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Fiscal Decentralization in Local Governments: Drivers to Over Central Government Dependence and Uneven Development in Tanzania

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Abstract

Although decentralization is frequently used to improve service delivery and development, the impact of symmetrical fiscal decentralization on local government authorities (LGAs) and fair development has not been thoroughly investigated. Whilst symmetrical decentralization allows LGAs to collect revenue and finance development projects, there are disparities among LGAs in their ability to collect sufficient revenue and implement development projects. This study goes beyond prior research by investigating the way differences in the financial capacity of LGAs affect development in various regions of Tanzania using a review of recent audit reports and studies. Results indicate that while certain LGAs have shown a strong ability to collect revenue, others struggle considerably, due to factors such as historical background, revenue sources, population variations, urban-rural divides, and citizen awareness. Furthermore, the intergovernmental transfers, intended as an equalization strategy, have led to LGAs remaining highly dependent on the central government and subject to the central government's financial capacity. This study concludes that symmetrical fiscal decentralization in Tanzania has not achieved its intended goals. Despite some LGAs over-collecting revenue, most remain heavily dependent on intergovernmental transfers, which are inconsistently distributed and often politically influenced, thus intensifying uneven development trends. The study recommends updating the 1998 policy to integrate asymmetrical decentralization, amending the Local Government Acts of 1982, building capacity to LGAs, and shifting the central government's role from controller to supporter.

Keywords

fiscal decentralization – local government – uneven development – dependence

Introduction

Globally, decentralizing state administration is a widely adopted leadership approach (Anosisye, 2017; Chassé et al., 2025). Decentralization matters because it fosters improved public service delivery by aligning with local needs and therefore promotes citizen participation and accountability by bringing decision-making closer to people (Hooghe et al. 2016; Tselios & Rodríguez-Pose, 2024; Javier & Jorge, 2025). Unitary and federal nations alike often view decentralization as the optimal method for bringing power closer to their citizens (Dussen, 2008; Martinez-Vazquez and Vaillancourt, 2011). This approach is thought to promote good governance, encourage public participation, and stimulate local economic growth (Hardenius, 2003; Akudugu, 2013; Mkoma and Rwekaza, 2021).

Decentralization involves the central government delegating authority and responsibilities to regional and local governing bodies. Typically, federal systems decentralize power to both regional and local levels, while unitary systems primarily decentralize to local levels. Decentralisation comprises three essential dimensions: political, administrative, and fiscal (Massoi and Norman 2009; Gu et al., 2023; Sarti, 2023). In Political decentralisation, the central government delegates political authority to local governments. Administrative decentralisation enables LGAs to oversee their personnel. Fiscal decentralisation grants LGAs the autonomy to develop budgets that align with local priorities and generate revenue (Falleti, 2005; Men et al., 2025).

The efficiency of decentralisation is determined by the structure of the governmental system and the level of symmetry. Regarding the first point, the level of autonomy that the government system grants to LGAs has a significant impact on the effectiveness of decentralisation. Federal systems are thought to be more suited to successful decentralisation than unitary ones (Khairul Muluk & Anantanatorn, 2023), though researches indicate that a unitary governance system can also effectively accommodate decentralisation (Anderson, 2009; Böckenförde, 2013). Regarding the latter, decentralization can be symmetrical or asymmetrical. Symmetry has a significant influence on the success of decentralisation. To mitigate potential geographical disparities, both strategies require careful oversight and management. Symmetrical decentralization gives LGAs uniform autonomy and equal treatment (Allain-Dupré et al., 2020;

Katorobo, 2007). A significant challenge associated with symmetric decentralization is the increased potential for regional unevenness due to inherent variations in LGA capacities (Khairul & Anantanatorn, 2023; Allain-Dupré et al., 2020; Allo et al., 2025). On the other hand, asymmetrical decentralisation is characterised by the distribution of different levels of autonomy and authority across constituent LGAs (Allain-Dupre et al., 2020; de Villiers, 2015; Fiorillo et al., 2021; Blöchliger & Montes-Nebreda, 2024).

Many countries in the world have adopted and use decentralization, though in varying degrees. Decentralisation has been successfully implemented in nations such as the USA, Germany, and China (Wang, 2010; Xu et al., 2024). In Africa, the adoption of decentralization in many countries can be traced back to the period after independence. Countries such as Ghana, Tanzania, Kenya, Uganda, South Africa, and Zambia, among others, continue to utilize decentralization to enhance service delivery and improve decision-making. Despite its use, decentralization is often seen as problematic. It has hardly attained its goals due to the choice of decentralization type, formalism, continued central government dominance and interference, an insufficient revenue base and fiscal autonomy, corruption, and weak governance structures (Rugeiyamu & Msendo, 2025; Mrutu & Mganga, 2016; Nuluva, 2015).

Accordingly, it has been found that decentralisation reforms in many African nations are characterised by large vertical fiscal imbalances, disjointed revenue structures, strong transfer dependence, and reduced subnational autonomy (Pastory, 2014; Madinah et al., 2015; Erk, 2014). This persistent state continues to inspire research, particularly regarding how decentralization contributes to unequal development, regional inequality, and economic inequality (Yan et al., 2024; Xu & Warner, 2024; Ankamah & Yao, 2013).

The situation in Tanzania is similar to that in other parts of Africa. Tanzania has implemented symmetrical decentralization since the local government reform from 2000, and therefore, this study focuses on how this approach has impacted development among LGAs (Fjeldstad & Heggstad, 2012). The debate in Tanzania matters because it is one of the African states that has been reported to face decentralization challenges impacting more LGAs. The Local Government Acts of 1982 and Articles 145 and 146 of the Constitution legally create LGAs in Tanzania. The 1990s saw the emergence of decentralisation reform in Tanzania, which culminated in the 1998 policy paper that aimed to grant authority to LGAs (Pastory, 2019). With the implementation of four uniform modifications throughout all LGAs, this reform included decentralisation through devolution (D-by-D). These included: Political decentralisation, which enabled voters to elect representatives, increased local council authority as the main decision-making body, and required council accountability to the people.

