When the terrain does not fit the map: Local government taxation in Africa

Odd-Helge Fjeldstad
Senior Researcher, Chr. Michelsen Institute; Research Director, International Centre for Tax and Development; and Extraordinary Professor, African Tax Institute, University of Pretoria

Chapter 10 (pp. 147-158) in Anne Mette Kjær, Lars Engberg Pedersen and Lars Buur eds. (2015). *Perspectives on politics, production and public administration in Africa. Essays in honour of Ole Therkildsen.* Copenhagen: Danish Institute for International Studies. http://www.diis.dk/node/5179

Abstract

Fiscal decentralisation – the devolution of revenue mobilisation and spending powers to lower levels of government – has become a main theme of governance over the past two decades. A sound revenue system for local governments is an essential pre-condition for the success of fiscal decentralisation. In addition to raising revenues, local revenue mobilisation has the potential to foster political and administrative accountability by empowering communities. However, local government financing in most African countries faces enormous challenges. Empirical research suggests that subnational revenue generation generally fails to meet needs and expectations. The principles guiding fiscal decentralisation in Africa is in practise overwhelmed by contextual factors and implementation constraints. The terrain does not fit the map.

1. Introduction

The growth of Africa's population has outpaced local authority capacity for service delivery in terms of management, infrastructure, and financing. Municipal authorities, many of which were originally instituted as colonial administrative institutions, have not been restructured to cope with the fast-growing population. A growing number of residents live in informal settlements characterized by deficient basic services such as housing, clean water, electricity, sanitation, refuse collection, roads, and transport. Generally, local government authorities are financially weak and rely on financial transfers and assistance from the central government. Progress on local government reform has been slow in most African countries despite the declared government commitment to decentralisation (Therkildsen 2001: 14). Government position papers are often vague on substantive issues, especially fiscal decentralisation (ibid.). This situation threatens local autonomy, and makes the local authorities vulnerable to changes in central government finances and expenditure policies (Bird 2010).

A combination of reduced aid flows, problems in tax collection, and, possible political resistance against substantial transfers to local authorities, are likely to reduce central government transfers in many poor countries in the coming years. The purpose of this chapter is to examine political and administrative constraints and opportunities facing local government 'own' revenue mobilisation in poor African countries, with a focus on urban settings in Anglophone countries. It discusses various local revenue instruments and how they affect economic efficiency, income distribution and accountability. The paper argues that prescriptions deriving from theory of fiscal decentralisation and normative advice impose huge constraints on the choice of revenue instruments for local governments. A general conclusion that emerges is that local own revenues are a necessary, but not sufficient condition for fiscal decentralisation.

2. The map: tax assignment principles

Fiscal federalism principles rooted in economic theory remain the policy cornerstone for assignment of revenue sources between central and lower levels of government (Oates 1972). Although they have been repackaged from time to time, the principles are generally well defined and accepted (Smoke 2013). They relate to the respective responsibilities of central and lower tiers of government in macroeconomic stabilisation, income redistribution, and resource allocation. The principles are intended to ensure that each level of government should have clear functions and bear responsibility for financing them at the margin.

The stabilisation objective of the fiscal system calls for central control over the revenue instruments that may substantially influence central budget deficits or inflation. Thus, taxes on international transactions (customs duties) and a considerable share of income and general sales taxes (such as VAT) should be assigned to central government. If there are wide disparities in income and wealth across regions, as there are in many African countries, then local taxing powers may exacerbate these differences. Hence, the distributive function of government is an argument for centralised, progressive corporate income and wealth taxes. Since the central government can borrow money to make up for shortfalls, it can handle the more unstable revenue sources, such as customs duties and income taxes. Local governments, by contrast, require relatively stable sources of revenue. Thus, sub-national governments should tax revenue bases with low mobility between jurisdictions. For this reason, property tax is often labelled as the ‘ideal’ local tax. Moreover, if properly designed, user charges on trading services such as electricity, water, sanitation, and solid waste collection may be attractive local revenue instruments. The same applies to benefit taxes such as road and port tolls, and to various licenses, which may also have regulatory functions.

The general principles and theoretical discussions of revenue assignments are useful reference points. However, country-specific factors in practice play a crucial role when considering optimal ways to divide revenue responsibility between central and lower tiers of government. The case for centralisation is usually built around macroeconomic considerations and equalisation, and the case for local government taxing powers on efficiency considerations and increased accountability. The ‘optimal’ way to do things, however, depends on how the government weighs these considerations. Furthermore, the capacity to administer revenue instruments is always an important constraint to the assignment of ‘taxing powers’ to lower levels of government in developing countries. Finally, but not least important, local revenue sources must be politically acceptable. As a rule of thumb, less visible revenue instruments tend to be more acceptable to taxpayers.

