The Fallacy of Limited Financial Resources for Development in Tanzania: Evidence from Local Government Authorities Audit Reports

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Abstract
Often times people are told by government officials that there are limited financial resources to finance different development projects/programmes and to provide assistance for self help. This view is also held by the academic world. This is usually taken as an absolute truth and usually as an excuse for the limited socio-economic development of the citizens and societies. While this may be true, we propose a problematisation of this by gathering and making sense of evidence from the annual audit reports for the Local Government Authorities (LGAs) in Tanzania. The central aim of the proposed paper therefore is to show the fallacy of "the limited resources" by arguing that it is not a matter of limited resources but whether and how the available resources are put to intended use for development and poverty reduction goals. The relevance of this is to shift focus on development resources available to whether and how the extent to which the resources are put to use and to establish whether LGAs are keeping people into poverty by using or not using the available resources.
Keywords: LGAs, limited financial resources, Tanzania, Audit reports, development.

1. Introduction

That Tanzanians are faced with abject poverty is known world over. According to the most recent United Nations Human Development Report, Tanzania ranks 159th out of a total 187 countries (UNDP, 2014, p. 162), a position that puts the country in a group of low human development countries. In the same vein, the current Household Budget Survey of notes that over a quarter of mainland Tanzanians (28.2%) lives below the basic needs poverty line while 9.7% live below the food poverty line (National Bureau of Statistics (NBS), 2013, p. 3). Of these, over three quarters of the poor (84.1%) live in rural areas (NBS, 2013, p. 4). This may explain why access to social service in rural Tanzania is a major challenge. Citing the 2010 national panel survey data, Gabagambi (2012) reports that 96.6% of rural dwellers have no electricity, 99.2% no refrigerator, 96.4% no television, 96% no motor vehicle, 92.8 no bank account, 80.5% have houses with no concrete blocks and 94.2% have houses with no concrete walls. While this is the case, the paradox is that the country is endowed with abundant natural and human resources that should have catalysed high and equitable socio-economic development (Ndulu and Mutalemwa, 2002). The country also enjoys international reputation of a peaceful and stable country such that international partners have been pouring financial assistance for the government to achieve its mission of reducing poverty.

In order to ensure that the poor Tanzanians are taken out of poverty, in 1982 the government of Tanzania re-introduced Local Government Authority (LGA) (Chaligha, 2005). The LGAs were charged, among others, with the role of promoting economic and social welfare of the people, ensuring effective and equitable delivery of qualitative and quantitative services like health, education, water supply and transport infrastructure within the area of jurisdiction (Chaligha, 2005). Moreover in 1997 the government launched the Local Government Reform Programme (LGRP) to deepen further the war against poverty. The government was very optimistic with the reforms as the then president Benjamin Mkapa recounted in 2002: 'It is my conviction that the implementation of Local Government Reform Programme ….will contribute to significant reduction of the proportion of the people who are living in poverty' (Ngware, 2005, p. 1). LGAs were therefore expected to deliver sufficient, reliable, predictable and quality services to the majority of the citizens in the country (Ngware, 2005).

To fulfill such noble role to the public, LGAs through fiscal decentralization receive funds from the central government and additional funds from local sources that include taxes, fees, licenses and charges as well as external sources like basket funds (Cooksey and Kikula, 2005). Yet, it is usually argued that the funds allocated for LGAs from the central government and donors and those collected from own sources are too meager to meet expanding development needs. While this may be true, one is tempted to ask some questions: are funds received from the central government and from other sources really used for the targeted role of reducing poverty? Have the collected funds from the central government been effectively and efficiently utilized to the last coin? The paper argues that while there may be limited funds to finance development projects/programmes and poverty reduction in the LGAs, the extent to which the received funds are spent as intended is more important than the argument of limited resources.

To reliably establish all these, this paper first examines the limited financial resources argument with a view of establishing the context into which the LGAs work and/or fail to meet objectives. It also establishes the funds allocated to LGAs as reported in the Controller and Auditor General (CAG) reports from 2007/2008 to 2012/2013. The paper then establishes the amount of money spent as intended against that which was never spent or was spent on unintended expenditures. The paper then examines possible causes for failure to utilize funds as intended, and what that implies to the poor Tanzanians. Finally concluding remarks giving way forward are given.

2. Local government financing: the limited financial resources argument

Many times citizens are told by their leaders that there are no adequate funds to satisfy development needs. Scholars and development practitioners also hold the same view. Writing about the role of local government authorities in the process of business and property formalization in Tanzania, Mgembe (no date) argues that one of the major challenges confronting the authorities is lack of adequate financial resources. This view is shared by Magele (2012) who opines that the 21st century LGAs face a host of challenges among which is lack of finance to fund their numerous activities. The government of Tanzania also recognises this as it argues that LGAs face fundamental problems including limited resources and poor performance despite their great potential to resolve development challenges of the people they serve (United Republic of Tanzania, no date).