In contrast to central ministries, administrative decentralisation gave LGAs the authority to oversee their personnel and operations autonomously. Due to financial decentralisation, LGAs are now able to create and oversee their own budgets and revenue (Satta & Pennink, 2013; Rugeiyamu & Msendo, 2025). Finally, funds to improve LGA performance were implemented together with a transformation of central-local relations to promote partnership and consultation.

The government has granted all LGAs the same authority to create their own budgets, generate revenue, and utilize this revenue for development, based on their own priorities. Studies have reported challenges such as limited capacity to collect revenue, dependence on intergovernmental transfers, limited development, poor service delivery, and weak political will (Fjeldstad & Heggstad, 2012; Pastory, 2019; Rugeiyamu & Msendo, 2025). Although this approach enables LGAs to collect revenue and finance development projects, disparities exist among LGAs in their ability to generate sufficient revenue and implement development projects, resulting in varying levels of development across regions. This study goes beyond prior research by investigating the way differences in the financial capacity of LGAs affect development in various regions of Tanzania using recent audit reports and studies.

This study, therefore, investigates the extent to which symmetrical fiscal decentralization contributes to uneven development in Tanzania, with a specific focus on the fiscal capacity of local governments and their dependence on central government transfers. The study contributes to the discussion of decentralization theory and policy reforms in developing countries, using Tanzania as a case study to illustrate how the symmetry of decentralization can result in uneven development. Additionally, the study provides insights into the strategies used by Tanzania to achieve Sustainable Development Goals (SDGs) 10 (reduced inequalities) and 11 (sustainable cities and communities). The paper is organized as follows: theoretical review, Comparative lessons from Countries implementing Asymmetrical decentralization, literature review, materials and methods, results, discussion, conclusion, and recommendations.

Theoretical Perspective of Fiscal Decentralization in Tanzania

The Tanzanian government implemented public sector reforms in the 1990s, focusing on administrative and leadership aspects, driven by the need to enhance the delivery of public services. According to the 1998 Policy Paper on Local Government Reform (URT, 1998), the Local Government Reform Program (LGRP) became a significant reform endeavour. Within the framework of a unitary state, this policy document established a revolutionary local government structure based on political devolution and the decentralisation of services

and funds. As a result, LGAs were given charge of providing public services and local development within their boundaries. Through devolution (D-by-D), this strategy aimed to operationalize decentralization. According to Likwelile and Assey (2018) and Mollel and Tollenaar (2013), the reform program focused on four primary areas: financial decentralization, administrative decentralization, political decentralization, and the reorganization of central-local relations.

This study's primary focus, financial decentralisation reforms, was intended to give local governments (LGAs) financial autonomy by enabling them to create budgets that balance national standards with local requirements. The central government was required to pay unconditional and other grants, while LGAs were given the authority to impose local taxes (URT, 1998; Böckenförde, 2013; Smoke, 2003). One of the main expectations of this decentralisation was that as LGAs gained the ability to finance their own operations, intergovernmental transfers would decline. This expectation, though, was not entirely met. LGAs continued to receive regular funding from the national government, including personal emoluments. This sustained support resulted from LGAs' continuous dependence on central government funds due to their ongoing inability to pay employee salaries independently since the policy's implementation (Pastory, 2019). The idea of matching grant transfers to LGAs' capacity to generate income was not always followed, even if additional payments were given out according to criteria including population, area, poverty, and facility accessibility.

In Tanzania, local government authorities (LGAs) are required to be financially independent in order to finance both operational expenses and development projects. LGAs must create autonomous budgets backed by locally generated income in order to do this. Better service delivery and localised development powered by these money streams are the desired results. Revenue collection places a strong emphasis on justice and transparency. However, there is a centralised regulatory structure in place, with the Minister of Finance having the authority to provide orders about local income streams, collection strategies, and financial responsibility. Additionally, the Minister must reappraise LGA expenditures. Although the goal of this centralised supervision is to guarantee fiscal responsibility, it may also restrict LGA autonomy and impede their attempts to increase revenue, especially as they rely on the availability and sustainability of local revenue streams.

According to government policy, LGAs are required to set aside a certain amount of money for development projects, in proportion to their ability to collect taxes. Four classes with different development allocation needs currently make up mainland Tanzania's 184 LGAs (Rugeiyamu, 2024): Class 1 (9 LGAs): 70%, Class 2 (17 LGAs): 60%, Class 3 (102 LGAs): 40%, and Class 4

(20 LGAs): 20% of their own source revenue (URT, 2023). The third category, which requires a 40% development allocation, encompasses the majority of LGAs (102). The possibility of unforeseen developmental implications is a crucial analytical argument. The system of greater percentage allocations for first-class LGAs (70%) and lower percentages for others (40% and 20%) may paradoxically deepen development inequalities between LGA classes, as first-class LGAs are anticipated to earn much more revenue than other classes. Even though the percentage-based system is meant to represent capability, wealthier LGAs may experience faster development because they can devote a larger absolute amount to initiatives.

It is crucial to remember that all LGAs, regardless of size, are regarded as local authorities with the same legal status and laws, even though the aforementioned reform requires that LGAs be made up of cities, municipalities, towns, district councils, township authorities, and village governments. Local governments are therefore expected to create and generate revenue streams, as well as provide funding for development initiatives (URT, 1998). Equal treatment is difficult since different LGAs gather different amounts of money. This is especially true for cities and municipalities, which are anticipated to attract more people and businesses than district councils and township authorities. On the other hand, in order to guarantee council equality and balance development throughout all LGAs, the reform requires the federal government to offer equalisation grants.

