



Working Paper 12

Rebuilding Local Government Finance After Conflict:

The Political Economy of Property Tax Reform
in Post-Conflict Sierra Leone

Samuel Jibao and Wilson Prichard

August 2013



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Rebuilding Local Government Finance After Conflict: The Political Economy of Property Tax Reform in Post-Conflict Sierra Leone

Samuel Jibao and Wilson Prichard

Summary

This research explores relatively successful reforms of the local property tax system in the four largest city councils in Sierra Leone. Deriving lessons from differing outcomes across the four councils, it highlights three key messages about the determinants of successful reform. First, relatively modest and targeted support from the international community and the central government has been critical. However, the success of such initiatives must be grounded in a focus on longer-term, hands-on, local-level partnerships. Second, success is critically dependent on high-level reform leadership to overcome resistance, particularly from large property owners. In turn, the emergence of such political leadership appears to have been shaped by the relationship between political and economic elites, the relationship between local and central political parties, and the extent of local-level political competition. Finally, alongside the general importance of political leadership, reform strategies that are comparatively contractual can contribute to a virtuous cycle of improved governance, and help to build sustainable political support for continued reform.

Keywords: tax reform; property tax; decentralisation; post-conflict; politics of taxation.

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Acronyms

APC	All People's Congress
ENCISS	Enhancing the Interaction and Interface between Civil Society and the State To Improve Poor People's Lives
GIS	Geographic Information System
GPS	Global Positioning System
IRCBP	Institutional Reform and Capacity Building Project
IT	Information Technology
LGA	Local Government Act
LGFD	Local Government Finance Department, Ministry of Finance, Government of Sierra Leone
MLCPE	Ministry of Land, Country Planning and Environment
OFED	Organisation for Environmental Development
PMDC	People's Movement for Democratic Change
RDF	Revenue Development Foundation
RDN	Rate Demand Notices
SLPP	Sierra Leone People's Party
UNDP	United Nations Development Programme
VSO	Voluntary Service Overseas
Le	Leone (exchange rate used: Le 3,500 = US\$ 1)

Introduction

There has been growing interest in the potential benefits of decentralisation in the developing world since the 1980s. Decentralisation is expected to improve the efficiency of government activities by moving the level of decision-making closer to those most affected by government action. These gains in efficiency are expected to be reinforced by improvements in the responsiveness and accountability of government: as decision-making is brought closer to citizens, they are expected to play a more active role in shaping government policy and monitoring implementation (Bardhan 2002; Agrawal and Ribot 1999; Faguet 2004). Yet, while there has been much attention to the potential benefits of decentralisation, results in practice have been much more mixed. This in part reflects an overly-optimistic view of the likely benefits of decentralisation, and many studies have since captured the role of local political dynamics in shaping outcomes from decentralisation (Crook and Sverrisson 2003; Crook and Manor 1998; Crook 2003; Devarajan, Khemani and Shah 2009).

Alongside this general conclusion is the possibility that the mixed results of decentralisation in part reflect the fact that the decentralisation of *expenditure* responsibilities has almost universally not been accompanied by a similar decentralisation of *revenue-raising* responsibilities and capacity (Bahl 1999; Garman, Haggard and Willis 2001). This distinction is important, as the decentralisation of revenue-raising power is central to the expected benefits of decentralisation, though frequently overlooked (Bahl and Bird 2008; Bahl and Martinez-Vazquez 2007; Bird and Vaillancourt 1998; Lockwood 2009; Shah 1998). First, local revenue sources are essential to ensure that local government exercises genuine autonomy from central government, and thus underpin the prediction that decentralisation will improve the alignment of government spending with public priorities (Bahl 1999). Second, local revenue collection, rather than decentralised spending alone, is likely to be an important driver of the accountability gains predicted by proponents of decentralisation. As Bird and Vaillancourt (1998) argue, 'people take more interest in what they have to pay for and are hence more likely to be interested in ensuring that they get value for their contributions' (Bird and Vaillancourt 1998: 10-11). If citizens are not, in fact, financing local government expenditure to a significant degree, then a central reason for expecting decentralisation to contribute to greater accountability is sharply diminished. However, despite the importance of local government taxation to the success of decentralisation efforts, it is a topic that has received surprisingly little attention from researchers and policymakers alike, with most of that research focused on technical questions of policy design (Bird 2011).

Within the broader category of local government taxation, property taxation is widely regarded as the most viable source of sustainable financing for local government; it is also highly progressive, does not distort economic incentives¹, and may be particularly likely to spark accountability due to the potential for closely linking revenue collection and service provision (Bell and Bowman 2002; Fischel 2001; Prichard 2010a; Sokoloff and Zolt 2005; Hoffman and Gibson 2005; Bird and Slack 2004). That said, in practice property tax collection in most developing countries has tended to be extremely disappointing (Rosengard 1998). This is in part attributable to technical challenges, led by the difficulty of maintaining effective cadastral surveys, and this has been the focus of much of the existing literature (e.g. Kelly 2000; Kelly and Musunu 2000). However, there is significant agreement that the greatest barrier to effective property taxation is political. Property taxes are borne primarily by elites, who are likely to resist the tax; they are also highly visible to taxpayers, and likely to prompt resistance (Bird and Slack 2006; Dillinger 1991; Bird 1974). Yet, despite this general

¹ In fact, it has often been suggested that property tax may create positive incentives for putting idle land to productive use and for clarifying land tenure, though both claims have been difficult to confirm empirically (e.g. Maurer and Paugam 2000; Carnahan 2007).

recognition of the political foundations of ineffective property taxation in general, research has yet to explore the specific political determinants of divergent property tax outcomes.²

This paper correspondingly explores the experience of local government revenue-raising efforts by city councils in Sierra Leone. The specific focus is on dramatic improvements in property tax collection in four city councils – Makeni, Bo, Kenema and Freetown – which were subject to broadly similar reform programmes.³ Through this focus the research seeks to shed light on two relatively understudied questions. First, how were these significant improvements in property tax collection achieved, given that property tax reforms have historically been relatively unsuccessful in low-income countries? Second, within this overall pattern of increasing revenue collection, what explains still significant differences in outcomes across these four city councils? This second question is of particular interest, as we are able to gain analytical leverage from the fact that the city councils were subject to similar reform initiatives within a common institutional setting, but nonetheless experienced very different results, driven, in particular, by political economy factors.

Conducting research of this kind is complicated by the relative absence of formal documentation, the difficulty of accessing centralised local government tax collection data, and the difficulty of conducting interviews on such a politically sensitive topic. These barriers in part explain the absence of extensive prior research. Bearing these constraints in mind, the findings reported here are based on primary data collection from government sources, a small number of published reports, and, most importantly, a wide array of interviews conducted with policymakers, taxpayers and other stakeholders in July 2010, March-July 2011 and May-July 2012. The findings from the interviews have, in turn, been complemented by the implementation of a targeted survey in June 2012 of 40 large commercial and residential property owners in each of the three smallest city councils – Bo, Kenema and Makeni – in order to further explore specific hypotheses emerging from earlier interviews (see Appendix). Finally, the results of the initial phases of the study were validated at a workshop in October 2011, at which most of the major stakeholders discussed in this report were present and invited to comment.

The paper proceeds in five parts. First, an introduction to the structure of local government in Sierra Leone, and the evolution of local government tax collection since the introduction of decentralisation reforms in 2004. Second, an overview of the role of property taxes in local government finance, and of reform efforts undertaken since 2004. Third, a discussion of divergent reform trajectories across four major municipalities in Sierra Leone: Makeni, Bo, Kenema and Freetown. Fourth, an exploration of the determinants of reform outcomes. The final section provides a brief summary, and concludes with reflections on lessons learned, continuing challenges and the way forward.

1 Local governance and fiscal decentralisation in Sierra Leone

The district council system of local governance was first established in the British protectorate of Sierra Leone in 1896, while the British colony in Freetown was ruled directly

² This is not, of course, to suggest that individual country studies have not acknowledged political constraints, nor that policy advice has not recognised the need to design property tax reform in a way that addresses the potential for political resistance. The difference is that previous studies have focused on the general need to build political support for reform, while this study aims to provide a more fine-grained understanding of sources of variation in support for reform (see, for example, Kelly 1992).

³ The remaining city council, Koidu-New Sembehun, is excluded because it was not subject to a comparable reform intervention during the period.

by the British governor. This local governance structure followed the broad contours of indirect rule, as district commissioners were responsible for the administration of the districts in collaboration with chiefs. These were ostensibly traditional authorities, but were in practice overseen, and sometimes deposed and replaced, by the British (Reno 1995; Mamdani 1996). When the protectorate and the colony were merged at independence in 1961, the two-tier system of government put in place followed the broad logic of the colonial system. The central government, based in Freetown, retained primary authority, while the remainder of the country was divided into local councils. These fell into three categories: the city council (Freetown); town councils (Bo, Kenema, Makeni, Koidu New Sembehun, and Bonthe); and district councils (Bombali, Koinadugu, PortLoko, Kambia, Tonkolili, Kono, Kenema, Bo, Pujehun, Bonthe, Moyamba, Kailahun, and Western Area Rural).

While the colonial system of local governance survived the transition to independence, the post-independence government of Siaka Stevens increasingly centralised government power, and the local councils were entirely abolished in 1972. The period prior to the abolition of the local councils as a separate level of government had witnessed growing inefficiency, corruption and politicisation. The provision of services deteriorated further after 1972, as remaining local administration became little more than a mechanism for dispensing political patronage. It has been widely suggested that centralisation of power at the national level, and the resultant deterioration in the provision of local services, was an important cause of the brutal civil war that began in 1991 and only concluded in 2002 (Fanthorpe 2006; Sawyer 2008; Kanu 2009).

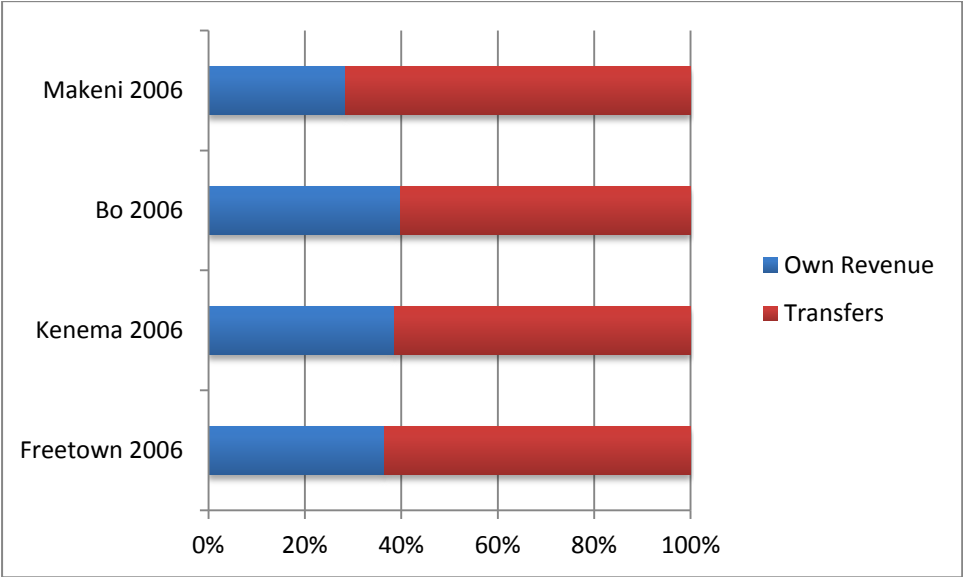
Given that over-centralisation had been widely cited as a cause of the civil war, launching an ambitious decentralisation process was an immediate priority for the government and donors alike after successful elections in 2002. With the high profile support of donors, in April 2004 the government enacted the Local Government Act (LGA), which laid out the legal framework for local government and fiscal decentralisation (Robinson 2008). This Act mirrored the pre-1972 structure of local government, putting in place 19 councils: 5 city councils, Bonthe municipality and 13 district councils. Below the local councils lie 149 chiefdoms, governed by chiefdom councils; these are not recognised as a formal level of local government, but in practice exercise significant local power.

While the local government structures established in 2004 are thus not new when viewed through a long historical lens, in practice the new generation of elected councillors and local government officials generally lacked significant experience of local government administration. The construction of significant state administrative capacity at the local government level posed an equally daunting challenge (Gaima 2009). More generally, the overall legitimacy and institutionalisation of the newly-returned system of local government was somewhat tenuous, owing both to the legacies of centralisation and tensions surrounding the division of authority between the new district councils and the existing chieftaincy system (Srivastava and Larizza 2011). However, there remained hope that strengthening local government, coupled with improvements in service delivery, could increase perceptions of government legitimacy and reduce the risk of future conflict (Larizza and Glynn 2012).