Some other scholars consider the many services that LGAs are responsible to offer in the context of limited human and financial resources. Eade, for example, argues that 'One problem facing local governments is that their greater responsibility in terms of delivering public services is not necessarily accompanied by the resources-human and financial-to be able to do so' (2004, p. 603). This is supported by Pottie (2004) who is of the view that local government authorities face financial uncertainties as central governments continue to cut back on their budgets. Furthermore a study by Nel and Binns (2003) about decentralization in South Africa reported that funding is one major constraint facing LGAs.

Granted, LGAs face challenges with regard to financial resources. They have to fulfill many responsibilities in contexts where the resources do not suffice. This is a reality in all African countries and elsewhere in the world. The challenge with this argument, however, is that it is usually overemphasized and blamed for lack of or limited development achievements. We propose challenging this view for two major reasons. In the first place, overemphasizing limited financial resources runs the risks of masking other important issues such as how and whether the available resources, however limited they may be, are put to intended use. Secondly, the argument of limited financial resources also risks being hijacked by politicians and officials to be used as an excuse for not delivering quality services to the citizenry. This would then make it difficult to hold them accountable for their actions. It is, therefore, imperative to go beyond the argument by examining whether and how the available financial resources are put to use for the benefit of the citizenry. This is what we do here as we draw evidence from LGA audit reports.

3. Amount of development grants received by LGAs, 2007/2008 to 2012/2013

As asserted above, LGAs are the pooling baskets for the fund from the central government and grants from international partners so as to execute development projects/programmes. For six Financial Years from 2007/2008 to 2012/2013 the funds allocated to LGAs (development grants) are as shown in table 1 below.

Table 1: Allocated fund to LGA from 2007/2008 to 2012/2013

Financial year	Development grant received (in Tanzanian Shillings)	Number of councils involved
2007/08	270,547,629,454	111
2008/09	328,203,178,845	116
2009/10	507,866,599,666	133
2010/11	542,339,143,645	130
2011/12	533,017,077,030	132
2012/13	138,289,000,000	99
Total	**2,320,262,628,640**	

Source: Auditor General reports, 2007/08 to 2012/13

The table above shows that allocated funds for consecutive 6 years from the selected LGAs is 2,320,262,628,640 shillings and the highest allocation of fund in 2009/2011 was Tshs 542, 339,143,645 shillings allocated in 130 LGAs. This data indicates that LGAs are increasingly attracting more and more financial resources to enable them fulfill their developmental role of providing high quality and quantity service to the citizens. As such, the high amounts of money received by LGAs would imply that more and more people are graduated from abject poverty as services become available. On the practical side, however, receiving higher amounts of money does not necessarily mean that services are improved. Neither does it imply that all the money is put to intended use. We thus have to look at how much of this money was spent.

3.1. Amount of money spent by LGAs

It is obvious that some of the allocated funds of Tshs 2,320,262,628,640 for 6 years were spent. The analysis of the money that was spent by LGAs is as stipulated in table 2 below.

Table 2: Amount of money that was spent

Financial year	**Development grant spent (Tshs)**	**% of allocated funds**	**Number of councils involved**
2007/08	171,791,488,611	63.5	111
2008/09	239,482,549,650	73	116
2009/10	332,092,443,562	63.4	133
2010/11	367,778,247,642	68	130
2011/12	346,716,653,619	65	132
2012/13	99,673,993,747	72	99
Total	**1,557,535,376,831**	**67**	

Source: Auditor General report 2007/08 to 2012/13

The table above shows that total fund that was spent for consecutive 6 years from the selected LGAs is Tshs 1,557,535,376,831. What this implies is that over two thirds of the funds allocated for development and service provision in LGAs is spent. This confirms an argument by Ngware (2005) that the reform of the LGAs to give them more powers and responsibilities guarantees benefits for all Tanzanians as more services are made available to the citizens. The absorption of over two thirds of the funds received by LGAs is commendable given numerous capacity and governance challenges that confront the authorities. This however, should not be taken to mean that the remaining 33% of received funds is meaningless just because much of the money was spent. Nor does it mean that the spent funds were judiciously spent on intended development goals. As such, one would also need to look at how much was never spent and how much of the spent funds were diverted, misappropriated or embezzled and what that implies for the country's poverty reduction goals and strategies.

3.2. Amount of money that was never spent

As seen from table 2 above, not all the allocated funds were spent as intended. On average, about 33% of the received funds were either not used or used on other unintended expenditures. Table 3 below provides a summary of the amounts of money that were never spent as intended.