These principles of tax assignment usually favour central over subnational taxation. Although the literature generally emphasises that each level of government should be assigned taxes that are as closely related as possible to the benefits derived from spending them, it often also notes that “if fiscal decentralization is to be a reality, subnational governments must control their own sources of revenue” (Martinez-Vazquez *et al.* 2006: 21). However, as argued by Bird (2010: 5), it is not easy to satisfy both of these conditions: “the standard model of tax assignment in a multi-tier governmental structure essentially assigns no productive taxes to subnational governments”. Local governments are in reality left with little but property tax, business licenses, user charges and market fees, in addition to a wide range of low productive revenue instruments. Further, they are often administratively and politically difficult to tap.

3. The terrain: features of local government tax systems

Many local tax systems in Africa are characterised by high levels of arbitrariness, coercion and corruption (Fjeldstad and Therkildsen 2008; Fjeldstad *et al.* 2014). Further, a widely found feature is the huge number of revenue instruments used by local authorities. Local governments seem to raise whatever taxes, fees, and charges they are capable of raising, often without worrying excessively about the economic distortions and distribution effects that these instruments may create.

A complicated and non-transparent local government revenue system is costly to administer and it facilitates corruption and mismanagement. Moreover, many local taxes have a distorting effect on resource allocation decisions, and, thus, an inhibiting effect on the start-up of new enterprises and the achievement of economic growth. These effects occur when effective rates vary greatly between different goods traded, or when license fees are set too high for small-scale enterprises entering the market to survive. In a study of small and medium sized enterprises in Zambia, Misch *et al.* (2011) find that the effective tax burden varies substantially between firms. Enterprises face a range of different taxes, fees and licenses, and the types of taxes that firms are subject to differ - not only between sectors, but also between firms within the same sector. Even among marketers in the same municipality, the type of fees and levies differ substantially.

In addition, the levels and types of local revenue instruments themselves can result in the tax burden falling more on the poor than on the relatively better off in local communities. A recent study from Uganda shows that small informal non-farm enterprises pay local taxes in a regressive way (Pimhidzai and Fox 2011). While the majority of the micro enterprises in the Ugandan sample were poor enough to be exempted from the national business taxes (i.e. the small business tax and VAT) they ended up paying a large share of their profits to local authorities - with the poorest paying the highest share of profits. This is mainly due to the design of the local revenue system and the way revenues are collected. Thus, a top-down drive toward more tax revenue from this sector through formalisation could be counterproductive, and would increase the vulnerability of this segment of informal enterprises.

Consultations and cooperation between the central government revenue administration and local government authorities are generally limited. In Ghana, for example, national tax officials report that local tax officials sometimes urge citizens to pay local taxes *instead* of national taxes (Prichard 2010). Meanwhile, local officials complain that the national government has monopolised virtually all revenue productive tax bases and offers little, if any, administrative support. This lack of coordination has allowed the emergence of a high degree of arbitrariness and abuse in local tax systems, while little attention is paid to economic efficiency. Due to lack of capacity and poor co-ordination between the central and local government, local revenue systems often have developed without much interference from the centre. Deficient co-ordination has led to duplication of taxes and inconsistencies between taxes imposed by local authorities (e.g., high taxes on export crops) and the national government's policy to encourage export production (Fjeldstad *et al.* 2014).

A study of the tax systems in Mozambique, Tanzania and Zambia, finds that local taxation is still a major constraint on the commercialisation of smallholder agriculture and formalisation of the small and micro enterprises (Fjeldstad and Heggstad 2011). Multiple taxes (including fees and charges) make it difficult to enter new businesses and markets. Levies are perceived as exorbitant and are often charged up-front irrespective of the size and type of business. This contributes to undermining the legitimacy of the local tax system, encourages tax evasion and delays the formalisation of micro- and small-scale enterprises. Furthermore, it undermines compliance enhancing initiatives such as community outreach and taxpayer education.