Tanzania's system of equalization funds, designed to promote balanced growth, unfortunately, contributes to regional inequities. Many grants are vulnerable to politically influenced allocations, although some, such as those for personnel expenditures (the majority of intergovernmental transfers), are dispersed equitably based on staff size. Development plans are undermined by this political influence, which also leads to regional disparities in progress. The power of influential individuals, lobbying efforts, and connections to political leaders can influence the distribution of equalization funds. Furthermore, partisan affiliations can play a role in allocating these grants, with regions represented by the ruling party often receiving preferential treatment compared to opposition-held areas. Finally, regions with politically engaged and informed citizens who actively demand government accountability tend to receive more funding than those with less political awareness. Funding for development projects is also routed to LGAs via regional secretariats; however, the distribution process is further complicated by sector ministries. Adopted as a purported remedy for the failure of symmetrical decentralization, this asymmetrical method has failed to produce equal development. Instead, regional imbalances are made worse by uneven award distribution and decreased central govern-

ment spending. Research confirms this trend, showing that intergovernmental transfers often widen the gap between wealthier urban and poorer rural areas, mainly because LGAs have limited control over how funds are allocated.

Symmetrical decentralisation is inefficient in Tanzanian LGAs due to their varied structure, which is defined by differences in population size, development priorities, revenue sources, and revenue mobilisation capacity. Revenue underperformance in certain LGAs and overcollection in others are examples of how this consistent approach leads to irregularities in budgetary procedures. In contrast to the Decentralisation by Devolution (D by D) approach, this ultimately leads to unequal growth across geographic areas and encourages an unhealthy reliance on central government financing. Therefore, it is necessary to critically re-examine Tanzania's current symmetrical decentralization arrangements, as they are problematic and contribute to developmental inequities. The advancement of Sustainable Development Goals (SDGs) 10 (less inequality) and 11 (sustainable cities and communities) depends on this kind of evaluation.

Comparative Lesson from Countries Implementing Asymmetrical Decentralization

Countries such as Germany, China, and the United Kingdom have been successful in implementing asymmetrical decentralization, offering valuable insights and a comparative lesson for other countries, including Tanzania, which is struggling to reform its governance processes.

Germany operates as a unitary federation with three distinct levels of governance: federal, Länder (states), and local, each possessing its own legislative, executive, and judicial branches. While the federal level is responsible for policy formulation, the Länder are primarily tasked with policy implementation. Notably, unlike centralized systems such as Tanzania, the federal government in Germany lacks hierarchical control, legal supervision, and financial appropriation over the Länder. Instead, the Länder actively participate in federal policy-making through the Bundesrat, the upper house of parliament. Germany employs a fiscal equalization scheme based on two key principles: the vertical division of tax revenues between government levels according to pre-established criteria, and the horizontal adjustment of revenues across the Länder. Approximately three-quarters of total tax revenue, including VAT and income taxes (personal and corporate), is shared between the federal, Länder, and local levels. Specific allocation percentages include: VAT (federal: 52%, Länder: 45.5%, local: 2%), personal income tax (federal: 42.5%, Länder: 42.5%, local: 15%), and corporate income tax (federal: 50%, Länder: 50%) (Thöne & Bullerjahn, 2018). Furthermore, each level independently collects certain taxes: the

federal level collects customs duties, insurance tax, tobacco tax, and the solidarity surcharge; the Länder collect inheritance and automobile taxes; and local governments collect taxes on real estate and local businesses.

The system of tax redistribution in Germany is founded on the constitutional principle of achieving equal living conditions. This redistribution of revenue between the Länder is carried out horizontally in two ways: firstly, through the redistribution of VAT, and secondly, via the financial equalization scheme. The latter continues to redistribute tax income until vertical financial transfers from the federal government to the local level are established as supplementary grants to support financially disadvantaged Länder, and to provide general supplementary grants to Länder with special needs, enabling them to access 95% of the financial resources of the contributing states. This scheme is crucial to lift the poorer Länder.

It is important to note that local governments are constitutionally considered part of the Länder, but functionally, they represent a separate third level of the German politico-administrative system. Notably, there are no federal powers when it comes to legislating local government issues, which is another aspect that Tanzania can learn from. This is because, in Tanzania, the central government has legislative power over local government matters, which contradicts the objectives of decentralization.

On the Chinese side, beginning in 1957, China initiated financial reforms that decentralized power to local governments. Key measures included: (1) transferring nearly all state-owned enterprises (SOEs) to local control, drastically reducing the central government's share of national industrial output from 40% to 14%; (2) shifting central planning from a national to a regional focus, granting local governments authority over fixed investment decisions; and (3) establishing fixed, five-year revenue-sharing schemes and empowering local governments to manage taxes. From the 1980s onward, local governments took on primary economic development responsibilities within their regions, gaining expanded authority to determine prices, establish new businesses, and make investments using "self-raised funds" sourced from extra-budgetary funds or bank loans. Furthermore, additional SOEs were delegated to local governments at the provincial, municipal, and county levels (Wang, 2010).

China implements a system of regional autonomy, granting varying degrees of financial, policy-making, and economic development freedom to different provinces and regions. The extent of decentralization is tailored to specific economic and social circumstances: wealthier provinces may have greater autonomy in spending, while others depend more heavily on central government funding (Wang et al., 2024). Special economic zones, such as Suzhou Industrial Park and Kunshan Economic and Technological Development Zone, exemplify

this approach, benefiting from unique policies and regulations designed to attract investment and stimulate economic growth. Notably, coastal regions generally possess greater economic autonomy compared to inland areas. While these arrangements have been cited as potential causes of fiscal imbalances and inequalities in service delivery, they are also credited with fostering economic competition and development among local governments (Zhan & Liu, 2020; Ho et al., 2022), enabling them to prioritize and implement localized economic growth strategies, a contrast to Tanzania's system where the central government exerts greater control over local government priorities.