Table 3: Amount of money that was never spent

Financial year	Unspent amount (Shs)	Percentage of unspent amount	Number of council involved
2007/08	99,114,082,540	37	111
2008/09	88,720,629,195	27	118
2009/10	175,774,156,104	35	133
2010/11	174,560,896,003	32	130
2011/12	188,405,740,589	35	132
2012/13	38,615,006,253	38	99
Total	**765,190,510,684**	**33**	

Source: Auditor General reports, 2007/08 to 2012/13

It appears from the table above that a total amount of Tshs 765,190,510,684 (equivalent to 33% of received funds) was never spent as intended. This means that some development projects/programmes and services that could have been financed by that money were never implemented thus inhibiting the achievement of national goals of poverty reduction. This could partly explain why majority of the people living in rural areas are still entrenched in poverty and why it is unlikely for Tanzania to achieve the Millennium Development Goals by 2015.

The above figure, however, is too general for us to understand the magnitude of the impact and which sectors and/or services were greatly affected. To capture this, we look into specific projects, programmes and sectors for which the money was allocated but never used as intended for the financial years 2010/11 to 2012/13.

3.2.1. Amount of money that was never spent on selected specific projects/programmes, 2010/2011 to 2012/2013

Some Tanzanians are poor today not because there have been limited financial resources to meet their ever increasing development needs but because not all the funds allocated for development have been spent accordingly. In some of the LGAs, development funds have been abused or sometimes not put to use. Consequently, some planned activities or programmes have not been implemented, thus slowing down government's intentions to reduce poverty. A sectoral analysis of how money was or was not spent accordingly helps capture the seriousness of this challenge. Specific projects that are discussed here include education, health and youth and women development due to their potential significance on growth and poverty reduction.

3.2.1.1. Unspent money on Primary Health Service Development Programme (PHSDP)

The Primary Health Service Development Programme (PHSDP) aims at accelerating the provision of health services through strengthening health systems, increasing health sector financing and improving health provision (National Audit Office [NAO], 2014). The programme's key objective is to achieve an accelerated provision of quality health services to all by, among others, rehabilitating, upgrading and establishing primary health centres, upgrading and establishing more training institutions, and to increase financial allocation to the sector to meet the Abuja call of 15% of annual budget (Ministry of Health and Social Welfare [MOHSW], 2007, pp. 8-9). The programme runs from 2007 to 2017 (MOHSW, 2007). Meeting these objectives requires that adequate funding is made available. Luckily, some funding is continuously made available for the programme to function properly.

Unfortunately, however, not all the remitted funds are put to use as intended. For instance of Tshs 25,229,000,000 released to LGAs in the financial year 2012/2013 about Tshs 10,975,907, 846 (43.5%) remained unspent till the year end (NAO, 2014). This means that some citizens may have had their health affected not because there are no funds to cater for the medical needs of hospitals/health centres, but because some of the allocated funds were not put to use. What is startling is that often times, citizens visit health centres for medical services only to be told that some basic medicines are not available when the money supposed to finance procurement of medical facilities remain unused. Table 4 depicts the unspent money in selected LGAs between 2010/2011 and 2012/2013 financial years.

Table 4: Unspent money on primary health service development programme

Year	Allocated amount (Tshs)	Unspent amount(Tshs)	Percentage unspent	No of local government Involved	Average unspent balance per LGA (Tshs)
2012/2013	25,229,000,000	10,975,907,846	43.5	81	135,505,035
2011/2012	6,391,771,465	2,586,057,984	40.5	32	80,814,312
2010/2011	13,843,002,738	5,848,929,864	42.3	48	121,852,706
Total	**45,463,774,203**	**19,410,895,694**	**42.7**		**338,172,053**

Source: Auditor General reports, 2010/11 to 2012/13

The table above clearly shows that a total of Tshs 19,410,895,694 (42.7% of the allocated funds) remained unspent until the end of financial years. Most disturbing is that in some councils, not a single shilling was spent for the fulfillment of the programme objectives. For example, in Lindi Town Council a total amount of Tshs 103,900,397 was available for the programme in the 2010/11 financial year but it was not spent for the purpose (NAO, 2012, p. 247). Similarly, in Mbeya City Council, a total amount of Tshs 176,579,847 was made available but was never spent (NAO, 2012, p. 247). While the programme aims to 'accelerate provision of quality primary health care services to all by 2017' (MOHSW, 2007, p. 8), having unspent balances means that this major objective cannot be achieved within the targeted time. While many other programmes fail to achieve objectives mainly because of funding, this does not seem to be the case with the Primary Health Services Development Programme. The programme may fail to deliver because the allocated funds are not put to effective utilisation. Indeed, failure to fully utilize the released resources amounts to violation of people's access to quality health services and, therefore, slows the pace at which poverty could be eradicated.