These challenges – of leadership, capacity and legitimacy – have been clearly reflected in revenue collection efforts. Section 45 (1) of the 2004 LGA stipulates that local councils shall be financed from three sources: own revenue collection; central government grants for devolved functions; and transfers for services delegated by central government ministries. Section 45 (4) defines the primary sources of own revenue: local (poll) tax; property rates; licences; fees and charges; share of mining revenues; interests and dividends; and any other revenue due to the government but assigned to local councils by the minister responsible for finance by statutory instrument. In practice, as shown in Figure 1, the newly formed city councils had extremely low revenue capacity immediately after their creation, and were

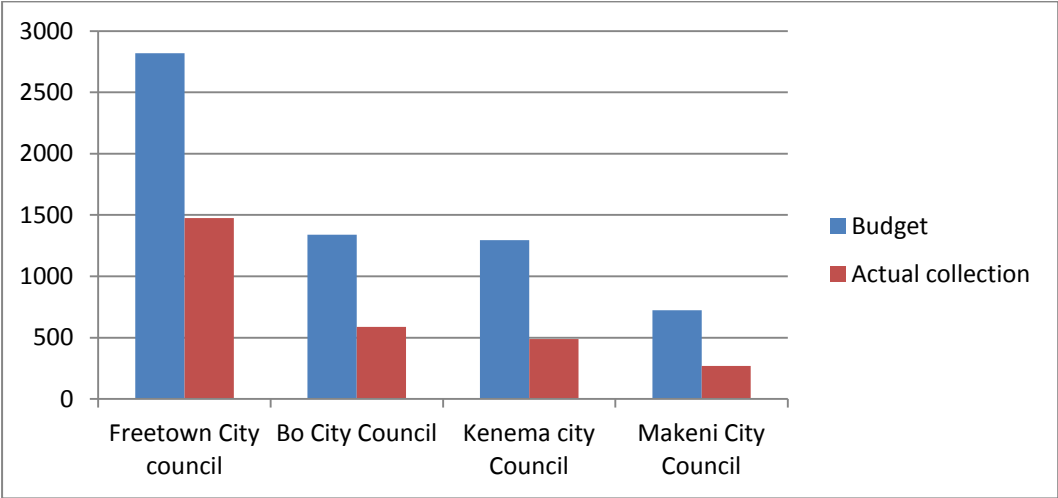
initially heavily reliant on central government transfers, with collections per capita averaging roughly Le 3000 per capita as late as 2007. By 2007 the city councils continued to fall far short of budgeted revenue collection goals, with the three city councils other than Freetown collecting significantly less than 50 per cent of budgeted targets (Figure 2). Moreover, lacking significant tax administrative capacity, local government relied very heavily on relatively easy-to-collect market dues, while collection of harder-to-collect taxes lagged behind. Property taxes, the most sustainable long-term foundation for local government revenue collection, proved to be particularly ineffective (Figure 3).⁴

Figure 1 Own revenue vs. central government transfers 2006



Note: Reliable transfer data is not available prior to 2006.
 Source: Local Government Finance Department, Ministry of Finance, Government of Sierra Leone.

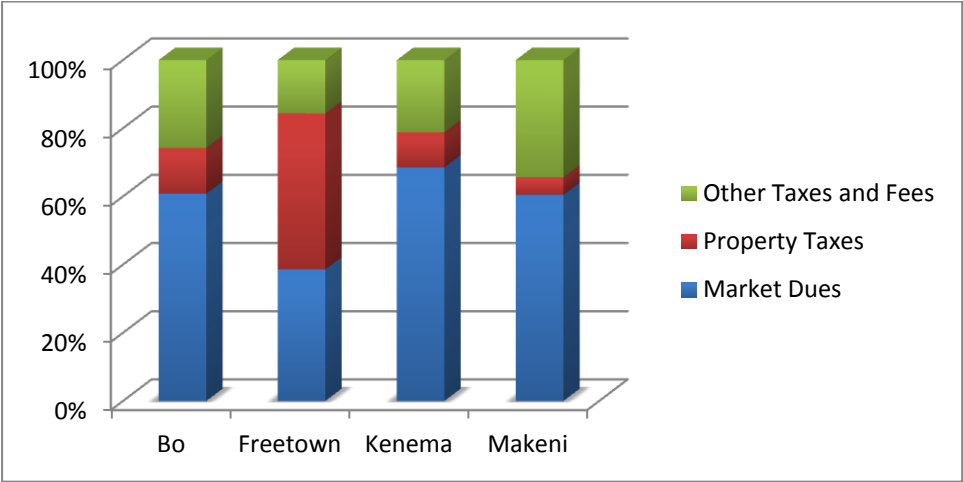
Figure 2 Actual revenue collection vs. budgeted targets 2007 (Le per capita)



Note: It has not been possible to access budgeted collection targets for earlier years.
 Source: Local Government Finance Department, Ministry of Finance, Government of Sierra Leone.

⁴ Property tax collection in Freetown comprised a slightly higher share of revenue than in the other city councils, but this is misleading as a measure of performance. During these early years Freetown City Council collected remarkably little revenue from other taxes, thus inflating the apparent importance of very low property tax collection. As discussed below, Freetown’s dramatically larger property tax base makes this performance particularly disappointing.

Figure 3 Composition of own revenue 2005

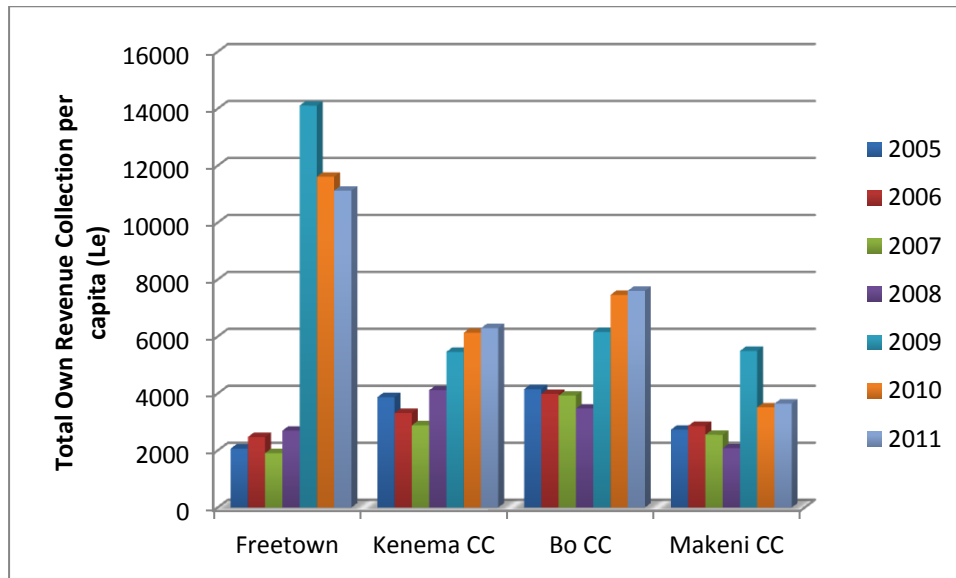


Note: Other Taxes and Fees is composed of business registration, licences, local tax, and other fees and charges.
 Source: Local Government Finance Department, Ministry of Finance, Government of Sierra Leone.

While the fiscal capacity of local government was thus severely limited in the years immediately following the 2004 LGA, substantial gains, albeit from an extremely low base, began to emerge from 2007. From 2006 to 2011, there was significant growth in the own revenue generated by the four major city councils, though these gains were not evenly distributed (Figure 4). Revenue nearly doubled in nominal terms in both Bo and Kenema. In Makeni revenue rose substantially by 2009 before witnessing regression in 2010, then stabilising at a level 27 per cent higher than in 2006. Meanwhile, Freetown witnessed the most dramatic gains, with revenue increasing more than fivefold. However, the magnitude of these gains is extremely deceptive, as Freetown has a far more developed tax base than the other city councils, and it is widely felt that Freetown remains the weakest tax collector of the four city councils relative to its potential.⁵

⁵ There are, unfortunately, no reliable estimates of revenue potential for the different city councils, but Freetown's potential is widely felt to be dramatically higher. As is described later in the paper, evidence for this general proposition is provided by the fact that even the larger reported revenue gains in Freetown have been achieved without any significant administrative modernisation.

Figure 4 City council revenue per capita 2006-10



Note: Population data based on 2004 national census. Data for Freetown does not include block development grants received from Crown Agent consultants in both 2008 and 2009.

Source: Local Government Finance Department, Ministry of Finance, Government of Sierra Leone.

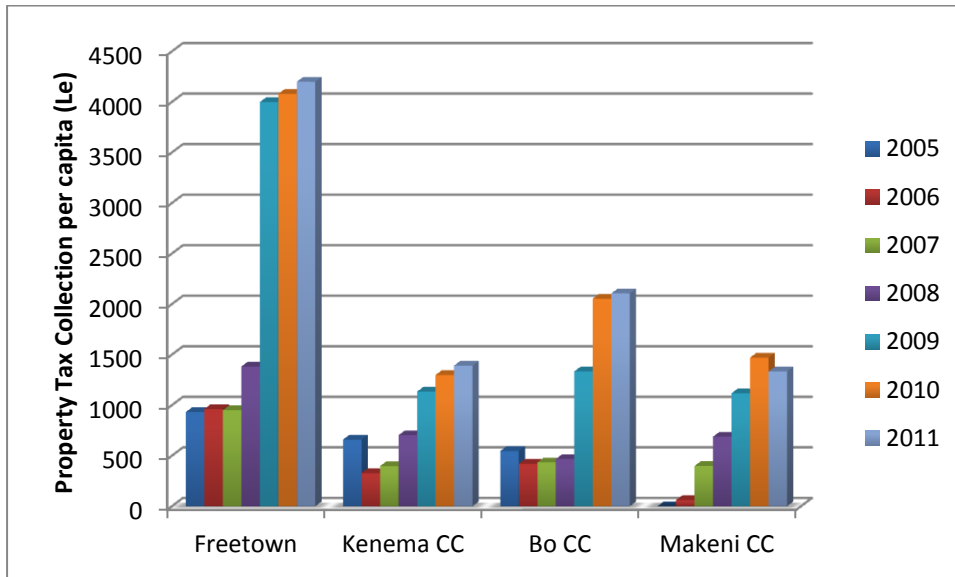
While gains in overall local revenue mobilisation have been substantial, but unspectacular, the performance of property tax collection is more striking, with property tax revenue increasing dramatically across the councils.⁶ In 2005 property tax was relatively insignificant in absolute terms, and was dwarfed by other taxes (and particularly market dues) as a share of local government revenue (Figure 3). Since then, property tax increased by between 300 per cent and 500 per cent in each of the city councils between 2007 and 2010 (Figure 5), and has become an increasingly important source of local government revenue (Figure 6).⁷ This upward trend in property taxation is particularly important to understand local government revenue-raising, as property tax is both the most viable long-term source of revenue for local government, and more technically and politically demanding to collect than other local taxes.

While these gains have occurred from a very low base, and overall revenue yields remain far from sufficient to meet local expenditure requirements, they nonetheless represent a striking achievement. A World Bank local government project at the time included as a performance target that total revenue collection in the city councils reach at least Le 3,000. In practice, by 2009 (the final year of the project) levels were much higher, at, approximately, Le 10,300 in Freetown, Le 6,500 in Bo, Le 5,400 in Kenema and Le 5,300 in Makeni, with property tax making up an increasing share of these totals. This change was, in turn, underpinned by quite dramatic administrative upgrading in some of the city councils, described below. Given this significant achievement, in an area in which such achievements are relatively rare in low-income countries, the remainder of this study is committed to understanding the determinants of this success.

⁶ Property tax in Sierra Leone is, for all intents, a tax on wealth, and is levied on the assessed value of all non-exempt properties. The only exceptions, following Section 70 of the LGA 2004, are: (a) church, chapel, mosque, meeting house or other building exclusively used for public religious worship; (b) hospitals and clinics purposes; (c) charitable purposes; (d) public educational purposes, including public universities, colleges and schools; (e) burial grounds and crematoria; and (f) diplomatic missions as approved by the government. No city council interviewed has data on the amount of revenue forgone as a result of the above exemptions; for properties outside the above list of exemptions, the law requires that they should be assessed and made to pay the rates.

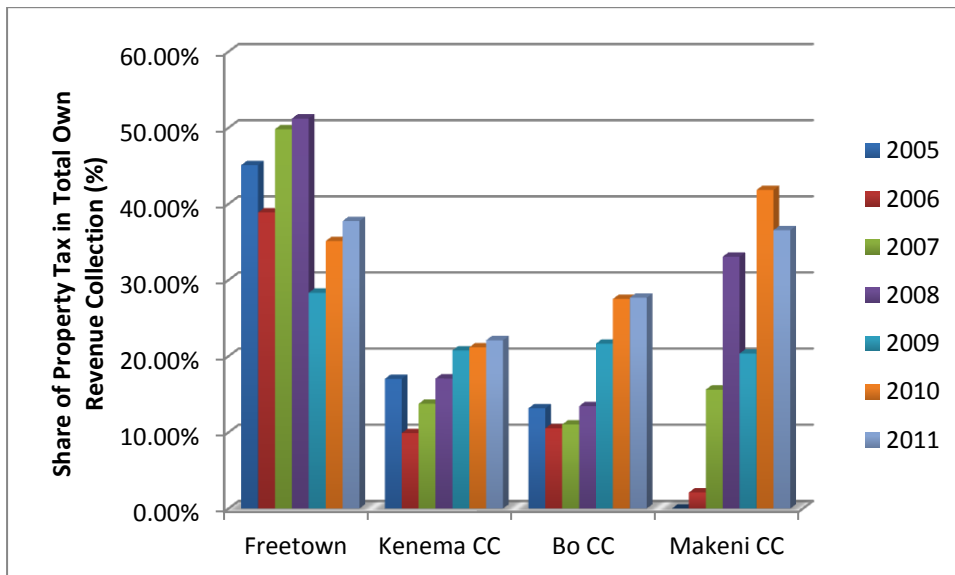
⁷ The one exception is Freetown, where equally large gains in non-tax revenue have left property tax revenue as a slightly diminished share of total government revenue, though even in Freetown property tax collection has increased dramatically in absolute terms.