To address regional economic inequalities, the Chinese government implemented a new transfer system comprised of three key elements: general transfers, earmarked transfers, and compensation transfers. General transfers, accounting for approximately 46% of all central government transfers, aim to reduce expenditure disparities by allocating funds to provinces based on their GDP per capita. Earmarked transfers, representing about 42% of central government transfers, subsidize local projects in specific areas, contingent on matching local government expenditures. Finally, compensation transfers, estimated at 12% of central government transfers, mitigate revenue losses experienced by some local governments. Research suggests that the proportion of grants within this system decreases relative to GDP (Wang & Herd, 2013). This approach contrasts with that of Tanzania, where transfers are more closely tied to a local government's capacity for revenue mobilization.

The transfer calculation relies on the difference between a province's standard revenue capacity (estimated using tax bases and standard rates) and its standard current expenditures. These expenditures are calculated based on per capita spending across categories such as administration, public safety, education, and healthcare, adjusted for cost factors including altitude, population density, and the proportion of minority populations. The transfer amount is further modified by coefficients that reflect the standard and actual gaps, as well as the total central government revenue allocation. Provinces achieving better fiscal equalization at lower levels also receive additional grant rewards (Huang & Chen, 2012). The substantial weight is given to transfers designed to help poorer areas, and they have proved to be successful. China's transfer policy has addressed the horizontal imbalances and become markedly more redistributive (Ahmad et al., 2004).

In the UK, the UK's devolution system is asymmetric, granting Scotland, Wales, and Northern Ireland executive and legislative authority. At the same time, English Metro Mayors (including the Mayor of London) hold only executive powers. Consequently, while Combined Authorities and the London Assembly can review executive actions, they lack the legislative capacity held

by the Scottish Parliament, the Senedd, and the Northern Ireland Assembly (Torrance, 2024).

The UK employs a system of revenue redistribution across its regions to promote balanced development and ensure a more equitable allocation of funds. This is achieved through a block grant system that funds devolved administrations. These grants are adjusted annually using the Barnett formula, which considers the population size of each nation and a comparability index reflecting the degree to which a policy area is devolved (Romero, 2024). The Barnett formula aims to provide each devolved government with an equivalent per capita funding adjustment; specifically, any changes in UK government spending on devolved functions in England automatically trigger corresponding budget adjustments for the devolved administrations, proportional to their respective populations.

More recently, asymmetric policies have emerged at the subnational government level, particularly within local government. For example, the UK Coalition Government (2010-2015) introduced “deals” such as City Deals, Growth Deals, and Devolution Deals, selectively devolving power and resources to specific cities across various policy areas. The following Conservative Government broadened both the reach and content of these devolution agreements. City and Growth Deals have been used to facilitate local strategies through investments in areas like housing, transportation, employment, skills, and business support, with some cities directing funds towards initiatives supporting the unemployed (Green, 2018).

Literature Review

Decentralisation tactics are used in several nations. Developing countries, especially those in Africa, frequently struggle to implement decentralisation successfully (Shah, 2006). Scholars broadly agree that LGAs in Africa face weak revenue mobilization, leading to excessive dependence on central transfers (Fjeldstad & Heggstad, 2012; Ame et al., 2013; Masaki, 2018). However, while some emphasize institutional weaknesses (Venugopal & Yilmaz, 2010), others point to political centralization as the main constraint (Kasara, 2007; Lambright, 2014). Intergovernmental transfers, for example, account for 100% in Liberia, 90% in Tanzania, Lesotho (90%), Uganda (88%), and Ghana (69%) of the LGAs’ budget (Fjeldstad & Heggstad, 2012; Buettner & Wildasin, 2006; Mogue & Benin, 2012; Mgonja & Poncian, 2018).

In Tanzania, divergent opinions on the efficacy of decentralization have been outlined. Some studies report that LGAs have weak revenue generation,

which hinders the advancement of development and service delivery (Ame et al., 2013), as others report that intergovernmental transfers make LGAs wait for the central government to supply funds for project implementation, a feature that is deemed harmful to fiscal autonomy (Ng'eni & Chalam, 2016; Masaki, 2018). This difficulty is made worse by LGA's restricted ability to produce income and frailty of local fiscal systems (Cochran et al., 2009; Venugopal & Yilmaz, 2010). Additionally, studies reveal a significant revenue gap, with rural councils collecting less than their urban counterparts, which have larger tax bases. This has an impact on development paths in both rural and urban areas (The World Bank, 2006; UNICEF, 2012).

Moreover, LGAs in Tanzania are confronted with insufficient intergovernmental transfers. Due to insufficient financial releases, LGAs are not getting the money they need for development projects as well as daily operations. This is compounded by the unreliability of the data and the insufficient base fund allocation. Because national data is compiled from LGA reports, and these reports are often considered inaccurate, the formula's effectiveness is compromised. Research suggests that unreliable data may stem from LGAs potentially adjusting figures to improve their financial position (Mushi & Kessy, 2018).

Additionally, there are times when the government is unable to provide LGAs with this. This makes it more challenging for LGAs to achieve their objectives (Megele, 2012; Davey, 2011). In response to the weaknesses of symmetrical decentralization, the central government continues to offer grants to LGAs, favoring those with weak revenue generation capacity. However, the central government's budget is also not self-sufficient, affecting its ability to issue grants, particularly those related to development. This situation has a more significant impact on LGAs with low revenue generation capacity than on those with reasonable capacity, resulting in uneven development among regions. These patterns suggest that symmetrical decentralization may unintentionally reinforce fiscal dependency by treating unequal LGAs as though they had equal capacity. While prior studies document fiscal dependence, little is known about how symmetrical arrangements themselves structurally contribute to uneven development across Tanzanian LGAs.