3.2.1.2. Unspent money on Community Health Fund (CHF)

The need to finance health through Community Health Fund (CHF) by the government of Tanzania since 1997 was jubilantly received by the community. However, its enrollment has remained unsatisfactory standing at 7.9% as of 2014 (URT, 2014). Several reasons for low enrollment have been established. These include poor quality of health services at the facilities, poor administration capacity at the district level, low knowledge on the part of individuals regarding the principles of health insurance, low sensitization regarding CHF and adverse selection (National Health Insurance Fund, 2010; Chee and Smith, 2002; Kapinga and Kiwara, 1999). Added to these, it may suffice to argue that how CHF funds are spent also determines citizen enrolment into CHF. That some amounts of CHF remain unspent means the quality of services offered by the Fund is affected. This may be hindering the Fund to reach its enrolment target of 70-80% by 2015 (Kamuzora and Gison, 2007). As Table 5 below shows, large amounts of money directed to CHF are not spent. This challenges the limited financial resources argument and calls for a focus on whether and how the allocated funds are put to use.

Table 5: Unspent money on Community Health Fund

Year	Amount allocated (Tshs)	Unspent amount (Tshs)	Percentage unspent	Number of LGAs involved	Average unspent balance per LGA (Tshs)
2012/2013	4,118,548,131	2,070,366,726	50.3	81	45,007,972
2011/2012	4,583,058,332	1,709,747,559	37.3	32	44,993,357
2010/2011	5,463,660,702	2,963,900,725	54.2	33	89,815,173
Total	**14,165,267,165**	**6,744,015,010**	**47.6**		**179,816,502**

Source Auditor General report 2010/11 to 2012/13

As can be deduced from the table above, CHF was definitely impeded by the LGAs not spending the designated funds for the CHF activities. A total of Tshs 6,744,015,010 (about 48% of the allocated funds) was not spent on implementation of CHF in the audited LGAs. CHF Act of 2001 stipulates usage of CHF funds on issues like purchasing of medicine, hospital equipments, minor building repair, paying water and electricity bill, paying allowance to watchmen, etc. Having unspent amounts of money means that some of the services and procurements that could be done for CHF to function properly were not done. As the CAG reports clearly state, not utilizing some CHF funds 'denies the beneficiaries from receiving the intended health services (NAO, 2014, p. xl). Here, it is not that some medical equipments are lacking in the health centres because of limited financial resources but because the available resources are not put to use.

3.2.1.3. Women and Youth Development Funds not spent as scheduled

The Women's Development Fund was introduced by the government in 1993 in order to foster economic development and reduce poverty. The aim of the fund was to give low interest loans 'to low income women to enable economic development and thus raise the standard of their families' (NAO, 2014, pp. 139-140). Similarly, the Youth Development Fund was established by the government in 1993/94 to enable the youth access credits to facilitate self employment (Helgesson and Earnest 2008). Every year, funds are extended to the districts to facilitate the youth and women in their self employment initiatives. Unfortunately, as can be learned from CAG reports, huge amounts of money have not been reaching the targeted beneficiaries. Table 6 clearly captures this.

Table 6: Unspent money on Women and Youth Development Fund

Year	Unspent amount (Tshs)	No of local government involved	Average unspent balance per LGA (Tshs)
2012/2013	10,905,858,533	68	160,380,273
2011/2012	511,761,787	31	16,508,445
2010/2011	1,587,780,350	23	69,033,928
Total	**13,005,400,670**		**245,922,646**

Source: Auditor General report 2010/11 to 2012/13

Failure to reimburse a whopping Tshs 13,005,400,670 to the targeted youth and women in their self help groups and individuals by the LGAs does injustice to the government's intentions of helping women and youth employ themselves and eradicate poverty. Women and Youth are sincerely betrayed as their efforts to fight poverty are axed by the LGAs. While the government is targeting to provide loans to 275 women economic groups through the Women Development Fund by June 2016 (Ministry of Community Development, Gender and Children [MCDGC], 2011, p. 23), it is important to know that not all women groups are able to access funds as some funds remain unutilized. It is therefore important to address this challenge for the target to be met.

3.2.1.4. Unspent funds on Primary Education Development Plan (PEDP) and Secondary Education Development Programme (SEDP)

PEDP started in January 2002 with the aim of ensuring that quality education is available for all (Davidson, 2005, p. 1). This would be achieved through increasing overall gross and net enrolment of girls and boys; improving education quality at that level; increasing pupils retention and completion; improving institutional arrangements; and enhancing capacity building for efficient and effective delivery of education services (Sitta, 2007; Davidson, 2005; Ministry of Education and Culture [MOEC], 2004, p. i). Since 2002 when PEDP was launched it was hoped that perhaps no single child would sit on dust with no desks and that text books were to be equitably shared and teacher student ratio could be checked.