Despite the many comprehensive central government tax reforms during the last two decades, local government revenue systems in sub-Saharan Africa have remained largely unchanged until recently, though with some exceptions. For instance, in 2003/04, Tanzania conducted a comprehensive reform of its local revenue system (Fjeldstad *et al.* 2010). The main elements of this reform were (a) abolition of unsatisfactory local revenue instruments, which were costly to collect from administrative and political perspectives (including the head tax), and (b) improvements to remaining revenue bases by simplifying rate structures and collection procedures. The Tanzanian reform demonstrates that radical changes of the local revenue system are possible. The longer-term impact of this reform on local government revenues, however, has been reduced fiscal autonomy and increased dependency on central government transfers. Uganda abolished the related graduated personal tax in 2005 in response to its growing unpopularity and politicisation, with a similar impact on local revenues (Fjeldstad and Therkildsen 2008).

Nevertheless, surveys in both Tanzania and Uganda indicate that citizens have a general appreciation of the necessity of taxation to support local service provision, but chose non-compliance due to lack of confidence in local government (Bahiigwa *et al.* 2004; Fjeldstad and Semboja 2001). Studies from Tanzania, however, suggest that peoples' views on local taxation may change over time with implications for policy design. Based on survey data from 2003 and 2006, Fjeldstad *et al.* (2009) found that people were much more positive towards the tax system in 2006 compared to three years earlier. This, the authors' argue, was partly due to improvements in service delivery, particularly education, health, and law and order, and partly due to reforms which led to less oppressive revenue collection. There was also an increasing demand by citizens for more information on revenues collected and how the revenues are spent.

4. Redrawing the map to better reflect the terrain: improving local revenue instruments

As noted above, local government own revenue systems across Africa are often characterised by a huge number of revenue instruments. However, the main sources of 'own revenues' are usually property rates in urban councils, business licenses, market fees and various user charges, often in the form of surcharges for services provided by or on behalf of the local government authority.[1] Experiences from a number of African countries show that these revenue instruments have serious shortfalls. For instance, property taxes can be very costly to administer (McCluskey and Franzsen 2005), and the enforcement of user fees has resulted in widespread resistance to pay from the poorer segments of the urban population in some countries (Fjeldstad 2004). Complex business licensing systems have proved to be major impediments for the start-up and expansion micro and small enterprises in particular (Pimhidzai and Fox 2011). However, these sources has the potential to generate substantial and reliable revenues for urban municipalities. This will require more attention on implementation strategies with a focus on what can be done given the context specific political and administrative constraints.

[1] Other revenue sources also exist at sub-national levels, including foreign aid, self-help projects, constituency development funds and social action funds. In some countries municipalities are given the right to borrow to finance investments in local capital infrastructure.

Property taxes

These are taxes on ownership, occupation or legal transfer of buildings and land. The most common are annual charges payable by owners of urban residential and commercial buildings. Textbooks on revenue assignments between various levels of government generally argue that few fiscally significant taxes are more appropriate to local administration than property tax. This is due to the fact that real property is visible, immobile, and a clear indicator of one form of wealth. In principle, property tax is difficult to avoid and, if well administered, it can represent a non-distortional and highly efficient fiscal tool. Yet, property tax revenue accounts for less than 0.5% of GDP in many African countries (Franzsen 2007).

A number of constraints can explain why property tax is not more heavily exploited as a local revenue source in Africa: (a) With the exceptions of Botswana, Namibia and South Africa, property markets are not well developed; (b) property registers and valuation rolls are often outdated or not in place; (c) administrative capacity and equipment are often limited; and (d) the tax base is generally narrowed by extensive legal exemptions. However, the reasons are probably more political than administrative. First, the difficulties and costs of administering the property tax are exaggerated by tax advisors whose reference points are the administration of income and consumption taxes. Second, in many countries, the property tax has powerful political enemies. The tax strikes people with wealth accumulations quite directly and the levy itself is visible. People with considerable property wealth usually have considerable political power and can use that power to thwart taxes that aim directly at their holdings. Low utilization of property and land taxation reflects the success of the resistance of the rich and powerful to measures which harm their interests. The result is that taxes are paid on a base that often bears little resemblance to the true level of property values. Despite growth in the physical size or value of property, the property tax base is commonly inelastic because old valuations are not updated and new properties not identified. Consequently, there is a need to reassess the basis of the property tax in urban councils and to implement a simpler and more coherent approach to the valuation provision, which takes into consideration administrative capacity and political constraints.

Although property tax has many attractions as a local revenue base, many African countries face major challenges if the property tax is to provide a reliable and adequate source of revenue for municipalities. Yet, recent experiences from Lagos, Nigeria, show that improved property tax collection and regulation can be achieved through high-level political commitment to reform, organisational reforms within key implementing agencies, and public outreach efforts (de Gramont 2014). Further, visible links between tax payment and public expenditures were established to build trust around taxation and encourage public engagement. Although Lagos's experience is context specific, the case provides important insights into opportunities to improving the property tax regime. Generally, a pragmatic policy approach is required, which may imply centralisation of certain issues, such as management of property titles, valuation assessments, etc.