Figure 5 Property tax collection per capita 2005-11



Source: Local Government Finance Department, Ministry of Finance, Government of Sierra Leone

Figure 6 Property tax revenue as a share of total own revenue



Source: Local Government Finance Department, Ministry of Finance, Government of Sierra Leone

2 The property tax reform programme

While it would have been reasonable to expect progressive improvements in property taxation over time, as capacity within the new city councils increased, in practice the dramatic increases in revenue coincided with the introduction of targeted reform interventions. What follows introduces the relatively unexpected and ad hoc emergence of this reform programme, and then describes the specific components of reform efforts.

The Local Government Act was initially introduced in 2004, and was accompanied by extensive donor support for capacity building within the newly created local councils. The

international component of this support was led and coordinated through the World Bank-funded Institutional Reform and Capacity Building Project (IRCBP), which aimed to enhance local government accountability and service delivery. The programme provided extensive financial support for specific initiatives; it also supported the creation of the Local Government Finance Department (LGFED) within the Ministry of Finance and Economic Development. However, while the IRCBP programme was initiated in 2004, it did not begin to commit significant attention to revenue-raising issues until 2007, by which time reform efforts had already begun through more unexpected channels.

The origins of the reform programme instead lie in Makeni, where in late 2006 the local United Nations Development Programme (UNDP) office, in partnership with the city council, recruited a Canadian chartered surveyor called Paul Fish through Volunteer Service Overseas (VSO) to support local efforts to strengthen property tax collection. Fish, who was initially recruited on a six-month contract, enjoyed significant support from the local government, and was widely credited by local officials for rapidly reinvigorating existing collection processes. Property tax collection began to increase in early 2007 - only a few months after his arrival.

This initial success was sufficient to convince both Fish and the local council of the value of pursuing more ambitious reform to put in place a robust and effective system for property taxation. It was clear that this would need to begin with renewed efforts to identify and value existing properties, many of which were either not contained in existing records or could not be identified. More broadly, limited capacity and financial resources led Fish to argue for implementing a highly simplified strategy that could generate incremental improvements in performance, while ensuring adherence to basic principles of transparency and equity. On this basis, in early 2007 he began to outline the components of a five-part reform programme, loosely based on the earlier work of Dillinger (1991), which would include discovery, assessment, billing, sensitisation and collection. While none of these elements was particularly unique in broad terms, it was the detail of their operationalisation – with a focus on simplicity, transparency and low cost – which was viewed as crucial to the potential for success.

The first two concurrent phases of the programme were discovery and assessment. These called for the assembly and maintenance of a database capturing the location and assessed value of all properties within the council area, in order to ensure equitable contributions to municipal services. While an indispensable asset for local property tax collection, the establishment and maintenance of such surveys has long been recognised as a major barrier to effective taxation across low-income countries (Kelly 2000). In seeking to overcome the tendency of such efforts to be both very costly and difficult to sustain over time, the programme called for the local recruitment of valuation officers who would be trained to perform the identification and assessment of properties, including the assignment of street names and house numbers. Portable Global Positioning System (GPS) devices would be used to identify the location of different properties, with the potential to then transform these GPS coordinates into comprehensive local property maps as part of a broader Geographic Information System (GIS). Meanwhile, all of the relevant information was to be recorded using relatively straightforward database software that could tabulate tax liabilities and track tax compliance, with at least one locally-recruited valuation officer trained to operate the software.

Valuation was to rely on recording readily-observable characteristics of individual properties, in order to establish valuations that were easy to establish, transparent to taxpayers and progressive. While property would, ideally, be valued based on actual market value, in the absence of an active property market, or the sophisticated technical capacity to establish such valuations, a simplified system was considered more feasible. Unlike the simplest such systems, which rely only on the property type (commercial or residential), land area and the

number of rooms in the structure to establish valuations, the reform programme called for collecting additional data including the dimensions of the structure, the construction type (timber, mud, corrugated iron sheets or brick are used), location and accessibility (access to roads, hospitals, water, electricity, etc.) and the facilities in the property. While more complex to keep up to date, reliance on these additional characteristics was considered essential to ensure progressivity and the consequent legitimacy of the system, while reliance on non-discretionary characteristics was essential to minimising disputes and uncertainty.⁸ The discovery and valuation process was expected to take three months within Makeni City Council, when employing a team of 5-10 valuation officers.

Following the identification and valuation of all relevant properties, the reform programme called for the initiation of the billing process, accompanied by extensive sensitisation efforts. The billing process was to involve the automated production of Rate Demand Notices (RDNs), which generated specific tax liabilities for each property owner based on a formula, updated annually by the city councils, linking observable property characteristics to tax liabilities. The IT system made the production of RDNs relatively straightforward, with each element of the tax liability printed for inspection by taxpayers. The production and delivery of RDNs was to be accompanied by extensive sensitisation efforts designed to communicate to taxpayers the basis for their tax liabilities, the ultimate purpose of the taxes collected, procedures and timelines for tax payment, and available options for appealing tax assessments. These sensitisation events were to be carried out through a variety of methods, led by regular radio programming featuring both presentations and call-in shows involving elected officials, tax officials, and, crucially, influential local individuals including chiefs and religious leaders.

While the distribution of RDNs was designed to encourage voluntary tax compliance, the final phase of the reform – collection – was focused on putting in place procedures for pursuing delinquent taxpayers. Those administering the reform programme immediately recognised that this phase was likely to prove most challenging. On the surface, enforcement would appear to be straightforward: the government generally knows the location of the property owner and has direct access to the property in case of non-compliance. However, in practice collection and enforcement in most of the city councils had been very weak, in part due to poor record keeping and capacity, but primarily due to the politicisation of the system. Most large property owners, from whom the majority of revenue should be collected, are wealthy and have strong connections with elites, meaning that court action against defaulters was exceptionally rare and rarely successful even when implemented. This is consistent with experience elsewhere in low-income countries, where strong ties between large landowners and political elites have been widely cited as the primary explanation for weak property tax collection (e.g. Bird 1974. 1991).

The proposed reform programme was thus comprehensive, running from the simple identification of properties to the highly politicised task of generating political will to enforce compliance. At every stage, the design of the programme was premised on developing a system that was as administratively simple as possible, while ensuring horizontal and vertical equity and the establishment of clear lines of communication between the council and taxpayers. Underpinning all of these goals was a reliance on the implementation of a simple and transparent IT system that was to be designed locally as part of the reform effort. This

⁸ Officially, the 2004 LGA requires councils to appoint valuation officers to put together the list of valuations, under the supervision of the principal revenue collector and based on criteria reviewed annually by the chief valuation officer and the chairman of the valuation committee. The list of valuations is then to be reviewed by an assessment committee (made up of members of the council) that will, in turn, send the valuation list to the entire council for approval. Once the list has been approved, it should also be made available to taxpayers in order to ensure transparency and fair valuation of neighbouring properties. While this lengthy process is necessary to ensure transparency and fairness, it highlights both the administrative challenge of keeping lists up to date, and the significant potential for politicisation of the process. It is in light of these risks that reliance on non-discretionary characteristics of properties was considered essential to an efficient and equitable system.

shift from an essentially manual accounting system – which remains the norm at the local government level across much of the continent – to an automated system was critical not only to improving record keeping, but to strengthening the overall integrity of the system. At the simplest level, automation held the potential to dramatically simplify the task of regularly updating property values, and of adding new properties to the register, particularly when coupled with the use of GPS technology to identify properties. More importantly, perhaps, the system was designed in order to make the valuation method highly transparent, rules-based and resistant to manipulation by senior officials.

With the proposed reform programme now in place, there was a need to secure funding for preliminary implementation, and particularly for the identification and valuation of properties. With Makeni City Council agreeing to provide in-kind support, implementation of the new programme was initiated in 2007 after Fish secured funding of Le 7.6 million (approximately US\$ 2,000) from ENCISS, a local partner of Care International. The discovery and assessment phases were carried out successfully, and contributed to dramatic revenue improvements, with property tax collection increasing from Le 3.8 million in 2006 to Le 33 million in 2007 – the latter achieved despite the fact that the programme had only been implemented mid-year. This success prompted further collaboration between Fish and the local council, resulting in the development and implementation of new, more robust, IT software in 2008 under the direction of Jethro Burtner, who was then employed by UNDP as part of the Sierra Leone Information Systems programme.

The progressive development of the reform programme in Makeni, which was already showing major success by 2007 despite the near total absence of any additional external support, quickly began to attract the attention of central government officials from the LGDF. Meanwhile, those involved with IRCBP were increasingly turning their attention to the need to strengthen local revenue-raising capacity, following a two-day workshop held in April 2006 attended by all 19 local councils.⁹ This was followed by a Mid-Term IRCBP Review Report in February 2007. The report noted the very poor performance of local government own revenue collection efforts, attributing this weakness specifically to: (1) politicisation of revenue efforts; (2) a lack of clarity in the roles played by the different council bodies (chiefdom, district and town); and (3) the absence of a link between revenue mobilisation, citizen engagement and improved service delivery.

Against this background, the LGDF asked Fish to travel first to Bo City Council, and subsequently to Kenema City Council, in order to set the stage for expanding the reform programme beyond Makeni. While reform was initially delayed in both places by the spectre of elections at the end of 2007, the reform programme began to be implemented in Bo immediately following the elections in early 2008; it was initiated in Kenema later the same year. Concurrent efforts were also being made to expand the programme to the capital city, Freetown, with Fish making repeated visits to meet with local officials in 2007 and 2008. While adoption of the reform programme was much slower in Freetown, a property identification and valuation exercise was initiated in 2009 under the auspices of LGFD, with support from the World Bank.

3 Divergent reform trajectories across four city councils

Ultimately, the basic reform programme originally implemented in Makeni was proposed to the three other city councils over the course of 2007, and was introduced in all three over the

⁹ The meeting was facilitated by World Bank consultant Gordon Mwesigye.

course of 2008 and 2009. By 2010, improvements in property tax collection had begun to appear across all four city councils, and were exceeding the expectations of those who had designed the decentralisation programme. However, while there has been a measure of success in all four city councils, there has also been significant variation in overall outcomes, and these variations have the potential to shed light on key determinants of successful reform. What follows thus begins by presenting experiences from each of the four city councils in turn.

3.1 Makeni City Council

In 2005, property tax collection by Makeni City Council was lagging far behind the already low levels being achieved elsewhere in the country. Total tax collection amounted to only Le 11 million, or 133 Leones (US\$ 0.03) per capita, as most records and infrastructure for collection had been destroyed during the civil war.¹⁰ In 2006, the government decided to cut the already low property tax rate by half, in a bid to improve compliance. The result was a further dramatic fall in collection, to an estimated Le 3.8 million, with only an estimated 5 per cent of 7,000 total eligible properties paying tax. This reflected not only limited capacity, but very limited public trust in the tax authorities, and the political difficulty of taxing properties belonging to powerful individuals.

The arrival of VSO volunteer Paul Fish in later 2006 immediately contributed to reinvigorating existing collection processes, and collection in the first month of 2007 surpassed *total* collection from 2006. By the end of the year, total collection had climbed to Le 33 million, almost ten times the value from the previous year. This feat, which local officials attribute to a significant degree to the arrival of a single external volunteer, was all the more remarkable given that it was an election year, and politicians were correspondingly reluctant to prosecute tax evaders.

While initial improvements in collection in early 2007 were achieved entirely through tightening enforcement of the existing tax system, attention quickly turned to the implementation of a more thoroughgoing reform programme. This was initiated in March 2007, with a team of ten locally-recruited valuation officers. The discovery and assessment processes were relatively successful, with 5,800 of the estimated 7,000 eligible properties being captured within two months, and the subsequent initiation of much more regular consultation between the city council and citizens around tax issues. For a brief period a weekly radio show was established to discuss these issues, with Fish and other local notables, including chiefs, as regular guests. Civil society actors report a relatively active dialogue with local government during this period.

The benefits of the reform programme were immediately apparent, with property tax collection increasing from Le 5 million in 2006 to Le 32 million in 2007 even as the programme was still being implemented, and increasing to Le 57 million in 2008 as the full reform programme took root. The second phase of the reform programme was implemented during 2008, as support was secured for the development of new IT software in order to further refine and strengthen property valuation and assessment. With this new reform effort spurring continued gains, collection grew further to Le 93 million in 2009, and Le 122 million in 2010.