On the other hand, SEDP was launched in 2004 in order 'to increase the proportion of Tanzania youths completing secondary education with acceptable learning outcomes' (MOEC, 2004, p. vi). In order to achieve this major goal, five programme areas were targeted. These included improvement of access to secondary education; ensuring equity of participation; improving the quality of education offered; instituting management reforms and devolution of authority; and improvement of the education management system (MOEC, 2004). The attainment of PEDP and SEDP key objectives depended mainly on the adequacy of funding. This explains why the government in collaboration with development partners has been allocating funds to facilitate the achievement of the plans' objectives. However, not all the funds sent to LGAs have been spent accordingly. A look at the CAG reports shows that some good amounts of money for SEDP and PEDP have not been put to use. Table 7 below summarises this information clearly.

Table 7: Unspent PEDP and SEDP funds

Year	Amount available (Tshs)	Unspent amount (Tshs)	Percent unspent
2012/2013	26,316,535,983	11,799,682,671	44.84
2011/2012	4,092,062,542	1,380,976,538	33.75
2010/2011	7,143,227,050	1,722,202,091	24.11
2009/2010	188,707,324	68,707,324	36.41
Total	**37,740,532,899**	**14,971,568,624**	**39.67**

Source: Auditor General report 2009/10 to 2012/13

Table 7 above indicates improper utilization of money directed to LGAs for implementation of PEDP and SEDP. In a period of four years from 2009/10 to 2012/23, a total amount of Tshs 37.7 billion was made available to the audited LGAs as can be seen in the table above. Instead of spending all the money for implementing PEDP and SEDP projects, a total of Tshs 14.97 billion (about 40% of available funds) remained unspent. And this is just a conservative amount given the fact that not all LGAs were audited of their SEDP and PEDP funds expenditure. One can imagine the situation if all existing LGAs could have been audited. Indeed, Sumra (2003) was correct when he argued that PEDP appears to be fraught with difficulties, delays and confusion.

It is from failure to spend allocated money on SEDP that a number of shortcomings were encountered: low quality of teaching and learning, insufficient infrastructures, lack of or non use of laboratories, acute shortage of teachers especially in science and mathematics subjects, and poor performance in secondary examinations (Komba et al, 2013; URT, 2010). With the ongoing debate on deteriorating education quality, one cannot help but wonder what the unspent funds would have done to enhance quality of education. That some students and pupils still sit on floors due to inadequate desks and that many schools lack teaching and learning materials can partly be blamed on LGAs not adequately spending PEDP and SEDP funds availed to them.

What emerges from the foregoing analysis is the fact that some amounts of money availed to LGAs for service provision and economic empowerment as well as poverty reduction are not fully spent. This challenges the limited financial resources argument and therefore calls for a focus on how and whether the allocated funds are put to use. But it is not only the unspent money that challenges us to look beyond the limited resources argument. Looking at the extent to which the spent funds were used on intended issues or not is also very significant.

3.3. Expenditure incurred contrary to the guidelines/intentions

There are incidences in which development projects are robbed of the money that were intended to accomplish a certain project and instead were allocated in other non development areas. The CAG reports spotted CHF as among the programmes that suffered a great deal in which cash that was to be channeled to CHF so as to improve people's health was allocated to other areas. Seven LGAs were identified in which it was found that Tshs 149,411,700 was misallocated in 2012/2013 year (NAO, 2014, p. xl). The LGAs involved in the auditing were Meru, Mbozi, Mwanga, Pangani, Bariadi, Lushoto and Mwanza. Instead of spending the amount on health related purposes, the amount was used essentially on administrative expenses like payment of salaries, allowances, etc. A similar problem was also noted in the 2010/11 financial year where a total of Tshs 44,086,650 CHF funds were spent on unrelated activities in Songea, Dodoma, Ulanga and Iramba Councils (NAO, 2012, p. 110).

On a similar note, some funds allocated for PEDP and SEDP and appearing to have been spent were spent on unrelated expenditure, thereby denying schools of their much needed financial resources. In the 2011/2012 financial year, for example, it was reported that total amount of Tshs 724,633,829 earmarked for SEDP were used to make dubious payments in Mbarali District (NAO, 2013, p. 173).

Looking at all this, one significant observation can be made. The limited financial resources for development that we hear government officials saying may just be an artificial creation given billions of money that are abused or lost each year. Of course there are several ways development funds are diverted or lost.

4. Unspent money and diverted money on unintended issues: Reasons explored

That LGAs failed to spend huge disbursed money and diverted other cash on unintended issues need to be probed. From the outset one may ask, is the central government comfortable with this state of affairs? Are the central government state machineries such weak to hold the LGAs accountable? Are LGAs leaders happy to deny poor communities their rights to development? Are the communities aware of their money being diverted and used lavishly? Are they relaxed being pushed into abject poverty by their own leaders?