Business licenses

The standard mechanisms for mobilising local government revenues from businesses have been through licensing. Although the original intent was regulatory, this aspect of the licence system has been largely abandoned. Local business licensing has become simply a revenue source in most places. In many countries, however, the system has been quite unsatisfactory and has imposed huge costs on business. In addition, poor policy design and weak administration mean that licence coverage, assessment, collection, and enforcement rates are low, leading to poor revenue generation (Arajou-Bonjean and Chambas 2003).

Local business taxes are generally levied in one of two ways (Devas and Kelly 2001): (a) either as a fixed amount, which usually varies by type, size, or location of the business, or (b) as a percentage of turnover or profits. Assessing turnover or profitability, however, is difficult both in relation to small businesses, which often do not maintain proper records, and to large businesses with multiple premises across various jurisdictions. Thus, local business taxes often use proxies for turnover or profitability, such as the size of premises, type of business, number of employees, installed electricity power, etc.

Several African countries have reformed or are in the process of reforming their local business licence systems to make them simpler, more transparent, and effective (USAID 2005). The main objectives of these reforms have been to (i) enable local authorities to collect significantly more revenues, and (ii) to reduce the compliance burden on the businesses. In both Kenya and Uganda, the time required to obtain business permits has been substantially reduced due to the introduction of one-stop-kiosks. This has cut the compliance costs of the enterprises, though not necessarily the total costs since the tariffs have been raised. In general, however, collection performance remains a problem and there is a need for improved financial management. Still, the early evidence is positive. The one-stop system seems to enable local authorities to enhance revenues. At the same time, compliance costs on businesses are lowered and the opportunities for rent seeking and corruption are reduced.

User fees – linking payment and service delivery
There are strong arguments in the literature that better links between tax payment and public expenditures are essential to building effective and accountable states. Taxes, however, are not the best mechanism for matching demand and supply of public services. Better links can be achieved through cost-recovery charging systems, which tie the amount paid directly to the amount consumed (Therkildsen 2001: 30). By providing a more direct link between citizens' contributions and service delivery, such mechanisms may become effective means to recover the costs of service provision, and to promote efficiency in the consumption of the service. Hence, most observers argue that user fees should play a prominent role in local government finance (Bahl *et al*. 2003).

In theory, the main economic rationale for user charges is to encourage the efficient use of resources within the public sector, and not to produce revenue. In practise, user charges for 'trading services', including water, electricity, sewage, and solid waste removal, are major sources of revenue in many municipalities. For instance, in Namibia and South Africa service charges on water and electricity supply are important (Bahl and Smoke 2003). This revenue is generated by a surcharge added to the cost of the utilities that the local authorities typically buy from the utility companies, or, if the authority itself produces the utility, added to the cost of producing it. The tax component of the user fee is therefore hidden for ratepayers, and the 'true level' of local government taxation is not transparent for citizens. The accountability capability of the local revenue system can therefore be questioned.

There are a number of obvious constraints on user charges and other means of cost recovery. These arise from equity considerations (i.e. ability to pay), collection and billing methods, the quality of the services provided, and persistent resistance to pay. Experiences from South Africa suggest that the problems of non-payment must be attacked on several fronts, including improved service delivery, better administration and payment schemes, and community involvement (Fjeldstad 2004). The co-operation between local government officials, councillors, and community leaders in setting common goals might be a crucial trust-enhancing device.

5. Concluding remarks

There is a growing recognition that implementation strategies have received too limited attention in fiscal decentralisation. There has been too much attention on what should be done, and less focus on what can be done given the political, institutional, economic and financial constraints (Smoke 2013; Therkildsen 2000). The basic premise in much of the literature is that reform of the public sector is intrinsically desirable, and resistance to change therefore based on dubious motives of self-interest among state elites (Therkildsen 2001: 40). However, as argued by Therkildsen, resistance against reforms cannot be explained only in terms of entrenched self-interest among those organisations, politicians and officials who stand to lose from changes, as is often done in the literature. According to Therkildsen, resistance is not surprising since many opponents simply are not convinced of the appropriateness of ongoing reforms (ibid.).

