

## ABSTRACT

This research paper is concerned with municipal bond application in Tanzania the main objectives were to investigate the capacity of revenue collecting in three Municipal Councils as case a study (Ilala, Temeke, and Morogoro) and City Council (Dar es Salaam) and the strategies involved in fund raising thus promote municipal bond issuance. Furthermore the research observed the sources of fund used to finance development projects and their future strategies of fund raising. The interested part was the existing loans borrowed by Municipal Councils with their interest rates paid. The findings have the following implications;

Firstly Municipal Councils have enough revenue collection be used as collateral in bonds issuance; currently they raise funds for development projects via loans from financial institutions (banks) interest charged range from fourteen percent to eighteen percent. However loan is found to be more costly than municipal bonds issuance as analyzed in this research paper. Municipal bond application is now viewed as fundamental strategy in fund raising in Municipal Councils as supported by (Prof. Warsame quoted in Daily News paper of 25 July 2012) that municipal bonds application can foster development and reduce dependence on the central government to finance development projects and will increase local government transparency in funding infrastructures development projects and social welfare programmes. And to be more systematic in revenue collecting it is advisable to issue revenue bonds which will generate income of which can be used to repay principal.

Secondly no way Municipal Councils can start issuing municipal bonds without regulatory framework. Currently no regulatory frameworks of municipal bonds application exist as well as municipal bond market. This research paper has recommended some issues to be followed to promote municipal bond application in Tanzania which will enhance the economy of the country.