One reason that comes in mind is the question of gross embezzlement syndrome among LGAs civil servants. There is no other word of labeling such intolerable misallocation of public funds than bluntly calling it "embezzlement". Otite (1986, p. 12) calls embezzlement as perversion of integrity that involves the injection of additional but improper transaction aimed at changing the normal course of events and altering judgments and position of trust. Even though we have confined our thesis on amount of money that was never spent on intended and amount of money that was spent on unintended issues, it is obvious that LGAs suffer further cases of embezzlement. This is unfortunately a general picture of LGAs in almost every African country.

In Nigeria, for example, Local Governments are prone to embezzlement through inflation of prices of bought items; over estimation of cost of projects; the ghost workers syndrome; awards of contracts and subsequent abandonment; and outright payment of huge sums of money to political godfathers (Oluwatobi, 2012). The recent move by the government of Tanzania to introduce an e-salary payroll is the case in point which signifies terrible embezzlement ravaging the country (Aman, 2014). The move has reportedly saved Tshs 40 billion which were to be paid to over 14,000 ghost workers. The bitter truth is most of these ghost workers are served by the LGAs. Furthermore, evidence from the LGAs audit reports indicate that salaries paid to ghost workers have been on the rise since 2007/08, rising from Tshs 178,066,130 in 2007/2008 to Tshs 832,448,998 in 2012/2013 financial year (NAO, 2014; NAO, 2009). That this has been a recurrent issue in audit reports may imply that the money is embezzled by some LGAs servants for their own benefits (Poncian, 2014).

Secondly, LGAs are increasingly facing allegations of underperformance, dilemma of matching collective resources with community problems, needs, demands and expectation (Mbaya et al., 2014). Such assertion is aggravated by what Ngware (2005) calls a glaring weakness of accountability among LGAs. This goes hand in hand with little or no transparency in allocation and utilization of funds. It is no wonder that lack of accountability and transparency results in local finances being either illicitly diverted by central or local government officials before reaching the local community or being "captured" and redirected away from their intended use by local political elites (Crook, 2003 cited in Boex and Muga, 2009). A research report by REPOA (2008) revealed that lack of transparency and accountability contributes to conflicts that increase citizen vulnerability and exacerbate material poverty at the community level. The report gave a case of Kilosa district where lack of transparency and accountability resulted in land conflict which led to the destruction of property and loss of lives in the district. That billions of money remain unspent or are spent on unintended expenditures every year is an indication of LGAs lacking a clear sense and practice of transparency and accountability. Similarly, as LGAs are not punished for diverting or not spending funds for planned projects, diverting and/or not spending funds becomes a normal practice for which no one can be held accountable.

Little community voice in the LGAs formulation and implementation of pro-poor related service delivery leaves LGAs leaders relaxed not to perform as the law and regulations demand. When the community is sincerely aware of their rights and responsibility to the government they will shun from supply side syndrome to demand side. While the Local Government Finance Act of 1982 (as amended in June 2000) and the Local Authority Finance Memorandum (LAFM) of 1997 specify that the audit reports, audited statements of financial position and the audited statement of financial performance need to be made public in a timely manner, very little or nothing is done to implement this (Fjeldstad, 2004).

According to Sikika (2012), compliance to such regulations is very weak and people face constraints to access such reports. The report adds that such audited reports are kept confidential, and that citizens have to go through tiresome and cumbersome bureaucratic procedures before they can be given the reports. Worse still if such documents are made available they are cumbersome to read, they are written in foreign language (English) and they contain technical terms and figures that are difficult to comprehend and use. As Ngware (2005) argues, this trend of the community being denied right to audited information erodes people's active demand of the LGAs' accountability and transparency from their leaders and technical staff. This in turn, as REPOA (2008) argues, undermines the ability of the councils to improve the welfare of the poor people as envisaged in the Local Government Reform Programme.

While LGAs are expected to be responsive to the needs and problems facing their communities, more often than not, they do not possess necessary administrative capacities to effectively address such problems (UN-Department of Economics and Social Affairs, 2011). This is quite true in Tanzania as LGAs are grossly facing ineffectiveness in leadership. According to Mbaya et al. (2014) leadership ineffectiveness include failure to judiciously utilize LGA resources, and improper conduct and management of government affairs at the local level. Given a host of issues that LGAs need to deliver to the poor including water supply, infrastructure, preventive and primary health care, education, etc, efficient and effective administration cannot be compromised. While this is the case, many LGAs are characterized by unsystematic decision making processes, inadequate mechanisms of accountability between officials and elected representatives, and shortage of officials with necessary technical and financial skills (Devas, 2005). In LGAs such as these, one cannot expect meaningful reduction of poverty at the grassroots level as they are overwhelmed by the many responsibilities they have to fulfill in ever complex situations and contexts.