¹⁰ This discussion is drawn from interviews with stakeholders, as well as the written reflections of the consultant, Paul Fish, who became involved in the reform programme (<http://paulinsieraleone.blogspot.com/2007_05_01_archive.html>). On the state of record keeping in 2006 he writes: 'The old records of properties, registers, papers as well as any maps, lists of street names etc etc were all destroyed during the civil war. Even the old municipal building was totally ruined and is only now being rebuilt... here were some 2004 registers created by some local students but these were obviously poorly recorded, incomplete and inaccurate'.

However, while revenue collection continued to grow until 2010 on the foundation of reforms undertaken in 2007 and 2008, collection efforts appeared to reach a plateau as official support for the reform programme began to waver as early as 2008. Though the political leadership in Makeni had initially supported revenue collection efforts, conflict emerged between the local government and international consultants over two issues: the prosecution of tax evaders, and the transparency of the IT software. With respect to prosecution, while the council had been very supportive of efforts to expand the property rolls, it proved largely unwilling to prosecute aggressively those who failed to comply with their assessed tax liabilities, owing to the political sensitivity of doing so. Meanwhile, there was growing conflict over the inflexibility of the new tax software, which made it very difficult for even senior officials to amend information in the database after it had been entered. Local officials complained that this was unnecessarily restrictive, cumbersome and inefficient, while the local consultants contended that the real issue was that local political and economic elites resented the transparency created by the automation of the system, and wished to reassert control. This conflict was also reflected in the gradual disappearance of many of the early initiatives for increasing the overall transparency of the system, as sensitisation and communication efforts declined significantly after 2008. As a result of these conflicts, international support for reform in Makeni was sharply reduced by 2009, with the UNDP software being replaced by a slightly amended version that increased the flexibility and control of information exercised by the administration. Ultimately, while the initial reform programme achieved important gains by creating a strong foundation for property tax collection, it was unable to overcome entrenched political interests, which prevented the full expansion of transparency and the effective enforcement of tax compliance among elite groups.

3.2 Bo City Council

In 2005 the property tax situation in Bo was somewhat better than in Makeni, with collection almost four times higher on a per capita basis, higher rates of compliance (estimated by Fish at 30 per cent during a research visit in early 2007), better record keeping and a more progressive valuation process. That said, the overall level of collection remained extremely limited (Le 400 per capita), record keeping remained entirely manual, and the politicisation of collection remained a serious problem.

The process of reform began in 2007, when the LGFD, funded by the World Bank IRCBP, asked Fish to travel to both Bo and Kenema to support efforts to strengthen property discovery and valuation. With an election on the horizon in August 2007 there was no immediate action, but the reform programme that had been pioneered in Makeni was initiated in earnest in Bo City Council in 2008, with financial support from the LGFD, funded by the IRCBP. Paul Fish was responsible for overseeing the reform programme, while a local consultancy firm, Nazmone, carried out implementation of property discovery efforts. A second local consultancy firm, Insight, with the support of the UNDP, implemented a subsequent upgrading of the system. Since then Bo City Council has entered into a close and ongoing relationship with the Revenue Development Foundation (RDF), an international consultancy firm of which Paul Fish is a founding member, in implementing new administrative IT software that builds on the model first established in Makeni. This partnership was mutually beneficial, as RDF embraced the highly supportive leadership of the Bo City Council as a partner in further refining its reform methodology, while RDF has provided much of its technical assistance without charge, to the benefit of the city council.

The result of these reform efforts has been impressive, with revenue growth and tax compliance outstripping performance in the other city councils. Property tax collection increased from Le 70 million in 2008 to Le 200 million in 2009, and Le 310 million in 2010, with per capita collection about 35 per cent higher than in the comparable cities of Makeni and Kenema. As importantly, most observers feel that revenue gains in Bo have been driven

to a large degree by improvements in overall compliance, both among elites and the broader base of taxpayers. This focus on compliance is reflected in the pacing of reform, as initial revenue gains in 2008 were relatively modest, with large improvements in revenue collection only emerging in 2009 after the entire reform intervention had been implemented.

In seeking to improve compliance, a critical aspect of the strategy adopted in Bo has been continuous efforts to expand outreach, consultation and transparency in order to enhance public trust. Most publicly, early on during the programme Bo City Council began to hold a weekly Wednesday radio programme incorporating 15 minutes of discussion and a 45-minute phone-in segment for taxpayers. This programme gave taxpayers the opportunity to ask questions about taxes and tax revenue, general operations of the council and other matters. Meanwhile the council administration has used this forum to inform the public about weekly revenue collected, council expenditure and challenges facing the council.

In part through this radio programme, Bo City Council has taken steps to specifically highlight local projects that are funded by own source revenue. In a context in which the majority of local government revenue continues to arrive through central government transfers, they recognised that citizens tend to attribute public programmes to central government funds, thus creating scepticism about the added value of local tax collection. Identifying specific local programmes to be funded through local tax revenue has made it possible to stress the benefits accruing from increased local tax collection. Thus, for example, the chief council administrator explained that, 'taxpayers know that monies collected from market dues are used to pay council staff and those from property tax are used for development projects'. While the reality is not quite so absolute, the key message from the council is that greater clarity about how revenue is used has created a much greater sense of the accountability of the local council, and built support for reform. Particularly important in underpinning this increased trust has been the success of the council in improving a set of high visibility public services, financed by local tax collection, including improved bus services and a well-structured waste management programme for the city. While similar efforts to expand transparency and outreach were initially a part of reform programmes in Makeni and Kenema as well, it is only in Bo that the momentum has been significantly sustained.

While the local government has thus invested in seeking to encourage 'quasi-voluntary' compliance (Levi 1988), improved compliance has also relied on improving administrative systems. Reliance on upgraded software has been critical in this effort, as the council has embraced software specifically designed to reduce the discretionary power exercised by tax collectors and the council – in sharp contrast to resistance to such restrictive and transparent software in Makeni. The new software makes it difficult to alter data in the system once it has been inputted, thus reducing the scope for manipulation of tax liabilities, and establishes clear rules for establishing tax liabilities. These contribute to reducing corruption and increasing trust among taxpayers.

The new software alone has not, of course, ensured tax compliance: The greatest success of the reform in Bo has been the willingness of the city council to support efforts to pursue tax arrears, including the successful prosecution of several large, and influential, taxpayers. Those involved with the reform programme report that pursuing such prosecutions was the most challenging hurdle for the reform programme, as it required the mayor to show significant determination in directly confronting active resistance to aggressive enforcement. Sustaining this high-level political commitment was, in turn, aided by the regular presence of Fish and the reform team in the council. They were able to support and encourage the mayor's efforts, including regularly highlighting gaps in compliance and pressing for action.

This willingness to pursue compliance even by relatively influential individuals depended on progressively fostering reform leadership at every level of the city council administration, as well as building broader public support for reform. This reform leadership has existed at the

highest level of the city administration, led by the mayor and the chief administrator, who have both been committed to overcoming resistance to reform. This sustained political commitment is revealed particularly by the proactive pursuit of continued donor support, continued consultation and transparency, and, above all, the successful pursuit of politically-influential tax evaders. Political leadership is similarly reflected in observing the day-to-day functioning of the council. The mayor has played an active role in supporting administrative improvements and in setting high expectations, but has also granted significant autonomy to the local administration, allowing them to feel ownership over the reform programme and to work without fear of political interference. The mayor has consistently made himself available to members of the administration, and this has contributed to high levels of staff morale and support for reform efforts. This commitment, in turn, is reflected in significant continued support for the reform programme at all levels. This has most notably been reflected in a continued desire to upgrade the tax software incrementally, as capacity increases. Measures under investigation at the time of writing include: introducing a clear audit trail, providing fuller segregation of duties and password protection, improving integration with the accounting system, and strengthening the calculation and monitoring of arrears. Efforts had also been initiated to build greater cooperation with the Ministry of Land, Country Planning and Environment (MLCPE), in order to share data related to new property development.

3.3 Kenema City Council

As in Bo, Paul Fish made a first consultative visit to Kenema during 2007 at the behest of the LGFD, though with elections on the horizon property tax collection was largely unchanged in 2007, while total government revenue collection declined. However, despite this temporary revenue downturn, Kenema City Council maintained an active commitment to strengthening revenue collection and reached out to Paul Fish, the donors and UNDP in search of support for implementing a reform programme beginning in the second half of 2008. The council ultimately secured support from UNDP, which in turn commissioned the LGFD to identify and commission consultants to undertake a survey and valuation of existing properties, and, subsequently, to implement new IT software. The LGFD opted to hire a local consulting firm, the Organisation for Environmental Development (OFED), to carry out the work, while Fish – and the RDF, with which he was now engaged – did not play an active role, beyond occasional requests for advice from the local government throughout the process.

Work on the identification and valuation of new properties, and the implementation of a new IT platform, began in 2008 under the leadership of OFED. The new IT system was based on the platform originally developed in Makeni, and, like in Makeni, Kenema City Council opted for a system that lacked the strict transparency and controls imposed by the software implemented in Bo City Council. While there was some concern expressed by the council about the quality and completeness of the discovery work done by OFED, the tax net was nonetheless significantly expanded. Although the reform was only implemented in late 2008, revenue gains were immediately apparent, with property tax collection increasing from Le 51 million in 2007 to Le 91 million in 2008. These gains reflect the extent to which a simple decision by the council to strengthen enforcement was sufficient to yield significant gains even prior to the full roll-out of the reform intervention. With the reform programme fully implemented in 2009 revenue gains expanded further, with property tax rising to Le 146 million in 2009 and Le 167 million in 2010. By 2010, per capita collection was only slightly lower than in Makeni, and almost two-thirds the level achieved in Bo.

While Kenema City Council has thus experienced significant revenue gains despite initiating reform later than either Makeni or Bo, those gains had begun to plateau by 2010. This has, in turn, reflected wavering political support for full implementation of the reform programme. While imperfect in some respects, the initial phases of the reform programme were generally successful, with significant improvement in the quality of property identification and valuation. This was coupled with meaningful efforts at taxpayer sensitisation in order to educate

property owners about the basis for calculating their tax liabilities. These successes were reflected in rapid initial gains in collection, as new properties and taxpayers were drawn into the system.

However, levels of collection per capita have continued to lag behind those in Bo and Makeni, and there was only a comparatively modest increase in collection in 2010. This appears to reflect difficulties of enforcement, as several large tax defaulters who have been taken to the Magistrates Court are believed to have used their political connections to avoid prosecution and payment.¹¹ This not only undermines revenue collection, but also calls into question the fairness of the system and the basis for broad-based tax compliance. The later concern is highlighted by a widespread belief among the public that those close to the city council continue to be able to waive their property tax liabilities effectively, much as powerful individuals before the civil war had been able to avoid the payment of virtually all public levies. At the same time that enforcement among elites has lagged behind, outreach efforts have failed to develop, following initial sensitisation efforts in 2008 and 2009. Unlike in Bo, where the local government has progressively expanded communication with the public around revenue issues, Kenema City Council invested in explaining tax liabilities to the public but stopped short of broader consultation or expenditure transparency. Overall, this lack of leadership, coupled with the politicisation of the tax system, has led many officials to conclude that further progress is unlikely to move beyond the immediate revenue gains achieved through the discovery and assessment process.

3.4 Freetown City Council

While Bo, Kenema and Makeni are of relatively comparable size and wealth, Freetown offers a less direct comparison, as it is home to the overwhelming majority of large commercial activity and has a population more than five times that of any of the other city councils. Nonetheless, an examination of property tax experience in Freetown serves to highlight further some of the key messages emerging from the discussion so far.

In Freetown, as with the other city councils, significant progress in increasing tax collection has been made since 2007. Total own source revenue collection (tax and non-tax revenue) increased from Le 1,474 million in 2007 to Le 8,977 million in 2010, while property tax collection experienced a similar jump from Le 734 million to Le 3,153 million. Freetown's total revenue collection per capita was about 50 per cent higher than Bo – the best performer of the smaller city councils – and total property tax collection per capita was almost double. However, while these figures reveal major gains in collection over time, the direct comparison with the other city councils is highly misleading, as Freetown has dramatically greater revenue potential than the other city councils. While there is no capacity within any of the city councils to calculate potential revenue collection meaningfully, it is widely accepted that, in light of the much larger tax base that is available, tax collection in Freetown is comparatively particularly weak, despite recent gains.

This observation is reflected in strikingly low levels of capacity and automation, as the sophistication of property tax practices lags well behind that of the other, much smaller, city councils. Discussion of property tax reform in Freetown dates to at least a 2005 study conducted by UNDP. The study was carried out at the request of the council, but was never carried through to any concrete reform initiative. This dialogue was renewed in 2007, when Paul Fish, then based in Makeni, made several visits to Freetown to discuss reform with the chief administrator. These initial efforts similarly failed to gain traction owing to the absence of meaningful support from the mayor. In 2009, there was renewed discussion of reform, and the LGDF, with financial support from the World Bank, commissioned OFED and NextGen to

¹¹ While specific figures are not available, a local official estimated that of the Le 6 million in arrears sought by the council in 2010, only Le 600,000 was actually collected. This is, in turn, exclusive of any potential collection that does not appear in official council records.

conduct property identification and valuation exercises. However, these efforts were marred by inadequate training and poor oversight, and while they contributed to some improvement in the property register, they failed to deliver satisfactory results despite relatively large financial outlays.