Materials and Methods

This study was conducted on the Tanzanian mainland, focusing on twenty (20) LGAs out of the 184 total LGAs in the mainland. This represents approximately 14% of all mainland Tanzanian LGAs. These LGAs were selected to ensure representation across geographical zones and fiscal performance extremes.

A narrative literature review approach was employed in this study, specifically a comprehensive survey of both current and past publications on LGA fiscal decentralization. This was essential to highlight trends, gaps, and offer new insights. The reviewed documents were organized into three categories, with the first being Controller and Auditor General (CAG) reports on LGA audits. To capture the current situation, the study reviewed three recent reports published between 2020 and 2024. CAG reports were chosen as a primary source due to their provision of detailed and reliable data on LGA resource management. The review specifically analyzed reports highlighting LGAs with both over-collection and under-collection patterns for three consecutive years to provide context for the study's focus. The CAG reports can be accessed at the national audit office of Tanzania (NAOT) at nao.go.tz.

Secondly, the research involved a literature review of articles, books, reports, and other publications that detailed the percentage of Local Government Areas' (LGAs') budgets derived from their own revenue sources and from inter-governmental transfers. The studies were searched in various sources, including Scopus, Google Scholar, and Web of Science. The inclusion and exclusion criteria included;

- Studies that report on decentralization in Tanzania
- Studies published from 2000 to 2024
- Reporting financial decentralization
- Studies reporting on intergovernmental transfers
- Studies published in the English language

Based on these criteria, a total of 981 publications were searched, and only ten studies were purposefully chosen. These studies were included because they fulfilled all of the inclusion criteria. The data underwent thematic analysis and were presented in a narrative format. This analytical process involved identifying and coding key concepts, including decentralization, financial matters, fiscal policy, local government, transfers, grants, development, challenges, over-collection, and under-collection. The coding reliability was ensured by using a repeated check approach to ensure similar results were obtained from the data at different times. These codes facilitated the development of two central themes: (1) the fiscal capacity of LGAs in the context of uneven development, and (2) the fiscal capacity of LGAs and their dependence on central government funding. These themes were inductively generated to gain a deeper understanding of the case at hand. Then, these codes were coded in the NVivo software as nodes to allow for collecting references, organizing, and analyzing data. These nodes were organized in folders and hierarchies to create a structured system that allowed for answering a research question. The study's findings are presented and discussed narratively, complemented by descriptive data presented in tabular form.

It is essential to note that this study was limited by its reliance on secondary data and did not capture primary perspectives on fiscal decentralization directly from local governments and government actors. Consequently, future research should prioritize primary data collection, including interviews with LGA officials, surveys, or focus group discussions, to provide a more comprehensive and nuanced understanding of this topic.

Results

Symmetric fiscal decentralization in Tanzania has revealed two critical weaknesses for LGAs. These include: 1) uneven revenue collection, with some LGAs over-collecting and achieving full budget and project funding, while others under-collect and struggle to do so; and 2) persistent over-reliance on central government budget support across all LGAs. The findings are detailed below:

LGAs Fiscal Capacity and Uneven Development

To understand the consistency and capability of revenue collection, this study analyzed LGAs. Using Controller and Auditor General (CAG) audit reports spanning three years (2020/21 to 2022/23), the research assessed how well LGAs collected revenue. The findings showed a mixed picture: some LGAs struggled with revenue generation and development budget funding, while others demonstrated strong performance. Specifically, ten LGAs, showcased as case studies in Table 1, consistently met or surpassed their revenue targets, occasionally exceeding 100% collection. This suggests that some LGAs may underestimate their revenue potential, while others possess a significant capacity to overachieve and effectively fund their development initiatives. This disparity in performance highlights a clear difference in revenue-generating capacity across LGAs, with some being considerably more effective than others.

TABLE 1 LGAs' Over-collecting Revenue

S/N	LGA	Financial Year (Tzs)	Budgets (Tzs)	Actual Collection (Tzs)	Over collected (Tzs)	Diff. (%)
1.	Kigamboni MC	2022/23	10,447,121,200	12,792,215,443	2,345,094,243	22.45%
		2021/22	9,106,108,000	11,361,829,713	2,255,721,713	25%
		2020/21	7,738,578,304	9,012,490,022	1,273,911,718	16%

TABLE 1 LGAs' Over-collecting Revenue (cont.)

S/N	LGA	Financial Year (Tzs)	Budgets (Tzs)	Actual Collection (Tzs)	Over collected (Tzs)	Diff. (%)
2.	Rufiji DC	2022/23	3,930,252,000	5,325,366,355	1,395,114,355	35.5%
		2021/22	3,657,284,000	5,826,098,301	2,168,814,301	59%
		2020/21	2,986,732,000	5,227,419,000	2,240,687,000	54%
3.	Kibaha TC	2022/23	5,361,984,799	6,509,334,343	1,147,349,544	21.4%
		2021/22	5,276,849,921	7,385,896,647	2,109,046,726	40%
		2020/21	2,240,687,000	2,240,687,000	565,366,876	14%
4.	Mkuranga DC	2022/23	1,671,586,840	10,470,947,001	8,799,360,161	526.41%
		2021/22	7,826,490,000	9,315,979,997	1,489,489,997	19%
		2020/21	7,180,220,000	7,416,237,000	236,017,000	03%
5.	Msalala DC	2022/23	4,962,740,000	6,379,176,657	1,416,436,657	28.54%
		2021/22	4,608,360,000	5,555,596,398	947,236,398	21%
		2020/21	2,478,090,128	3,731,984,655	1,253,894,527	51%
6.	Mpimbwe DC	2022/23	1,490,500,000	2,313,793,592	823,293,592	55.24%
		2021/22	1,607,518,000	2,533,483,691	925,965,691	58%
		2020/21	1,376,595,000	1,855,689,977	479,094,977	35%
7.	Bukoba DC	2022/23	2,080,500,000	2,614,346,272	533,846,272	25.66%
		2021/22	1,863,000,000	2,206,317,103	343,317,103	18%
		2020/21	479,094,977	2,149,361,995	425,829,995	25%
8.	Uvinza DC	2022/23	14,358,000	1,817,577,000	1,803,219,000	12,558.98%
		2021/22	1,947,005,000	2,189,327,000	242,322,000	12%
		2020/21	1,719,809,000	2,033,283,000	313,474,000	18%
9.	Babati DC	2022/23	2,648,759,000	3,475,741,312	826,982,312	31.22%
		2021/22	3,340,751,000	3,364,142,572	23,391,572	01%
		2020/21	2,934,996,000	3,073,629,000	138,633,000	05%
10.	Kaliua DC	2022/23	4,918,900,000	5,179,516,232	260,616,232	5.3%
		2021/22	3,275,882,000	5,561,753,069	2,285,871,069	70%
		2020/21	3,415,694,000	3,647,977,344	232,283,344	07%