5. Implications of not spending and spending money on unintended issues

Mismanagement of financial resources by LGAs has debilitating impact on the already poor communities. Eradicating poverty and ensuring sustainable development is a raison d'être of LGAs. Surprisingly, however, it is the same LGAs that aggravate it through embezzlement, weak leadership, lack of accountability, etc. Unfortunately, it is at the grass-root that poverty is severe since the poverty rate in rural areas is 38% compared with 24% in urban areas (Amani and Mkumbo, 2012). The preceding analysis of the implication of mismanagement of fund is looked from poverty point of view. The argument being, pro-poor sectors that are left under funded by LGAs increase further the rate of poverty either directly or indirectly, immediately or gradually. The pinch of misallocated funds has drowned the mass into further abject poverty by denying them thorough investment in agriculture which is arguably the backbone of the economy. Agriculture accounts for 80% of employment, 45% of GDP and 26% of export earnings (Evans, et al 2012). Despite this potential the sector's growth rate has stagnantly stuck at 4.4% since 2000 (Amani and Mkumbo, 2012). One would have expected LGAs to ensure no single shilling remains unspent or is diverted to other unintended expenditures. Problems afflicting agriculture particularly in rural areas are numerous. They range from inadequate infrastructure investment especially feeder roads to transport crops to markets, lack of access to farm inputs, extension services, credit, modern technology application, marketing support, etc. A total of Tshs 276 billion lost to embezzlement and malpractice would surely have done something better in terms of investment in infrastructure, credit provision to farmers, extension services, etc for agriculture to provide decent jobs. But it hasn't, implying that some rural farmers have been intentionally or unintentionally forced into further poverty.

An understanding that education is a human right (Wade and Parker, 2008) renders the need to invest in education not to be overemphasized (Ozturk, 2011). As Amartya Sen (1999) argues, education contributes to development directly because of its relevance to the wellbeing and freedoms of people and indirectly through influencing social change and economic production thus becoming an important instrument for poverty reduction. In Tanzania, however, LGAs which are responsible for primary and secondary education can at best be described as having failed to properly work to the improvement of the sector. This is because, as seen earlier, a large chunk of funds is either deliberately unspent or is misallocated to unrelated expenditures as if education was like anything else that can be foregone without causing consequences.

To reveal deterioration of education, Laddunuri (2012) conducted a research titled Status of School Education in Present Tanzania and Emerging Issues in which he found that many community secondary schools seriously face problems like insufficient number of teachers while in some schools no teachers at all especially in rural areas, acute shortage of text books and poor infrastructural facilities. All these and others ignite poor performance particularly in community secondary schools. In primary schools, emerging stories are altogether not appealing. For instance, the Guardian news paper of 31 August, 2014 carried this headline: "Bunda pupils study under trees amid nation`s BRN education success claims". The paper explained that over 300 pupils of Kinyambwiga A and B primary schools in Bunda district study under tress while sitting on logs and stones for lack of classrooms. This result in pupils being exposed to rain, cold, heat and dust consequently leading to health hazards and ultimately poor performance. It is in this same district where Tshs 485,604,307 (13.2% of allocated funds) of the development grants and Tshs 25,000,000 (2%) of the Local Government Capital Development Grants (LGCDG) remained unspent to the end of the 2012/13 financial year (NAO, 2014, pp. 283, 356).

The correlation between health and economic performance has been well established across communities and overtime (Hamound and Sachs, 1999). Also health constitutes three of eight millennium development goals (Wagstaff and Claeson, 2004). To borrow Rev. Martin Luther King Jr words "Of all the forms of inequality, injustice in healthcare is the most shocking and inhumane" (King, 1966 cited in Pablo-Mendez and Stone, 2013, p. 69). Unfortunately, this is the trend of LGAs as evidenced in CAG reports. Indeed, failure to spend Tshs 19,410,895,694 and Tshs 6,744,015,010 on PHSDP and CHF respectively in three years cannot be summed in any other word but those of Rev Martin Luther "shocking and inhumane". One can imagine how many Tanzanians were impoverished by missing health care, and how many died by missing medicine. This is in line with what Hamound and Sachs (1999) argued that health impacts directly on household income and wealth, labour productivity, labour force participation, savings, investment rate, demographic factors and other human capital factors. Having large sums unspent and other spent on health unrelated issues at the time when the government has committed itself to improve and expand quality health service delivery is surely a paradox. It begs a question: are the government and its agencies really committed to achieve their health goals?