The conclusion to be drawn is that while Freetown City Council has experienced significant revenue gains, they have largely been achieved through more aggressive enforcement of taxation among existing taxpayers. This has been made possible particularly by their ability to tighten the taxation of large businesses, and particularly banks, in order to raise revenue. As of 2011, the city council estimated that less than 25 per cent of properties were registered with the council – far lower than the post-reform levels achieved elsewhere. While revenue has thus increased, there is little evidence of significant success in broadening the tax base, increasing equity in enforcement, improving the accuracy and progressiveness of property value assessments,¹² or in strengthening transparency and dialogue with taxpayers.

The notion that Freetown City Council has tended to pursue increased revenue by more aggressively squeezing its existing tax base, rather than through procedural improvements, is reinforced by examining its approach to tax collection more generally. As noted at the outset, one of the taxes available to all local government is the local tax, a poll tax of Le 5,000 to be levied on every adult citizen. This is a highly regressive tax, which remains a key component of revenue in rural districts that lack alternative tax bases. It has generally not been collected by city councils, given their access to more progressive and equitable sources of tax revenue. The one exception to this pattern is Freetown, which dramatically expanded the collection of the local tax beginning in 2009, with local tax revenue rising from Le 71 million to Le 1,117 million. This represented a remarkable increase in total tax collection, and implied a remarkably high compliance rate of around 50 per cent.¹³ This collection was achieved largely through aggressively coercive strategies, most notably the erection of regular roadblocks throughout the city. It is indicative of the willingness of the council to apply highly coercive methods on a highly regressive tax base in order to achieve increased revenue collection.

While such a coercive strategy has been sufficient to expand revenue collection in the short term, Freetown presents a quite different case from developments elsewhere in the country. One of the consequences of this heavy reliance on coercive strategies, rather than improvements in process, is that increased collection has been extremely unpopular. Aside from the more coercive methods employed, the city council has shown little or no willingness to develop the type of dialogue with taxpayers that has briefly emerged in the other city councils, and which has been most sustainably introduced in Bo. There are regular complaints in the media about the unwillingness of the city council to give a precise and public accounting of revenue collected, or of the specific public purposes for which it has been used. The result was the city council came under increasing attack from citizens and from the national ruling party, which feared that political unhappiness in the capital might undermine its national political popularity. Ultimately, the mayor and several other senior officials were charged with corruption and removed from office in late 2011, consistent with the image of a local government not fully committed to reform.

¹² Whereas the reform programme carried out in the other city councils aimed to increase the progressiveness of the tax system through reference to features of properties beyond size alone in establishing a valuation for tax purposes, Freetown City Council has continued to rely on older property valuations that fail to capture differences in the value of properties accurately.

¹³ The population of Freetown in 2004 was 772,873, and the local tax rate was set at Le 5,000. If we assume that slightly more than half of the population are adults (as the population in Freetown has less children than other regions) then that would yield roughly 400,000 taxpayers and an expected revenue of Le 2,000 million, or slightly less than double the amount that was actually collected.

4 Explaining successful reform efforts

The overall picture of local government property tax reform in Sierra Leone is thus encouraging in many ways, but also relatively mixed. All of the city councils have experienced significant revenue gains, but the extent and character of these gains have varied significantly across the four councils despite undergoing nominally similar reform programmes. Bo City Council has been the most successful reform, with collection of property taxes improving most markedly, supported by the implementation of a robust IT system and the introduction of extensive outreach and transparency related to the revenue system. The city councils in Makeni and Kenema have both experienced similar improvements in revenue collection, built on the foundation of successful discovery and assessment of properties and the introduction of new IT systems. However, these reform efforts had begun to plateau by 2010, as both councils have struggled to effectively enforce compliance among influential local taxpayers, while IT systems, outreach and transparency lagged behind achievements in Bo. While Freetown is much larger it reveals similar challenges, though in more extreme form, as modernisation efforts have so far largely failed, while transparency and outreach have remained extremely limited.

These conclusions about the divergent reform paths taken by the different city councils are based on aggregate revenue collection data and interviews with key stakeholders, given the absence of more disaggregated compliance data. However, this research has sought to substantiate the broad conclusions through the implementation of a modest survey of 40 large properties in each of the three smaller city councils that are most directly comparable. The results offer quite striking support for the overall narrative produced so far. While in each of the city councils all property owners reported having paid their property tax, when asked to produce a tax receipt 93 per cent of taxpayers in Bo were able and willing to do so, but the comparable numbers in Kenema and Makeni were 39 per cent and 42 per cent respectively. Questions about the likelihood of prosecution for non-compliance further supported the notion that a lack of committed enforcement among large taxpayers helps to account for divergent performance. Of resident property owners interviewed in each location, 18 per cent of those in Bo reported having been called to court about tax arrears; in Makeni the number was 8 per cent, and none of the property owners in Kenema had been called to court. When asked whether they knew someone who had been called to court, 38 per cent of those in Bo reported that they had, while less than 10 per cent of those in Makeni and Kenema knew of such an individual. Finally, when asked whether they believed that the local government was willing and able to successfully prosecute non-compliant taxpayers, 88 per cent of those in Bo responded in the affirmative, while the comparable numbers for Kenema and Makeni were 31 per cent and 25 per cent.

Table 1 Taxpayer compliance and enforcement across councils

1	Able to produce a property tax receipt	Resident-owner has been taken to court	Knows property owner who has been taken to court	Believes elites can be successfully taken to court
Bo	93%	17.90%	37.50%	87.50%
Kenema	38.5%	0%	9.4%	31%
Makeni	41.7%	8.30%	7.5%	25%

Source: Results of field survey of large business owners conducted in May-June 2012

Having captured these divergent outcomes in detail, we are left with two important questions. First, what explains the general improvements in property tax collection across councils, and particularly the success of Bo, Makeni and Kenema in introducing automated administrative systems and relatively comprehensive property surveys? Second, what accounts for major

differences in the way that reform has proceeded across the four city councils? The Sierra Leonean case is particularly well suited to drawing such comparative lessons, as, despite large revenue gains in each of the city councils, the specifics of these reform experiences have varied significantly. On the other hand, given the small sample size, and the absence of well-defined hypotheses from existing literature, any conclusions at this stage must remain somewhat speculative, and indicative of possible directions for future research. What follows focuses first on the role of external support in supporting the significant revenue gains across councils. The second part of the discussion turns to considering the role of political economy factors in explaining divergent outcomes.

4.1 Technical capacity, oversight and the role of external support

At the time of the passage of the Local Government Act in 2004, the capacity of local government to take on the powers newly granted to them was extremely limited after decades of highly centralised rule (Kanu 2009). Under circumstances of such limited capacity, which are common in post-conflict settings, it is perhaps not surprising that relatively modest infusions of sustained technical support appear to have had a major impact on performance.

The first example of rapid improvement in local tax collection generally, and in the collection of property taxes specifically, began to emerge in Makeni literally within weeks of the arrival of VSO volunteer Paul Fish. Within a year (of which Fish was present for only the first six months) the entire apparatus of property tax collection had been substantially transformed, with corresponding gains not only in revenue collection, but also in the perceived legitimacy of the tax system. It is important to stress that local officials themselves constantly raised the prominent role played by Fish in these reform efforts during interviews.

In subsequent years, the roll-out of the reform intervention to Bo and Kenema yielded equally dramatic revenue gains over short periods of time, and in both cases local officials similarly credit external support for being crucial to these improvements. In both cases Fish continued to play a leading role in designing and directing the overall reform programme, but responsibility was increasingly transferred to local officials and consultancy firms, several of which had been a part of the initial reform programme in Makeni.

While these reform efforts have been relatively successful despite the absence of any single large amount of funding from external sources, they have nonetheless relied on targeted external support for implementation. Initial reform efforts in Makeni would probably not have succeeded without targeted support from ENCISS, though the value of the grant was only a very modest US\$ 2,000. In similar fashion, UNDP played an important initial role in the recruitment of Paul Fish and in supporting the development of the IT platform for the reform programme. It later provided financing for property tax reform efforts in Kenema, as well as making repeated, though less successful, investments in reform in Freetown. Alongside the role of UNDP has been the growing role of the World Bank-funded IRCBP programme. This was slow to make revenue-raising a priority, but has since supported reform in various ways. Aside from funding the overall work of the LGDF, the IRCBP has provided direct funding to specific reform initiatives, and, most notably, supported the initial visits by Fish to both Bo and Kenema.

Finally, in order to fully understand the spread of the reform effort beyond Makeni, it is important to emphasise the role played by the central government. Most obviously, initial visits by consultant Paul Fish to both Bo and Kenema were encouraged and supported by the LGDF, which also helped to secure funding through the IRCBP. While the LGDF often acted in response to requests from the consultants themselves or from local government, their basic support for the reform effort appears to have been important to eventual success. The LGDF has a significant role to play in assisting local government to secure high quality

technical assistance. It also enjoys important convening power in seeking to share experiences across local government, and in encouraging progress in the implementation of reform.

More generally, the large revenue gains described here coincided closely with the emergence of greater support for tax reform at the national level. Observers are near universal in arguing that following the 2007 elections the new All People's Congress (APC) government opened up crucial new space for increasing local revenue collection. It is important not to overstate this dynamic: the new government did not provide much direct support, and central government transfers to local government have remained low and frequently short of budgeted targets. Instead, central government appears to have spurred greater local government revenue collection through a combination of a demonstration effect and non-interference. Following the election, the government put in place a tax modernisation programme at central government level, with significant donor support and under donor pressure. While not without problems, the reform programme has made important strides, and appears to have encouraged and validated sub-national government efforts to overcome resistance to tax reform (Prichard and Jibao 2010). Meanwhile, these local government efforts have enjoyed at least implicit support from the central government, which had previously been reluctant to endorse aggressive local-level revenue collection out of concern that it might inflame opposition and increase local autonomy. This about-face probably reflected the combination of a desire to strengthen local government, reduce the financial burden on central government, and respond to donor pressure.

There is thus little doubt about the importance of external support – both from international actors and from central government – in explaining large increases in property tax collection. However, alongside this broad message, the case studies reveal important insights about the *type* of support that has been most effective in supporting reform efforts. The key message in this respect appears to be that successful support to local government revenue improvements is not primarily a question of large financial outlays, but of consistent, targeted, long-term and locally-embedded support.

The financial cost of the initial reform programme in Makeni, aside from the in-kind support offered by Fish and UNDP, was exceptionally modest. While the reform programmes in Bo and Kenema involved somewhat larger investments in hiring consultancy firms to implement the assessment and discovery phases of reform in particular, those involved in the reform estimate that the total cost of the entire intervention, including external consultancy costs, is likely to be in the realm of US\$100,000-\$150,000, assuming minimal in-kind contributions of transport and office space. Put most simply, the lesson of these interventions is that local government tax reform requires neither major investments in technology, nor dramatic improvements in local administrative capacity. Instead, the intervention relied on the targeted use of over-the-counter GPS devices, easy-to-use IT software, and a small number of computers to host the data. Locally-trained staff largely carried out the discovery and assessment tasks, based on simplified and highly transparent methodologies; this had the added benefit of building long-term local capacity. While the less successful interventions carried out in Freetown required slightly greater technical and human capacity owing to the large size and complexity of the city, even there the basic principles of reform remained the same.

In many ways, though, the strongest evidence for the importance of long-term, locally-embedded support, emerges from the less successful reform experiences. Unlike in Makeni and Bo, where initial reform efforts were poorly funded, implemented entirely by locally-recruited staff and supported by consultants who were regularly resident in the reform area, reform efforts in Kenema were implemented by external consultants following a somewhat larger international project tender. The result was a discovery and assessment process that was somewhat less complete, and which did less to build local capacity. The reform

experience in Freetown is even more striking, as much more extensive international funding attracted various consultancy firms, but implementation was not pursued in close partnership with the local council and suffered from inaccuracy, incompleteness and ineffective training and capacity building.

Taken in broad perspective, the common thread is that these projects established discrete funding for consultancy firms to undertake the discovery and assessment phases of reform, comparatively disconnected from the longer-term reform process. The result was that reform was treated as a discrete set of technical operations, rather than the discovery and assessment phase being treated as part of a longer-term process of building relationships with, and capacity in, the city council. More broadly, it meant that the consultancy firms and city councils lacked the same level of buy-in into the overall reform process, while it is suggested by some observers that the larger projects potentially lent themselves to higher levels of politicisation. By contrast, building strong, longer-term, relationships proved crucial to reform successes elsewhere. Even Bo City Council was initially reluctant to pursue aggressive enforcement operations or to implement more transparent and restrictive software: it was only through continued engagement by the reform team that these barriers were slowly overcome. Put simply, these cases make it clear that while meaningful funding is certainly necessary to support reform, successful reform is as much about change management as it is about investment in technical capacity. At its most extreme, major technical investment can, in fact, undermine reform efforts by creating excessive complexity and undermining local ownership, whereas successful reform demands an approach that privileges long-term local engagement to support the overall reform process.

