below.

Table 9: Analysis of Accountability of Shambu Municipality Government in Revenue Collection Performance   in 2014/15-2017/18

	Questions	Responses	Frequency	Percentage
		Disagree	33	11.4
1	Do you believe that legal measure will be enforced if you default in paying tax?	Agree	249	88.6
Total			281	100
2	The municipality government is quickly response the complain of tax payers and wrong doers of employees are face legal measure	strongly disagree	240	85.4
		Disagree	41	14.6
Total			281	100.0
3		Very high	1	.4
	To what extent fear of legal measures initiates payers to pay tax?	High	58222	20.6
		Moderate	222	79
Total			281	100.0

Survey study, 2018

As it observable from above table, 88.6% of respondents know as law enforces them to pay if they default. On other hand, 85% of respondents strongly agreed as the municipal government has not responded tax payers' complain and respondents reacted so far wrong doers of employees of the municipal revenue office are not faced legal action. In this regard, Proclamation No 74/2003 provides that any payer with an objection on the assessment made has the right to appeal to tax appeal commission in revenue administration offices. Moreover,

79% of respondents considered legal measure initiative to make tax payers to pay as moderate. It may be the case that, though they believe legal measures can be taken, they do not foresee practical measures. The head of the revenue collection office also commented that, there is weak system of legal enforcement for both; tax payers and tax collectors. If taxpayers are abided by the law it may be because of other reasons than strong legal measures by the office. This requires ensuring the rule of law as a governance principle requires ever body to be under the law, ranging from higher officials to ordinary citizens.

6.5. Review of Human Resources Capacity of Shambu Municipality Revenue office
As different literature reveal, skilled, professional relevant, quantity enough human resources have great role in determining the fortune of the organization, to positive outcome. It is the skill, talent of personnel that can convert other resources in to another product hereby, the organization meet its objectives. Consistently, at local governments, in municipalities, the competency of the staff is a determinant factor for the development of municipalities. Hence, the manpower profile of Shambu municipality revenue office is analyzed and presented in table 10 below.

Table 10: Review of Human Resources Capacity of Shambu Municipality Revenue Office

S/No	Level of education	Amount in percentage (%)
1	Read and write	15
2	Level III	46.7
3	Diploma	16.7
4	Degree	20
5	MA	1.7

Source: Computed from Shambu Municipality Revenue Office's Document of 2018

Above table shows, majority of employees have level III (46.67%) while 20% of employees have degree followed by those only can read and write (15%), whereas only 1.67% holder of master art(MA).   On another hand, Key informants; mayor and head of department of revenue office reflected as most employees were promoted from cleaner and guard of municipality office which is based experience, not on qualification. Focus discussant from the municipal revenue office viewed that staffs' training programmes are based upon neither job training nor employees training.   From this what can be concluded is that one of the reasons for the poor performance in revenue collection is the weak human resource capacity of the municipality and it needs reform to minimize this bottle neck.

6.5. Challenges
This study depicts that there are huge gaps between source of revenue items, planned revenue and collected revenue. It meant, in due course of revenue collection performance of Shambu municipality government, efforts are plagued by different challenges. As this study reveals, these challenged are explained in: (1) Poor property identification (fiscal cadastre) identify ownership and assemble a complete list of properties. In view of that, this restrained the municipal from expanding revenue efforts to untapped areas, incorporating left revenue bases in to the tax system and reaching untaxed business activities.

(2) Poor administrative capacity to enforce the payment of taxes. Focus group discussants of the municipal revenue office are commented as inefficient revenue collection was caused by tax default, which led to tax arrears and tax evasion due to weak legal mechanisms to support enforcement of revenue collection performance. In addition, the head of the legal department in the revenue collection office disclosed that, the law has provided full authority for penalty enforcement to the office without going to any formal court structure, however, it was not practical yet, and needs to be practical.

(3) Political pressure; focus group discussants from municipal revenue office commented that the boss government has been relaxing on revenue collection, particularly when people complain publicly government policy and order when complain cool down whereas tax payers develop resistance. (4) Lack of good governance practices of the municipal government in revenue collection performance; in property identification, assessment, billing, collecting; and service delivery strongly believed by tax payers as barriers of revenue collection. Survey data reveals that principle of transparency, accountability and promoting participation were not practiced despite it could contribute much in raising willingness to pay tax. (5) Capacity constraints; focus group discussants from municipal revenue office and reviewed from municipality revenue office's documents reveal that shortages of skilled manpower and a lack of staff training programmes and absence of computer assisted taxpayer registration and record keeping systems are also pathologies of revenue collection performance of the municipality government.   There is therefore a need to reassess the basis of the property tax and other in the Shambu municipality government and to implement a more simple and coherent approach to property identification, assessment, billing, and collection provision, taking into consideration administrative capacity and capability constraints facing.

Conclusion

A wide array of literature portrays that a major goal of any local government's revenue collection operation is to collect what is owed. In turn, improving the collections of taxes and other revenues, increasing the amount of cash available for investment by speeding collections to local government's bank account and assuring accountability are related objectives. As this study reveals, revenue collection performance in Shambu municipality government is inefficient.   Shambu municipal government is does not discharge its function as expected in literature.

Accordingly, overall, revenue collection performance Shambu municipal government defied by outlined below problems: First, the tax base for important sources, such as the property tax and the business tax, is artificially small. Sources of revenue items underutilized. This is because the municipal government has not been updating their records and informal business and properties are not included in the tax base mostly, in the case of property and services sales of goods and services and municipal Service Charges.

Second, the fees and tax rates tend to be obsolete and are, at times, difficult to administer and revenue achieved from it has been transferred to state account rather than municipal government account. Third, collection rates are inefficient in municipality and it varies significantly from year to year. As a corollary, the default rates and cumulative arrears are high, and the setback appears to be worse in the case of other capital receipts and property taxes. Fourth, the enforcement mechanisms are poor and the legal basis to support enforcement is very weak. Delays in the legal system, absence of a tax court, absence of proper billing systems, lack of transparency and awareness of defaulter are the main challenges emanated from enforcement problems.

Besides, there is ill practice of good governance in the municipal. In view of this, this study shows that the process by which mayor come to power is via of appointment rather than election. This makes mayor directly accountable to upper hierarchy, not citizens and citizens unable to influence over mayor and head of revenue office of the municipal, in turn, corruption rampant due lack of improved transparency and accountability. To put on another words, downward accountability, especially through elections and other means that allow citizens regular and meaningful interaction with/influence on municipal government, such as involvement in tax assessment, billing, citizen report cards, complaint and appeals boards, and other are very important whereas lack is worse.

Furthermore, conventionally, capacity building often consists primarily of classroom training (rather than on the job/on-site support) that often insufficiently prepares recipients for using new skills on the ground to better support development. Recruiting employees based up on qualification merit and relevant profession for the office also overlooked. Consequently, shortages of skilled manpower and a lack of staff training programmes particularly on job training and focusing on employees training and also absence of computerized taxpayer registration and record keeping systems are problems that inhibited revenue collection performance of the municipal government.

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