SOURCE: CAG (2022; 2023; 2024)

Conversely, Table 2 highlights a contrasting situation: ten (10) LGAs studied as case examples over three consecutive years (2020/21 to 2022/23) consistently under-collected revenue. This persistent underperformance led to a failure to meet budget expectations, resulting in an inability to implement planned development projects fully. As Table 2 illustrates, these LGAs experienced reve-

nue collection rates that were less than 50% of their budgeted targets, directly limiting their budget execution capacity. This significant discrepancy is noteworthy when compared to LGAs that achieved over-collection. The sustained revenue under-collection over the past three years has fundamentally hampered the funding of development projects in these LGAs, thereby demonstrably slowing their overall development.

TABLE 2 LGAs' Under Collection

S/N	LGA	Financial Year (Tzs)	Budgets (Tzs)	Actual Collection (Tzs)	Under collected (Tzs)	Diff. (%)
1.	Kishapu DC	2022/23	4,086,701,000	3,725,696,103	-361,004,897	-8.83%
		2021/22	4,297,770,051	2,898,280,230	-1,399,489,821	-33%
		2020/21	2,667,722,650	1,397,259,498	-1,270,463,152	-48%
2.	Ruungwa DC	2022/23	3,936,750,868	2,862,075,127	-1,074,675,742	-27.3%
		2021/22	4,961,154,000	4,022,550,213	-938,603,787	-19%
		2020/21	4,802,000,000	3,737,898,011	-1,064,101,989	-22%
3.	Ngorongoro DC	2022/23	3,027,200,000	1,937,703,411	-1,089,496,589	-35.99%
		2021/22	2,752,532,000	1,825,228,127	-927,303,873	-44%
		2020/21	1,634,339,000	1,350,589,000	-283,750,000	-17%
4.	Sikonge DC	2022/23	2,441,113,998	2,367,188,473	-73,925,525	-3.03%
		2021/22	3,229,000,000	2,574,684,498	-654,315,502	-20%
		2020/21	3,029,000,000	2,270,445,000	-758,555,000	-25%
5.	Nzega TC	2022/23	3,383,430,000	2,902,041,080	-481,388,920	-14.23%
		2021/22	3,676,822,100	3,028,983,246	-647,838,854	-18%
		2020/21	2,810,760,000	2,492,443,000	-318,317,000	-11%
6.	Korogwe DC	2022/23	3,704,475,536	1,566,343,167	-2,138,132,369	-57.72%
		2021/22	2,118,730,000	1,474,344,998	-644,385,002	-30%
		2020/21	2,447,400,666	1,453,973,654	-993,427,012	-41%
7.	Buchosa DC	2022/23	4,326,408,260	2,506,101,496	-1,820,306,764	-42.07%
		2021/22	2,714,097,000	2,120,802,661	-593,294,339	-22%
		2020/21	3,226,571,000	2,122,489,759	-1,104,081,241	-44%
8.	Nanyamba TC	2022/23	1,906,512,600	1,697,773,094	-208,739,506	-10.95%
		2021/22	2,050,801,000	1,462,958,747	-587,842,253	-29%
		2020/21	1,694,959,000	1,331,777,602	-363,181,398	-21%
9.	Bumbuli DC	2022/23	1,032,920,000	974,140,788	-58,779,212	-5.69%
		2021/22	1,032,920,000	477,411,367	-555,508,633	-54%
		2020/21	1,181,751,968	586,325,442	-595,426,526	-50%

TABLE 2 LGAs' Under Collection (*cont.*)

S/N	LGA	Financial Year (Tzs)	Budgets (Tzs)	Actual Collection (Tzs)	Under collected (Tzs)	Diff. (%)
10.	Itigi	2022/23	1,629,564,000	1,589,132,436	-40,431,564	-2.48%
	DC	2021/22	1,903,990,833	1,443,714,013	-460,276,820	-24%
		2020/21	1,951,976,000	1,209,277,000	-742,699,000	-38%

SOURCE: CAG (2022; 2023; 2024)

The data suggests a dichotomous reality within LGAs. Certain LGAs demonstrate fiscal capacity, successfully generating revenue to support their budgets and facilitate annual development project implementation. Conversely, others struggle to achieve budgetary targets, impeding their ability to implement planned development initiatives. This divergence is attributable to a complex interplay of factors, including LGA history, revenue generation capabilities, population size and density, urban-rural interactions, and the level of both leadership and civic awareness and engagement in revenue mobilization and development processes. This results in differential rates of progress, fostering uneven development patterns across the nation's districts and regions. LGAs with robust financial foundations are positioned to develop more rapidly, thereby amplifying existing regional disparities and contributing to unequal development outcomes nationwide.