4.2 Political economy dimensions of successful reform

While the centrality of comparatively long-term change management to the success of reform holds lessons for central governments and external agencies, it equally speaks to the primacy of local political leadership to explaining reform outcomes. And, indeed, the differing political dynamics within the city councils offers the most compelling explanation for variation in reform outcomes.

While differences in the extent to which donor support took the form of long-term engagement with local city councils offer a partial explanation for this variation, it remains deficient as a full explanation on three grounds. First, it does not provide an adequate explanation for variation in performance within Makeni over time, where revenue gains were initially rapid but then began to stagnate. This variation over time points to the second limitation of a purely technical account: the character of international assistance is not independently determined, but is, instead, best understood at least in part as a reflection of local political dynamics. While donors were in some cases guilty of adopting an overly technical, short-term, approach to reform, weak ties between reform teams and local councils were equally a consequence of the lack of reform leadership from individual councils. The failure of reform in Freetown reflected the unwillingness of the city council to play a leading role in directing reform efforts, as much as it did any failure on the part of external actors. In similar fashion, a proactive Bo City Council has been able to attract continuing donor support working in close partnership with the council, while declining local leadership in Makeni precipitated declining external support and stagnating reform outcomes. Finally, a focus on the technical design of technical assistance does not adequately account for the fact that the greatest barrier to reform in each of the city councils has been the problem of enforcing compliance among elites. While long-term engagement between reformers and city councils has been useful in overcoming the reluctance of the political leadership to pursue more aggressive enforcement, we ultimately need to focus attention equally on why some city councils have been more willing than others to confront strong vested interests.

The key message, then, is that the existence or absence of political commitment within the different city councils appears to figure centrally in explaining divergent outcomes. As bluntly explained by Paul Fish, 'successful reform requires the leadership of either the Chief Administrator or the Mayor, and ideally both'.¹⁴ This observation alone is not, itself, terribly novel: studies of public sector reform now routinely highlight the importance of 'political will' to reform outcomes.¹⁵ The contribution of this research instead lies in being able to pinpoint particular manifestations of these differing levels of political commitment, while equally presenting novel hypotheses about the possible *sources* of this variation in political will.

4.2.1 Political will and the extent and limits of reform

Focusing first on the manifestation of differences in political commitment to reform, the message that emerges is that certain elements of reform have been comparatively uncontroversial, while it is only in a subset of reform areas that divergent political commitment has become apparent. At one level it is little surprise that some aspects of reform pose a greater threat to strong vested interests, and that these aspects of reform are likely to be most difficult to implement. However, this basic insight also contains within it a crucial message for donors: in seeking to gauge the level of local reform leadership the focus should not be on the most easily visible elements of reform, but on those elements of reform that are most politically difficult. Only the willingness of local leadership to take on these latter challenges can be understood as a genuine expression of local commitment to reform.

This message is reflected here in the relative success of all of the city councils in expanding property tax collection, and in implementing the discovery and assessment phases of reform. Presented with funding and support to identify and value new properties, and thus to provide a foundation for expanded collection, the councils have been generally supportive. In Makeni and Kenema, extensive discovery and valuation processes were carried out with the full support of the city councils, despite the emergence of challenges at subsequent stages of the reform programme. Collection has increased significantly even in Freetown, where the discovery and valuation process went ahead despite various limitations. While the failure of Freetown City Council to pursue reform earlier certainly reveals a reluctance to undertake any reform at all, the fact that a discovery process was ultimately implemented, however imperfectly, is telling. From the perspective of the city councils the logic of this outcome is clear: identifying new properties offers the potential for expanded collection but is not necessarily threatening, as the administration retains the ability to manage the actual collection of taxes in accordance with political considerations.¹⁶

In sharp contrast, subsequent stages of the reform process have been much less universally successful, reflecting their great political sensitivity. Three reform areas stand out: the character of the IT software, the extent of transparency and sensitisation, and the extent of enforcement. The early stages of reform in Makeni were extremely successful, with the implementation of a high quality property survey. However, tensions began to emerge between the reform team and the council around subsequent stages of reform. This began with conflicts over the IT system, as the reform team wished to put in place an IT platform that would limit the ability of senior officials to alter property data or tax liabilities. The goal was to ensure that the software would immediately flag non-compliant taxpayers, thus increasing pressure for enforcement. However, the local political leadership refused outright to take such a step. This, in turn, formed part of a broader conflict over the enforcement of the newly-established tax liabilities. Put simply, while the city council was content to strengthen tax enforcement for most taxpayers, it was consistently unwilling to confront large,

¹⁴ Personal interview with the author, 10 September 2011.

¹⁵ Focusing on studies of tax reform alone this observation is increasingly common, with seminal works including those of Bird (1991, 1992, 2008), Ascher (1989) and Bates (1989). Within the broader policy literature on building state capacity, the centrality of politics was prominently affirmed in Levy and Kpundeh (2004).

¹⁶ Ascher (1989: 443) has made a variant of this argument, proposing that tax policy reform is sometimes easiest when the quality of administration is lowest, as weak administration ensures that policy reform will have little impact in practice.

politically well-connected, taxpayers to enforce compliance – a fact reflected in the figures in Table 1 which highlight important gaps in tax compliance by large businesses. The logic is clear: while the city council was happy to support reform aimed at expanding tax collection from the majority of taxpayers, they were unwilling to confront strong vested interests or to sacrifice the patronage opportunities offered by their ability to exercise discretion over tax liabilities. Finally, during the same period early council initiatives to enter into a transparent dialogue with taxpayers about revenue-raising and expenditure slowly declined, so that most major forms of tax-related public consultation vanished by 2010. Much as the council had been unwilling to risk confronting vested interests, this slow shift reflected a concern within local government that greater transparency and consultation risked exposing it to critique and challenge.

This same broad pattern has been repeated in Kenema and Freetown. It is only in Bo that these broader reform goals have been more extensively implemented. In Kenema, a decision was taken early on not to rely on the more rigid and transparent IT system that was being implemented in Bo, and it became immediately clear that the city council was unwilling or unable to confront powerful vested interests in pushing for more aggressive enforcement. By the same token, public outreach remained limited beyond an initial push to explain the basis for new property tax assessments. The experience in Freetown has been even more extreme, with the council resisting the implementation of even a relatively flexible IT system out of apparent concern about the greater transparency and reduced discretion that it might imply. The city council has likewise done little to broaden the tax net for property taxes, while it has aggressively resisted popular demands for greater transparency around revenue and budgeting issues. It is this lack of willingness to confront vested interests and to expand dialogue that is most indicative of the limited commitment to reform.

4.2.2 Explaining differences in political will

While it is evident that divergent levels of political commitment have been critical in explaining observed outcomes, this is by now a well-accepted reality of public sector reform programmes (Levy and Kpundeh 2004). The greater challenge is to understand the reasons for the divergent levels of political commitment, as this is a question that has been essentially unexplored in relation to local government revenue-raising. Given the absence of a well-established literature in this area, we have adopted an inductive research strategy, relying on interviews with key stakeholders to highlight possible explanations, which we have then sought to explore more systematically across our cases.

While there are always idiosyncratic factors that shape particular outcomes – most vividly revealed in the election of a highly reform-minded mayor in Bo – our interviews have equally pointed towards four broader and more generalisable factors that are widely felt to have shaped political commitment and ultimate outcomes. First, it has been suggested that the strength of ties between political and economic elites plays a pivotal role, with taxation more successful where political elites are comparatively independent of economic elites. Second, it has been suggested that councils aligned with the national political opposition have had stronger incentives to raise revenue, owing to fears about the manipulation of central government transfers by the national ruling party. Third, it has been suggested that tax collection has been pursued more aggressively where there is greater political competition, as these local leaders have faced greater pressure to generate concrete improvements in local governance and service provision. Finally, it has been argued that part of the sustainability of reform in Bo has been the result of efforts to emphasise reciprocity and transparency explicitly when building a broader ‘fiscal contract’ with citizens. What follows considers each possibility in turn.

State capture, ethnic diversity and tax enforcement

The first message emerging prominently from interviews with key stakeholders has been that close ties between economic and political elites have been a critical barrier to more effective property taxation. In the view of these stakeholders, local government has been frequently unable, or unwilling, to effectively enforce compliance among economic elites with whom it has close existing relationships. This is consistent with research elsewhere finding that property taxation, which primarily targets property-owning elites, has frequently been unsuccessful owing to the ability of those elites to block effective taxation by virtue of their wealth and political influence (Bird 1974; Ascher 1989).¹⁷ This narrative also fits closely with broader research stressing the risks of elite cohesion for levels of tax collection, with state capture by economic elites serving to undermine the ability of the state to tax (Fairfield 2010; Ascher 1984).¹⁸

The emphasis placed by informants on the importance of overlap between economic and political elites is thus significant, but also unsurprising in light of existing research. More unusual is has been the more specific argument that levels of elite cohesion have been shaped by the extent and character of ethnic diversity among elites in each council. Informants have argued that where migration has been less common, strong ties between economic and political elites have been a more powerful barrier to taxation. By contrast, they argue that where migration has been more common, and there is a correspondingly higher degree of heterogeneity among elites, it has been much easier for the political elite to enforce taxation among non-resident economic elites.¹⁹ Empirically, these informants have thus attributed weak enforcement in Makeni and Kenema (see Table 1) to relatively close overlap between economic and political elites, rooted in the relative absence of migration. By contrast, they have attributed stronger enforcement in Bo in part to significantly greater migration and property ownership by non-indigenous interests.

While these claims are extremely difficult to test conclusively, we carried out a survey of 40 large property owners in each of Bo, Makeni and Kenema, in order to investigate whether broad empirical realities are consistent with the claims of key informants.²⁰ For the purpose of the survey we define 'economic elites' as comprising roughly the top five per cent of all taxable property owners, and respondents were correspondingly selected from within this group (additional details about survey methodology are provided in the Appendix).²¹ The focus on only very large taxpayers reflects the fact that these taxpayers provide a disproportionate share of total revenue, while enforcement among these large taxpayers was consistently cited as pivotal to reform success.

A summary of key survey responses is presented in Table 2, and these responses are highly consistent with the arguments made by key informants. At a broad level, the share of migrants (defined as those originally from outside the province) among property owners is, as expected, significantly higher in Bo, where enforcement has been much more effective.

¹⁷ More broadly, research looking at the politics of decentralisation has proposed that the disappointing results of many decentralisation programmes reflect the high risk of capture by a dominant local elite (Crook and Sverrisson 2003; Crook and Manor 1998; Crook 2003; Devarajan, Khemani and Shah 2009).

¹⁸ This is closely related to much broader research stressing the risk of state capture by elites, and the corresponding benefits of state autonomy for a range of development outcomes (Jenkins 1991; Evans 1992; Fukuyama 2013). By contrast, an alternative strand of literature has argued that elite cohesion may, in fact, be critical to effective tax reform. Cohesive elite groups are able to agree collectively to increase taxation in order to strengthen the state, while enforcing taxation among elites is difficult in the absence of such collective action (Slater 2010; Weyland 1996).

¹⁹ Elsewhere, Prichard (2010b) has proposed a similar story for understanding the relative effectiveness of tax collection in Kenya post-independence, as the African-led government was comparatively willing to enforce taxation among largely European and Asian-origin economic elites.

²⁰ Because Freetown is much larger, more diverse and more complex than the other city councils, simple empirical tests of this contention are not possible, leading to the exclusion of Freetown from the survey. The case of Freetown is, instead, discussed further below.

²¹ In order to be taxable a property must be considered by the district authorities to be 'permanent', thus excluding a range of more 'informal' commercial and residential properties.

The share of property owners who have been resident in the city itself for less than 10 or 20 years is similarly higher in Bo, while the share of migrants among locally resident property owners, who are likely to be more politically active, is even higher in Bo, and even lower in the other two city councils.

Table 2 Origin of large property owners in Bo, Kenema and Makeni

	Share of migrant property owners	Share of migrants among resident property owners	Share who have resided in current location < 20 years	Share who have resided in current location < 10 years	Share of migrant property owners among reported prosecutions for tax evasion
Bo	52.5%	53.6%	44%	24%	60%
Kenema	38%	31%	37.4%	18.7%	100%
Makeni	27.5%	25%	37.5%	12.5%	66.7%

Source: Results of field survey of large business owners conducted in May-June 2012.

We have subsequently sought to gauge the potential *causal* significance of this connection between the share of migrants and tax enforcement by investigating whether enforcement efforts are, in fact, felt to be more aggressive in relation to migrant property owners.²² To this end, the survey asked respondents whether they were aware of property owners who had been prosecuted for a failure to pay their taxes, and whether those subjected to such enforcement were locals or migrants. Again consistent with expectations, the strong majority of respondents who were aware of such prosecutions reported that those who had been prosecuted were migrants, with this share of migrants consistently exceeding the actual proportion of migrants among large property owners. While the survey is not itself a perfect test of the idea that greater heterogeneity among elites has contributed to more effective tax enforcement, it thus offers important support to corresponding claims by key informants.