In most African countries, creating a more effective transparent and accountable tax system is part of the process of building a state able to promote growth, poverty reduction, social inclusion and reduce aid-dependency more efficiently. Fiscal decentralisation offers opportunities in this process. Yet, despite major reforms of the central government tax system during the last two decades, local government tax systems remains largely neglected in many African countries. Generally, local revenue bases are distortive, costly to administer, and exacerbate inequity. Limited co-ordination with respect to taxation is observed between various levels of government. In some countries, this has led to double-taxation and inconsistencies between local taxation and national development policies, such as job creation and private sector development (Pimhidzai and Fox 2011).

An effective decentralisation framework must be based on clear rules. These rules apply both to tax legislation and tax administration. One of the main challenges is to build a coherent domestic revenue system which takes into account both local and central taxation. Fundamental issues to be addressed in the context of sub-national fiscal reforms are to redesign the current revenue structure and to strengthen financial management. Tax legislation must be kept as simple as possible as there is a risk to overburdening local governments and thereby make them ineffective and inefficient. The reforms of the business licence systems in some East African countries show that such measures may contribute to enhance taxpayers' compliance and improve the accountability of public officials.

There are strong arguments in the literature, that better links between tax payment and public expenditures are essential to building effective and accountable states (Moore 1998; Levi 1988). Tax earmarking could therefore be a mechanism to strengthen tax-expenditure linkages and to build taxpayer compliance. Much of the public finance literature and many fiscal experts advise against earmarking since it may reduce fiscal flexibility in the long-term and also be abused for political purposes. Nevertheless, there may be a particularly strong case for using tax earmarking in developing countries. For one, in the face of political instability earmarking can stabilise funding for priority needs. More importantly, from a governance perspective, tax earmarking may be a useful strategy for building trust, achieving important revenue and spending objectives, improving monitoring and increasing public engagement. Recent experiences from Lagos, Nigeria, provide, as discussed above, evidence of the particular risks and benefits of tax earmarking.

While the current potential for most rural councils for raising substantial own revenues is limited, the potential for revenue enhancement in urban councils is better. In particular, there is a potential to increase revenues from property taxation. However, more realism is required when it comes to the implementation of a well-functioning property tax system. There is also room to increase revenues from other types of taxes and non-tax revenue sources. In this regard, taxes on the consumption of utilities, fees and levies can have a high revenue potential for some local governments.

In most local government authorities in Anglophone Africa, local sources are generally not sufficient to develop and supply adequate services for the fast-growing population. The reality is that local government authorities in most countries for a long time will continue to be dependent on fiscal transfers from the central government. Only a few large urban governments located in rich areas are able to finance a substantial share of their total expenditure with their own revenue sources. Transfer systems based on revenue sharing between the central and sub-national levels of government and grants from the central level should therefore be considered important components of fiscal decentralisation programmes. Shared revenues with the central government may be a way to cover the imbalance between local own revenues and local expenditure responsibilities. However, in order to be effective, this type of transfers must be disconnected from discretionary decisions that create uncertainties for local governments on the amount transferred and/or on the timing of the transfers.

References

Araujo-Bonjean, C. & Chambas, G. 2003. Taxing the urban unrecorded economy in sub-Saharan Africa. Paper prepared for the *'Hard to Tax' Conference*, Atlanta, May 2003, CERDI-Université d'Auvergne, Clermont, France.

Bahl, R. & Smoke, P. (eds). 2003. *Restructuring local government finance in developing countries. Lessons from South Africa.* Cheltenham: Edward Elgar.

Bahl, R., Smoke, P. & Solomon, D. 2003. Overview of the local government revenue system. Chapter 3 (pp. 71–93) in R. Bahl & P. Smoke (eds) *Restructuring local government finance in developing countries. Lessons from South Africa.* Cheltenham: Edward Elgar.

Bahiigwa, G., Ellis, F., Fjeldstad, O-H. & Iversen, V. 2004. Rural taxation in Uganda: Implications for growth, income distribution, local government revenue and poverty reduction. *EPRC Research Series* No. 35 (January). Kampala: Economic Policy Research Centre.

Bird, R. 2010. Subnational taxation in developing countries: A review of the literature. *Policy Research Working Paper* 5450. Washington D.C.: World Bank.

de Gramont, D. 2014. Constructing the megacity: The dynamics of state-building in Lagos, Nigeria, 1999-2013. *MPhil Comparative Government Thesis*, Department of Politics and International Relations, Oxford University.