Looking at Table 1 and Table 2, Mkuranga DC and Uvinza DC had the highest level of performance in the financial year 2022/23, as they collected over 100%. On the other hand, Korogwe DC was leading with an under collection of -57% in the financial year 2022/23. Additionally, this indicates that there are unrealistic revenue projections among LGAs, which affects the implementation of plans and triggers uneven development in different areas of the country. More elaboration of selected LGAs' performance based on the years under study is provided in Figure 1. Overcollecting and undercollecting for three consecutive years is an indicator of poor revenue projections among the studied LGAs. Poor revenue projections affect LGAs' capacity to fund services and development projects.

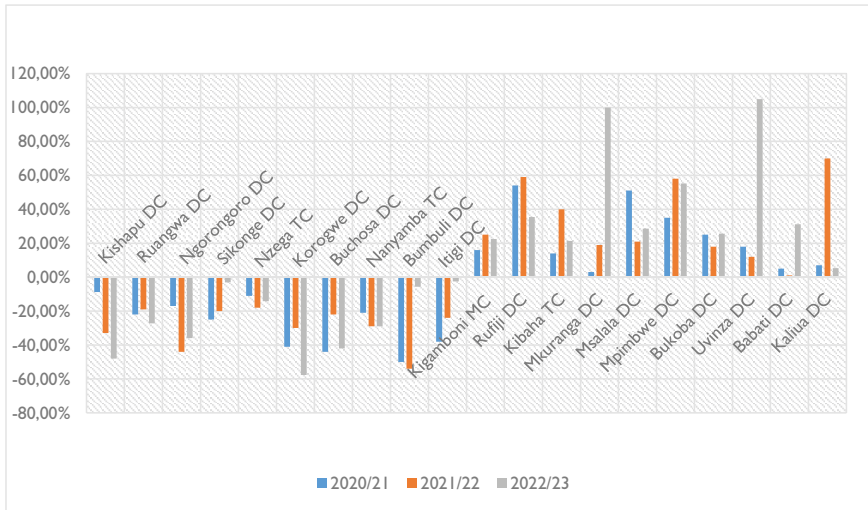


FIGURE 1 LGAs' Performance Per Selected Financial Years

SOURCE: AUTHOR

LGAs' Fiscal Capacity and Overdependence on the Central Government

A major problem still exists, even though LGA s have varied degrees of success in collecting local taxes: more than 80% of their budgetary demands are still met by intergovernmental payments (Rugeiyamu & Msendo, 2025). Since Tanzania began implementing decentralization through devolution in 2000, this high level of dependency has remained constant. This continued reliance is supported by a survey of 10 studies (described in Table 4) that look at intergovernmental transfers since 2000 (Rugeiyamu, 2024). According to this data, the budgetary self-sufficiency of LGA s has not improved, necessitating their continued reliance on intergovernmental transfers. Additionally, these payments are often allocated to central government-selected development projects and wages, which may take precedence over regional needs.

Tanzanian LGA s' ongoing incapacity highlights a major failure of symmetric decentralisation to attain financial autonomy, as demonstrated by their inability to finance even 50% of their budgets for more than 20 years. Several elements are at play in this case. First off, the Tanzanian state's unitary structure guarantees strict central government oversight and control over LGAs, thus restricting their independence. Second, the central government can reallocate local revenue streams because LGA s function as agents rather than separate organizations, extending this central authority to revenue management. As a result, LGA financial bases are weakened and local resource mobilisation is discouraged.

Furthermore, LGAs are unable to fully utilize their development potential due to insufficient investment in capacity development. The resulting uneven development patterns are exacerbated by the central government's discretionary grant system, which is often influenced by political motivations, including favoritism towards specific constituencies and regions. This factor, together with other factors, has made several districts and regions remain in poverty, while others are progressing. Table 3 shows the district and regional maps of Tanzania on the incidence of poverty as extracted from the World Bank report (2019) on Tanzania mainland poverty assessment. Most of the LGAs undercollecting are from regions with a high level of poverty.

TABLE 3 Regions and districts with the highest rate of poverty

S/N	Regions	Districts	LGAs under collecting in the Regions and Districts	Poverty Incidence
1	Lindi	Ruangwa	Ruangwa DC	0.38-0.67
2	Shinyanga	Kishapu	Kishapu DC	
3	Rukwa	Sumbawanga	Sumbawanga DC	0.31-0.37
4	Mwanza	Buchosa	Buchosa DC	
5	Mtwara	Nanyamba	Nanyamba DC	
		Nanyumbu	-	
6	Kigoma	Kibondo	-	
7	Tabora	Sikonge	Sikonge DC	0.31-0.37
		Nzega	Nzega TC	
8	Singida	Itigi	Itigi DC	

SOURCE: WORLD BANK (2019)

TABLE 4 Studies Showing LGA's Overdependence on Central Government

S/N	Author	Title	Funding	Journal/Source	Year
1.	Fjeldstad et al.	Local Government Finances and Financial Management in Tanzania	80-90% intergovernmental transfers	Michelsen Institute Development Studies and Human Rights.	2004
2.	Boex & Muga	What Determines the Quality of Local Financial Management? The Case of Tanzania	90-95% intergovernmental transfers	IDG Working Paper No. 2009-02	2009
3.	Fjeldstad et al.	Local Government Finances and Financial Management in Tanzania: Empirical Evidence of Trends 2000-2007 Special Paper 10/2	93% of intergovernmental transfers	REPOA	2010
4.	Venugopal, V & Yilmaz, S.	Decentralization In Tanzania: An Assessment of Local Government Discretion and Accountability	5% own source, 95% central government transfer	Public administration and development, 30-215-231	2010
5.	Masaki, T.	The impact of intergovernmental transfers on local revenue generation in Africa: Evidence from Tanzania	90% of intergovernmental transfers	United Nations University, WIDER Working Paper 2016/113	2016
6.	Mushi, R. & Kessy, A	Intergovernmental fiscal relations in Tanzania: Guidelines or directives?	90% of intergovernmental transfers	REPOA	2018

TABLE 3 Studies Showing LGA's Overdependence on Central Government (cont.)