This finding that enforcement is perceived to be stronger among migrants has two possible implications for the practice of tax collection. One possibility is that migrants are thus comparatively vulnerable, and are forced to bear a hugely disproportionate share of the tax burden – while indigenous elites continue to avoid taxes. An alternative possibility is that the ability of the local government to pursue enforcement aggressively among migrants may contribute to laying the foundation for extending tax enforcement more broadly. In practice the latter outcome appears to predominate in this case. While Bo is home to the largest share of migrants, tax enforcement in Bo is stronger than in the other city councils not only among migrants, but among *all* large taxpayers. This is revealed in the data reported in Table 1, with fully 93 per cent of large property owners in Bo able to produce a tax receipt – a remarkable level of tax compliance, and far above the other city councils.²³ This does not seem to be coincidental, but instead seems to reflect the fact that the ability to pursue enforcement action against migrant property owners has, in turn, emboldened broader enforcement efforts, shifted expectations and reduced the aggregate political clout yielded by large taxpayers resisting property taxation.

²² A more direct strategy would simply be to ask whether migrant property owners in our survey have been subject to more aggressive enforcement efforts. However, this strategy encounters both pragmatic and conceptual problems. Pragmatically, our survey has, in fact, included a question about whether individual property owners have been taken to court for failure to comply with taxation. However, the directness of this question may raise concern about the reliability of responses, while, in any case, only 8 property owners in our sample responded that they had personally been taken to court - a number too small to allow definitive conclusions. More conceptually, actual instances of legal prosecution may be an imperfect proxy for the effectiveness of enforcement. If migrants suspect that enforcement will be effective they may preemptively be more tax compliant, thus minimising the *need* for enforcement action.

²³ In principle, this could reflect either: (a) the provision of false tax receipts to property owners who have nonetheless not paid their full tax liabilities; or (b) the fact that those interviewed in Bo were selected from the property register, thus excluding large, politically connected, taxpayers that do not appear on the property register at all. However, there is absolutely no evidence that either of these possibilities is an issue in practice.

The case studies thus present significant evidence of the existence of a positive relationship between the extent of migration – and resultant diversity among economic elites – and the quality of tax enforcement. This stands in contrast to expanding research finding that ethnic diversity is frequently a barrier to effective tax collection and public goods provision. This research has linked weaker public goods provision in ethnically heterogeneous areas to a combination of barriers to collective action, weak monitoring and community sanction, divergent preferences, low levels of social trust and higher levels of patronage and corruption (Habyarimana et al. 2007, 2009; Miguel and Gugerty 2005; Kasara 2007). Focusing on taxation specifically, this research has argued that taxpayers may be less willing to support higher levels of revenue collection in ethnically heterogeneous areas owing to low levels of trust or weak commitment to shared collective goals (Alesina, Baqir and Easterly 1999). Meanwhile, the monitoring of tax compliance, and sanctions for non-compliance, may be stronger in ethnically homogeneous areas (Kasara 2007).²⁴

However, while research linking ethnic diversity to weaker tax collection initially appears to be in tension with the findings reported here, this divergence is largely explained by the fact that the results here capture a meaningfully different set of relationships.²⁵ Existing studies of ethnic diversity and taxation focus primarily on the direct impact of ethnic diversity on the *willingness of taxpayers to comply with tax demands*. By contrast, the results reported here are not about the impact of ethnic diversity per se, but about the impact of migration and diversity on the *extent of overlap between economic and political elites*, with subsequent implications for the willingness and ability of political leaders to pursue tax enforcement.

This distinction is made clear by looking at the experience of Freetown City Council. It is the most cosmopolitan city in Sierra Leone, but has nonetheless experienced the weakest tax performance of the four city councils. However, this apparent contradiction with the pattern in the other city councils is easily resolved by moving away from a rigid focus on ethnic diversity in favour of a focus on the causally relevant variable – the relationship between economic and political elites. Freetown is home to the most powerful national political and economic interests in the country, and these interests have long exercised powerful influence within the local government administration in Freetown (Gaima 2009). That is, despite significant diversity and migration, ties between economic and political elites remain strong in Freetown, with economic elites wielding extensive influence over the local council. This has, in turn, served to undermine the power of the city council to enforce property tax liabilities among powerful economic actors.

The implication of these overall findings for the literature is twofold. First, they suggest that understanding the relationship between ethnic diversity and tax collection demands attention not only to the *direct* impact of diversity on compliance decisions but also the *indirect* impact of diversity on the effectiveness of enforcement. This is not to suggest that greater diversity will always lead to greater commitment to enforcement among political elites. It is equally

²⁴ The most well-known study of ethnic diversity and tax collection in Sub-Saharan Africa is the work of Kimuli Kasara (2007), who reports evidence that the collection of agricultural taxes tends to be higher in regions that are co-ethnic with the ruling government. However, beyond broad themes, there is limited overlap with the results reported here. Kasara argues that in co-ethnic regions the central government is better able to monitor local political elites, thus reducing political competition and limiting the scope for political opposition to taxes to emerge. There is equally an implication that monitoring of tax collectors may be stronger in co-ethnic regions, though ultimately the study does not seek to distinguish these alternative causal channels. However, the results reported by Kasara are distinct from those reported here because her focus is on agricultural taxes collected by the *central*, rather than local, government. When the focus is on the ability of the central government to collect taxes in rural areas it is not surprising that the ability of the central government to project political power and monitor intermediaries would be critical. By contrast, when the focus is on the collection of local government taxes, as is the case here, the focus of analysis shifts to local political dynamics, and the ability and willingness of local government to resist local state capture and confront resistance to taxation.

²⁵ It is also worth noting that recent research has suggested that ethnic diversity has *not* had negative implications for the quality of service provision in Sierra Leone (Glennerster, Miguel and Rothenberg 2012). This suggests that any negative implications of diversity are comparatively muted in Sierra Leone, which does not have a history of conflict strictly along ethnic lines.

possible that ethnic tensions may inflame community resistance to taxation, may paralyse highly divided local government, or may make tax enforcement politically controversial given differential impacts on different groups. There is simply a need to consider the multiple pathways through which diversity may affect tax collection, while recognising that the potential for diversity to shape political commitment to enforcement may be particularly important at the municipal level in low-income countries, where enforcement is often extremely weak.

The second, and broader, message is that the relationship between economic and political elites is critical to explaining tax outcomes. This is not an entirely new insight, as existing research has debated the implications of elite cohesion for tax compliance. On one hand, elite cohesion can provide the foundation for collective decisions to strengthen taxation in order to invest in public services and state institutions (Slater 2010; Weyland 1996). On the other hand, close overlap between economic and political elites – particularly where economic elites enjoy dominant influence – can undermine the potential for tax enforcement (Fairfield 2010; Ascher 1984). In the case presented here, greater diversity, and correspondingly reduced cohesion, appear to have been important factors in increasing the effectiveness of tax collection by strengthening the autonomy of the state. However, this again does not imply that reduced elite cohesion will *a/ways* lead to improved tax collection. In other contexts cohesion may lead to more effective collective action around taxation,²⁶ while the total absence of cohesion may lead to conflict or the simple exploitation of economic elites.²⁷ That said, the dangers to tax collection posed by excessive cohesion may be particularly acute at the municipal government level. This reflects frequently high levels of elite cohesion at the local government level (Crook and Sverrisson 2003; Crook and Manor 1998; Crook 2003; Devarajan, Khemani and Shah 2009), but also the fact that local government taxes are used primarily to fund small-scale local service provision (e.g. market infrastructure, bus services, garbage collection), which may be of limited interest to elite groups.²⁸ A focus on these intra-elite dynamics is thus likely to be frequently critical to understanding the political economy of local government taxation.

Political alignment, political risk and revenue collection

A second possibility that emerges prominently from the case studies is that city councils controlled by the opposition may have a stronger incentive to raise local tax revenue. The logic of this possibility is twofold. First, opposition-led city councils may invest more heavily in strengthening revenue collection in order to achieve a higher degree of autonomy from the

²⁶ Existing research suggests that whether cohesion results in state capture or collective action will depend on the particular interests and incentives of elite groups. Where cohesive elites are motivated to strengthen the state, increased taxation may follow – as when perceived threats create incentives for cooperation and investment (Doner, Ritchie and Slater 2005; Slater 2010). By contrast, more narrowly-interested elite groups are likely simply to block effective taxation – and in particular to block taxation targeted at elite groups.

²⁷ There are interesting parallels between the argument being advanced here and literature looking at the impact of ethnic diversity on state-business relations. Handley (2008) has recently argued that where there is close ethnic overlap between state elites and the business community, the latter tends to become dependent on the state, while seeking narrow benefits and opportunities for rent seeking. By contrast, where such overlap does not exist the business community is more likely to develop autonomous capacity as a political actor and to engage in 'constructive contestation' with government, leading to broader improvements in the quality of governance. The argument here represents the other side of the same coin: where there is less overlap between the state and business elites, the state is more likely to be autonomous, and to enforce tax demands on large businesses. However, broader research on state business relations also highlights the risks of generalising. Various accounts have argued that ethnic diversity can equally result in economic elites being vulnerable to exploitation and rent seeking or in a lack of constructive cooperation between economic and political leaders (a useful summary is provided by Moore (1997: 335-345).

²⁸ Existing literature suggests that cohesive elites may jointly consent to taxation where they are interested in funding investment strengthening supportive state institutions or financing market-supporting services and institutions (Slater 2010; Weyland 1996). However, local government revenue is used primarily to provide basic local government services, including market infrastructure, bus services, garbage collection and minor road repairs, while larger-scale investments are funded through central government transfers. Intuitively, local economic elites may be relatively unlikely to view local government services as essential to their core interests, making them correspondingly more likely to use their political influence to escape effective taxation.

central government. Second, opposition city councils may expand local revenue capacity in response to fears that central government transfers may be withheld or delayed for political reasons, particularly in the run-up to elections.

Consistent with this possibility, city council officials expressed significant concerns about the reliability of central government transfers and the risk of politicisation. This concern was expressed most clearly in Bo, where officials cited the risk of politicised transfers as a primary motivation for their commitment to strengthening sustainable improvements in revenue collection. Similar concerns were raised in Kenema City Council, which is also controlled by the opposition, while leaders in Freetown and Makeni did not raise these concerns.

While the sample size is obviously very small, this pattern is equally reflected in actual revenue collection performance across the city councils over time. Following the 2007 elections that brought the APC to power nationally, tax reform has been most successful in opposition-held Bo and Kenema, while there has been little reform in APC-dominated Freetown. Most striking is the case of Makeni, where the local APC government showed significant support for reform until 2007 (while the Sierra Leone People's Party (SLPP) was in power nationally), but where support for reform began to decline immediately following the election of the APC in the second half of 2007. The finding that councils have invested more heavily in revenue collection where they lack confidence in the reliability of central government transfers is broadly consistent with research elsewhere in Africa. This research has found that local government that receives large central government transfers tends, on average, to collect less local revenue (Mogues, Benin and Cudjoe 2009).³⁵

Of course, the argument here rests on the extent to which opposition-led city councils in fact face the threat of lower transfers, particularly in the lead-up to elections, or at least credibly believe that they face such a threat. On the latter point, it is clear that the *perception* of such a risk exists, as public officials regularly repeated these sentiments. This is consistent with evidence from other countries suggesting that, in low-income countries, politicisation of central government transfers is common, particularly in the run-up to elections (Brollo and Nannicini 2012; Banful 2011). Ultimately, this perception of politicisation is sufficient to explain changes in behaviour, but we have also turned to official data on government transfers to explore the empirical reality underpinning this perception.

We have considered three propositions, each of which would be consistent with the hypothesised politicisation of transfers. We have tested these propositions across all councils in Sierra Leone in order to broaden our sample.³⁶ First, during the period of SLPP control of central government, prior to 2007, were transfers to SLPP councils higher than those to APC-controlled councils? Second, during the subsequent period, during which the APC gained control of the central government, was this pattern reversed, with higher transfers to APC-led councils? Finally, and perhaps most importantly, is there evidence that transfers to opposition districts declined disproportionately in the lead-up to the 2007 and 2012 elections?³⁷ We find that while there is some possible evidence to support the hypothesis of

³⁵ These results also mirror broader evidence that access to resource revenue can reduce incentives for tax collection at the national government level (Bornhorst, Gupta and Thornton 2008).

³⁶ We feel confident testing this proposition across all councils given that there is no reason to expect the logic of politicisation to be limited to city councils. Expanding the sample thus limits the risk of results being driven by outliers. In principle, it would equally be desirable to test the broader hypothesis – that opposition districts have invested more heavily in revenue collection – across the whole sample. However, in practice, the value of doing so is limited, as year-to-year variation within individual district councils is very large and data quality is poor. As importantly, during the period under study none of these councils possessed the necessary capacity or resources to undertake meaningful reform efforts, meaning that revenue changes are largely idiosyncratic and unstable, and not a good basis for drawing meaningful conclusions. When we do test the hypothesis it is extremely sensitive to the choice of sample and timeframe, while showing no clear trend. Additional information is available from the authors.