Devas, N. & Kelly, R. 2001. Regulation or revenues? An analysis of local business licences, with a case study of the single business permit reform in Kenya. *Public Administration and Development*, Vol. 21, pp. 381–391.

Fjeldstad, O.-H. 2004. What's trust got to do with it? Non-payment of service charges in local authorities in South Africa. *The Journal of Modern African Studies,* Vol. 42, No. 4, pp. 539–562.

Fjeldstad, O.-H., Chambas, G. and Brun, J.-F. 2014. Local government taxation in Africa: a comparative study of Anglophone and Francophone countries. *CMI Working Paper* 2: 2014. Bergen: Chr. Michelsen Institute.

Fjeldstad, O.-H., Heggstad, Kari K. 2011. The tax systems in Mozambique, Tanzania and Zambia: Capacity and constraints. *CMI Report,* R2011: 3. Bergen: Chr. Michelsen Institute.

Fjeldstad, O.-H., Katera, L., Msami, J. & Ngalewa, E. 2010. Local government finances and financial management in Tanzania: Empirical evidence of trends 2000-2007. *REPOA Special Paper* No. 10-2010 (October). Dar es Salaam: Research on Poverty Alleviation.

Fjeldstad, O.-H., Katera, L. & Ngalewa, E. 2009. Maybe we should pay taxes after all? Citizens' changing views of taxation in Tanzania. *REPOA Special Paper* No. 29-2009 (April). Dar es Salaam: Mkuni Na Nyota Publishers, Research on Poverty Alleviation (REPOA.

Fjeldstad, O.-H. & Therkildsen, O. 2008. Mass taxation and state-society relations in East Africa. Chapter 5 (pp. 114 – 134) in D. Braütigam, O.-H. Fjeldstad and M. Moore (eds.) *Taxation and state building in developing countries.* Cambridge: Cambridge University Press.

Fjeldstad, O.-H. & Semboja, J. 2001. Why people pay taxes. The case of the development levy in Tanzania. *World Development,* 29, 12, December, pp. 2059-074.

Franzsen, R. 2007. Property taxation in Anglophone Africa. *Land Lines* (April). Lincoln Institute of Land Policy.

Levi, M. 1988. *Of rule and revenue*. Los Angeles, CA: University of California Press.

Martinez-Vasquez J., McLure C. & Vaillancourt, F. 2006. Revenues and expenditures in an intergovernmental framework. Chapter 2 (pp. 15-34) in R. M. Bird and F. Vaillancourt (eds.) *Perspectives on fiscal federalism.* Washington: World Bank Institute.

McCluskey, W. & Franzsen, R. 2005. An evaluation of the property tax in Tanzania: An untapped fiscal resource or administrative headache? *Property Management*, Vol. 23, No. 1, pp. 45-69.

Misch, F., Koh, H.-J. & Paustian, N. 2011. *SME taxation in Zambia.* Lusaka: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

Moore, M. 1998. Death without taxes: democracy, state capacity, and aid dependency in the fourth world. Pp. 84-121 in G. White & Robinson, M. (eds.) *Towards a democratic developmental state.* Oxford University Press.

Oates, W. E. 1972. *Fiscal federalism.* New York: Harcourt Brace Jovanovich.

Pimhidzai, O. & Fox, L. 2011. Taking from the poor or local economic development: the dilemma of taxation of small informal enterprises in Uganda. Paper prepared for the *World Bank Africa Regional Project on Improving the Productivity and Reducing Risk of Household Enterprises*. Washington D.C.: World Bank.

Prichard, W. 2010. Taxation and state building: Towards a governance focused tax reform agenda. *IDS Working Paper* 341 (May). Brighton: Institute for Development Studies.

Semboja, J. & Therkildsen, O. 1992. Short-term mobilization for recurrent financing of rural local governments in Tanzania. *World Development*, Vol. 20, No. 8, pp. 1101-1113.

Smoke, P. 2013. Why theory and practice are different: The gap between principles and reality in sub-national revenue systems. *International Center for Public Policy Working Paper* 13-13. Andrew Young School of Policy Studies, Georgia State University.

Therkildsen, O. 2001. Efficiency, accountability and implementation: Public sector reform in East and Southern Africa. *Democracy, Governance and Human Rights Programme Paper Number 3* (February). Geneva: UNRISD.

Therkildsen, O. 2000. Public sector reform in a poor, aid dependent country, Tanzania. *Public Administration and Development,* Vol. 20, pp. 61-71.

USAID. 2005. *Removing barriers to formalization: the case for reform and emerging best practice.* Washington DC.: USAID.