S/N	Author	Title	Funding	Journal/Source	Year
7.	Mgonja, M.G. & Poncian, J.	Managing revenue collection outsourcing in Tanzania's local government authorities: a case	Over 90% of intergovernmental transfer	Local Government Studies, 45 (1), 101–123.	2018
8.	Pastory, P.	Study of Iringa Municipal Council Inter-governmental relations and procurement non-compliance in African local government systems	More than 80 per cent of transfers	Journal of Public Procurement, 19(4), 277–294	2019
9.	Rugeiyamu, R.	Insights from Tanzania Local government's failure to recover loans from groups of women, youth, and people with disabilities in Tanzania	90% intergovernmental transfers	International Journal of Public Leadership, 19 (3), 210–228.	2023
10.	Rugeiyamu, R.	Implementation of Tanzania's Development Vision 2025: local government authorities' endeavours and challenges	90% intergovernmental transfers	Commonwealth Journal of Local Governance, 29; 13–129.	2024

SOURCE: AUTHORS

Discussion

For over two decades, Tanzanian LGAs have operated under a symmetrical decentralization framework, initiated in the 2000s (Hussein & Tlegray, 2022; Likwelile and Assey, 2018; Mollel & Tollenaar, 2013). However, this seemingly uniform system has encountered substantial challenges, leading to divergent outcomes. While LGAs pass their budgets and possess funding sources, their success in revenue collection and project implementation is inconsistent. This variability is influenced by factors such as the establishment history of LGA, available revenue sources, population size and density, leadership capabilities, and the rural-urban divide (Masaki, 2018).

In this regard, high-performing LGAs are characterized by effective leadership, effective revenue sources, and are mostly urban-based, receiving a large portion of intergovernmental transfers. Conversely, low-performing LGAs exhibit the opposite characteristics. Consequently, regional development in Tanzania becomes uneven (World Bank, 2019). Regions like Dar es Salaam, Dodoma, and Arusha are progressing rapidly, while others like Kagera, Mara, Lindi, and Kigoma are experiencing slower development, exacerbating regional inequalities (UNICEF, 2012; World Bank, 2006). This unevenness directly hinders progress toward Sustainable Development Goal (SDG) 10, which aims to reduce inequalities.

Again, LGAs continue to depend on intergovernmental transfers, even those with high performance in local revenue collection. This is influenced by the central government's lack of political will to grant full autonomy to LGAs. Additionally, most LGAs lack institutional capacity, including human resources, modern technology, and strong bylaws, to improve fiscal performance (Rugeiyamu & Msendo, 2025; Mgonja & Poncian, 2018). Even that, the central government transfers are problematic because they are vulnerable to central government funding constraints.

Moreover, sometimes intergovernmental transfers are not disbursed as planned or are unequally allocated, particularly disadvantaging rural local governments due to political bias. The political bias arises when decision makers discretionally favor some LGAs while others do not receive shares as required (Mushi & Kessy, 2018; Pastory, 2019). This reliance on unequal transfers exacerbates regional disparities and undermines equitable development. The economically informed formula is required for addressing income disparities using intergovernmental transfers. Tanzania can draw on the Chinese experience for intergovernmental transfers. China's equalization transfers are formula-driven and may help reduce political bias, unlike Tanzania's discretionary transfers (Huang & Chen, 2012; Wu et al., 2022).

The situation presented above reflects a fiscal illusion in Tanzania, a phenomenon mirroring challenges found in other African countries, such as Lesotho, Uganda, Ghana, Zimbabwe, and Liberia (Fjeldstad & Heggstad, 2012; Mgonja & Poncian, 2018; Zwelinjani et al., 2025; Dick-Sagoe et al., 2025).

Implicitly, Tanzania's symmetrical fiscal decentralization is not delivering on its developmental promises and is facing significant obstacles. This study argues for a necessary shift towards asymmetrical fiscal decentralization. Asymmetrical decentralization would help consider population size, revenue capacity, and urbanization level in treating LGAs. This would involve differentiating LGA statuses based on the mentioned factors. Also, legal reforms are needed to reduce central government control. Moreover, institutional capacity-building strategies such as training and digital revenue collection are required to improve their performance.

Conclusion and Recommendations

Conclusion

This study concludes that symmetrical fiscal decentralization in Tanzania has not achieved its intended goals. Despite some LGAs over-collecting revenue, most remain heavily dependent on intergovernmental transfers, which are inconsistently distributed and often politically influenced. These dynamics exacerbate regional inequalities and hinder progress toward SDGs 10 and 11.

Recommendations

The recommendations are organized into three areas: policy recommendations, legal reform, and governance approach. Regarding policy reform, the study recommends that the government update the 1998 policy to integrate asymmetrical decentralization, mirroring models in Germany, China, and the UK. The policy should establish a formula for intergovernmental transfers, prioritizing LGAs with lower revenue-generating capabilities and poverty level using factors like tax bases, GDP, rural urban dynamics, standard rates, and current expenditures.

Regarding legal reform, the study recommends that the government consider amending the Local Government Act of 1982 to accommodate policy reforms. Meaningful local government participation in these policies and legal reforms is crucial for their successful adoption. Additionally, regarding the governance approach, the government must consider shifting its central government role from controller to supporter and prioritizing what is short-term versus long-term. A timeline should be set for recipient LGAs of trans-

fers to improve their financial performance and achieve specified standards. Moreover, capacity building initiatives, including training, digital systems, and financial management, are highly recommended for LGAs to enhance their performance and bridge the development gaps among regions.

Future Research

Due to the constraints of relying on secondary data, this study suggests that future research focus on collecting primary data from LGAs and government officials, examining administrative and political decentralization alongside fiscal aspects, and studying the long-term impact of transfer dependency on regional development.

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