To promote economic growth, reduce poverty, and build a healthy community, women and youth must have greater access to and control key resources and opportunities (USAID-Tanzania, 2014). The government of Tanzania has reaffirmed this by, among others, introducing Women and Youth Development Fund. However LGAs have really impeded such efforts by failing to disburse funds to the needy such that for three consecutive years Tshs 13,005,400,670 were not disbursed to women and youth groups in dire need of credits/loans. This has impeded women and youth efforts to kick poverty away. The worst of the matter is the LGAs weakness to ensure recovery of the loans taken. For instance in the 58 LGAs audited by the CAG in 2012/13 loans amounting to

Tshs 1,389,192,866 were not recovered though contract date had already expired (NAO, 2014).

The mismanagement of public funds also implies citizen's loss of confidence in the ability of LGAs and Central government as a whole. This creates a number of problems including tax evasion since people have the perception that revenue collected is not spent on public services which makes it difficult for LGAs to raise their own revenues (Fjeldstad, 2004). Again Hiskey and Selgson (2003) add that increasing loss of popular confidence to the LGAs undermines community support of any activities that are undertaken by the respective LGAs. Indeed with this situation the old and most celebrated assertion from politicians that services cannot be delivered to the people because of shortage of funds does not hold water anymore. It rather appears that LGAs and the central government have in one way or another failed to achieve poverty reduction goals not because there is no funds but because even the little available is not put to effective and intended use.

6. Conclusions

It has become commonplace and fashionable to blame the limited progress on poverty reduction on limited financial resources. Granted, the available financial resources are not enough to meet the ever increasing and complex development needs of the citizens of Tanzania. But overemphasizing limited financial resources risks masking other potential reasons for why there is little progress on poverty reduction and the attainment of the Millennium Development Goals (MDGs). This paper has argued that there is need to look at how and whether development funds are put to intended use and what this implies for the argument of limited financial resources. Using evidence from the CAG audit reports for LGAs, the paper found out that the so-called limited financial resources would have done great things had it not been for the LGAs not spending or diverting them to other unintended expenditures. As such, it appears that the limited financial resources argument is used to mask the realities taking place in the LGAs use of public funds. The implication of all this is citizens being forced to remain in abject poverty when they should not.

As Ngware (2005) stated, to make desired transformation in LGAs demand qualitatively new leadership mindset in the way LGAs conduct their business across the country. This means that entrepreneurial leadership in all LGAs entities is of utmost importance to enable LGAs engage in a sustained thinking, visioning and strategizing process that constantly devices solutions to complex socio-politico-economic problems that hinder development. As Kauza (2010) rightly puts it, in countries where local level communities remain deprived of the basics such as primary education, primary health care, safe water, roads, electricity and food it is hard to think of only LGA leaders who are only conversant with administering laws, rules and regulation as a remedy; we need transformational leadership. Leaders who wear sun goggles not to see things going astray in their jurisdiction, leaders who sit in their well furnished offices while development projects are half backed are too loose to fit our people. Leaders who push things in snail motion, whose tenure can elapse without holding weak servants and subordinates accountable, cannot help improve the situation.

In country such as this of ours where virtue and ethos for service to people especially in our councils have sharply eroded, integrity must be encouraged, practiced and enforced. As a platform for effectiveness in leadership, integrity is said to be the most important quality a leader must possess (Cunningham, 2002 cited in Blessing and Thom-Otuya, 2012). When integrity is upheld in the LGAs challenges that confront the councils in spending development funds can be resolved. We are proposing possible institutional transformation that will put integrity at the center of leadership qualities before an individual assumes any post at the LGAs.

Furthermore, for LGAs to selflessly render desired service and stay positive in the peoples' minds and eventually scale off poverty, sustainable accountability need to be made a first priority. This needs to be affirmed due to the fact that, in essence, the central government is too far from citizen. To ensure that every sector in LGAs is touched with needed accountability we suggest four kind of accountability to be exerted: effectiveness accountability which requires achieving all entrusted specific objectives, tasks and resources; efficiency accountability which requires that in accounting for the achievements obtained consideration be given to the resources (human, material, financial, time etc) that have been utilized to get achievements; process accountability which requires that specified processes, procedures be followed in accomplishing tasks and achieving objectives; and legal accountability which requires that in accomplishing tasks and achieving specific objectives, specific laws, rules and regulations are followed (Kauza, 2010).

In a bid to immediately instill sense of accountability we concur with REPOA report which stated that 'All council chairperson/mayors are required to issue an annual accountability report to be presented in local government. At minimum, the report should provide information on revenue and expenditure, staff and capacity development; audit reports, corruption issues and performance view of council management in terms of actual vs. plans and reasons for any deviation' (2008, p. 8). We propose extending this further to making the report public and in clear, simple and jargon free language so that every citizen can have access to it.

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