³⁷ At the time of writing, data on central government transfers was only available for the first half of the 2012 election year. We correspondingly cannot say with certainty that the patterns observed were sustained throughout the year, and until the November elections, though transfers should, in principle, be consistent over time.

politicisation, the evidence is far from straightforward, particularly given the small sample size. This complexity, and the overall volatility of transfers over time, potentially lends itself to a *perception* of politicisation even where the reality is more complex.

To conduct the analysis, we measure the level of transfers to councils representing each party in one of two ways. First, we take the sum of the total transfers to APC- and SLPP-controlled councils, and then divide by the total population in those council areas. This gives us the average per capita transfer to an individual living in a council controlled by either party. Second, we calculate the per capita level of transfers to each council, and then average those values, by councils, for APC- and SLPP-controlled councils. This tells us whether individual councils are likely to have higher or lower per capita transfers based on political affiliation. The level of transfers to APC- and SLPP-controlled councils, calculated by these two methods, are reported in Tables 3 and 4, respectively.

Despite the concerns expressed by leaders in Bo, the figures do not, on balance, provide conclusive evidence of the politicisation of transfers. On one hand, we do see – by either method – a sharp decline in the share of transfers to SLPP councils in 2008 and 2009, following the election of the APC nationally. On the other hand, we see a sharp rise in transfers to opposition-controlled councils after 2009, such that their share of transfers in 2011 exceeded their share in 2007, when the SLPP was still in power at the national level. It is impossible to entirely rule out a modest degree of politicisation – and there is certainly the possibility that politicisation could take forms not captured by the data.³⁸ That said, available evidence, constrained by quite limited data, is suggestive of a relatively transparent and equitable system with respect to overall transfers. However, it is equally easy to understand how the decline in transfers to SLPP Councils in 2008 and 2009 could have helped to create the perception of manipulation – and it is this perception that motivated Bo City Council in particular to seek more actively to collect greater revenue.

³⁸ While beyond the scope of this paper, it is important to note that data on aggregate transfers is not necessarily evidence of a lack of politicisation. Politicisation could, for example, be manifested in delays in the disbursement of transfers, or in the politicisation of other central government transfers related to staff hiring or line ministries. We have no evidence to suggest that this has been the case, but it is clear that these possibilities have further shaped the perception of vulnerability among opposition leaders.

Table 3 Total central government transfers and per capita averages by political affiliation

Annual total transfers (Le)		2006	2007	2008	2009	2010	2011	2012 (Q1+Q2)
Bo City	SLPP	902.5	295.9	729.5	813.4	3650.6	3131.6	1238.2
Bo District	SLPP	1511.6	455.0	1037.1	1280.2	1927.9	1897.8	666.6
Bombali District	APC	1164.0	474.3	1184.6	1440.9	2228.1	2180.9	751.2
Makeni City	APC	596.7	209.4	421.9	577.7	2979.4	2813.9	1117.5
Bonthe District	SLPP	665.6	214.1	540.9	684.3	1052.1	1072.2	360.1
Bonthe Municipal	SLPP	255.1	99.7	470.1	555.1	605.4	700.8	237.5
Freetown City	SLPP/APC	3324.5	980.4	3160.3	2948.3	10859.0	11212.5	4582.1
Kailahun District	SLPP	2009.6	533.5	1793.4	1996.7	2784.0	2668.7	994.6
Kambia District	APC	1379.3	381.3	1470.8	1645.1	2455.3	2372.1	866.5
Kenema City	SLPP	679.7	266.5	549.1	682.7	3410.3	3001.2	1083.4
Kenema District	SLPP	1960.3	607.2	1430.5	1848.6	2400.2	2314.4	790.4
Koinadugu District	APC	449.7	342.4	1433.3	1767.7	3257.8	3173.8	1161.9
Kono District	APC	1166.6	356.1	943.2	1265.1	1833.3	1758.0	615.8
Koidu/New Sembehun City	APC	1467.2	171.1	1005.4	1066.5	1074.4	1041.2	460.2
Moyamba District	SLPP	1421.7	553.9	1537.9	1718.1	2633.7	2584.8	908.9
Port Loko District	APC	1547.6	649.1	2701.8	2722.4	3936.1	3823.9	1599.0
Pujehun District	SLPP	1164.0	336.8	1261.6	1356.7	2050.0	1999.5	728.4
Tonkolili District	APC	1546.1	390.1	1854.6	1972.6	3250.7	3105.5	1143.9
Western Area Rural District	SLPP/APC	827.1	259.6	675.0	845.2	2458.1	2441.7	938.9
APC average per capita transfer (by population)	APC	4606.6	1435.2	5028.5	5734.5	8456.8	8172.4	3061.4
SLPP average per capita transfer (by population)	SLPP	5319.6	1682.7	4579.5	5353.5	10267.3	9628.5	3491.8
Ratio SLPP-APC	Ratio SLPP-APC	1.15	1.17	0.91	0.93	1.21	1.18	1.14

Note: Excludes Freetown and Western District, so as to focus on districts that switched from opposition to government (or vice versa) in 2008. Also excludes Bonthe Municipal Council, which has experienced extreme year-to-year variation in transfer out of proportion to all other councils owing to its small size.

Source: Local Government Finance Department, Ministry of Finance, Government of Sierra Leone

Table 4 Central government transfers per capita and council averages by political affiliation

Transfers per capita (Le)		2006	2007	2008	2009	2010	2011	2012 (Q1+Q2)
Bo City	SLPP	6018.26	1973.3	4864.5	5424.1	24344.4	20883.2	8257.4
Bo District	SLPP	4818.54	1450.3	3305.8	4080.7	6145.3	6049.6	2124.9
Bombali District	APC	3575.33	1457.0	3638.7	4426.1	6844.1	6699.1	2307.5
Makeni City	APC	7202.92	2527.9	5092.5	6973.9	35965.4	33968.2	13489.6
Bonthe District	SLPP	5121.93	1647.6	4162.8	5266.0	8096.5	8251.0	2770.9
Bonthe Municipal	SLPP	26190.97	10235.8	48263.7	56991.4	62151.1	71954.1	24385.3
Freetown City	SLPP/APC	4301.51	1268.6	4089.0	3814.8	14050.1	14507.6	5928.6
Kailahun District	SLPP	5610.37	1489.5	5006.8	5574.3	7772.5	7450.5	2776.7
Kambia District	APC	5099.64	1409.7	5438.1	6082.7	9078.2	8770.4	3203.6
Kenema City	SLPP	5293.76	2075.1	4276.1	5316.9	26559.8	23373.4	8437.9
Kenema District	SLPP	5304.67	1643.1	3871.0	5002.3	6495.1	6262.8	2138.9
Koinadugu District	APC	1692.29	1288.5	5393.3	6651.4	12258.5	11942.5	4372.2
Kono District	APC	4568.21	1394.3	3693.3	4953.8	7178.8	6884.1	2411.4
Koidu/New Sembehun City	APC	18333.65	2138.5	12564.1	13327.0	13425.7	13010.4	5750.3
Moyamba District	SLPP	5449.04	2123.1	5894.3	6585.1	10094.2	9906.8	3483.8
Port Loko District	APC	3410.81	1430.6	5954.4	5999.9	8674.7	8427.5	3523.9
Pujehun District	SLPP	5096.28	1474.5	5523.8	5940.4	8975.6	8754.8	3189.3
Tonkolili District	APC	4453.03	1123.5	5341.7	5681.5	9362.6	8944.4	3294.7
Western Area Rural District	SLPP/APC	4746.43	1489.7	3873.9	4850.4	14106.6	14012.7	5388.6
		5560.93	1633.6	5110.2	5886.2	12746.0	12116.6	4602.8
APC average per capita transfer (by councils)	APC	5868.55	1495.6	5682.9	6452.0	9001.5	8702.7	3321.9
SLPP average per capita transfer (by councils)	SLPP	5339.11	1734.6	4613.1	5398.7	12310.4	11366.5	4147.5
Ratio SLPP-APC	Ratio SLPP-APC	0.91	1.16	0.81	0.84	1.37	1.31	1.25

Note: Excludes Freetown and Western District, so as to focus on districts that switched from opposition to government (or vice versa) in 2008. Also excludes Bonthe Municipal Council, which has experienced extreme year-to-year variation in transfer out of proportion to all other councils owing to its small size.

Source: Local Government Finance Department, Ministry of Finance, Government of Sierra Leone

Political competition and revenue collection

While the explanations offered so far focus on broad characteristics of the difference councils in explaining revenue-raising capacity and incentives, it is equally important to consider the role of specific political leadership. Not surprisingly, given the primacy of high-level political leadership to the ability to fully implement reform in the face of entrenched resistance, key stakeholders in Bo consistently emphasised the critical role played by the mayor, Wusu Sanoh. The mayor was consistently characterised by officials both within and outside of Bo as well-educated, independent, reformist and honest. To some extent this may simply be attributed to good fortune, but an obvious question is whether there are particular features of the political context in Bo that opened the door to a more reformist political leadership.

The most obvious candidate, raised by a range of key stakeholders, is that a more progressive leadership has emerged in Bo owing to the existence of significant electoral competition. This possibility is closely linked to a long research tradition investigating the relationship between democracy and tax collection at the national government level (Cheibub 1998; Boix 2001; Timmons 2010). This research has yielded generally ambiguous results,

reflecting the existence of potentially contradictory causal mechanisms. On one hand, expanded popular demand for public services may generate strengthened incentives for tax collection, while the greater legitimacy enjoyed by democratic governments may strengthen 'quasi-voluntary' compliance with taxation (Levi 1988). On the other hand, democracy may increase the effectiveness of resistance to taxation, making officials wary of the potential political costs of taxation.³⁹ The sharp decline in local revenue collection in most councils in Sierra Leone prior to elections in 2007 is consistent with this possibility.⁴⁰ While these studies focus on democracy in general, the basic logic is easily extended to the question of electoral competitiveness, with the possibility that greater electoral competitiveness could further strengthen both positive and negative pressure on revenue collection.

Evidence for the view that greater electoral competitiveness may have helped to motivate investment in tax reform comes particularly from Bo's status among the most electorally competitive local councils in Sierra Leone. In general, local government elections are relatively uncompetitive: districts in the north-west consistently support the APC, while districts in the south-east have consistently supported the SLPP. As a result, the average vote share of the winning candidate in the most recent mayoral elections was 65 per cent, and frequently much higher. In the absence of meaningful competition, electoral incentives for positive performance are likely to be very weak in the absence of vigorous internal democracy within leading parties (e.g. Crook 2003; Agrawal and Ribot 1999).

Against this backdrop, Bo was unique in being home to both significant inter- and intra-party political competition. In the run-up to the 2007 elections, leading members of the dominant SLPP party organised a rival party, the People's Movement for Democratic Change (PMDC). While the PMDC was not a significant political threat across the entirety of the country, it did pose a significant threat to the SLPP in parts of the south-east, thus generating new levels of local political competition. Bo City Council was a central site of this struggle, and it was in this context that Wusu Sannoh achieved the SLPP nomination and was eventually elected. Although many PMDC leaders eventually returned to the SLPP, Bo City Council remained by far the most competitive of the city council elections, with the winning candidate receiving only 46 per cent of the vote. In the years following the elections, senior city council officials were explicit in arguing that their efforts to raise tax revenue, and expand corresponding public services, would be a key element of the electoral platform in late 2012.

It would, of course, be naïve to assume that greater electoral competition will always be translated into more successful tax reform. Indeed, there is no obvious evidence of such a relationship when we look at trends across all of Sierra Leone's local councils, though this may, as above, simply reflect the very low quality of available data. The broader message here is simply to draw attention to the crucial role of electoral political dynamics in this particular case, as it highlights the extent to which political competition can offer opportunities for political leaders to make expanded tax collection, coupled with extensive outreach and corresponding service improvements, a central component of a successful electoral strategy.

Coercion, consent and statebuilding: building long-term support for reform

The extent to which Bo City Council has succeeded in making tax reform an important element of their overall political strategy forms part of a broader lesson from this research: the importance of building a long-term political foundation in order to sustain reform. Each of the city councils made at least some progress in advancing the expansion of property taxation, with Makeni, Kenema and Bo each completing full discovery and automation

³⁹ This argument is closely related to well-known arguments that comparatively autonomous autocracies may be better able to implement policy reform (e.g. Haggard and Webb 1993; Rock 2009).

⁴⁰ Reported council own revenue collection (exclusive of mineral revenue) declined by an average of 35% in 2007, and by more than 50% on average in district councils (excluding Bonthe Municipal Council, which reported a fivefold increase in revenue that was reversed the following year).

processes. By the standards of most low-income countries, the establishment of automated and relatively complete valuation lists was a significant achievement. However, despite initial success in all of the city councils, it is only in Bo that significant reform momentum has been sustained and expanded over time. By contrast, in the other city councils initial gains quickly plateaued when confronted by resistance and non-compliance by large property owners.

Much of this pattern is attributable to variable levels of political commitment, discussed previously, but these experiences also provide evidence of the importance of reform strategies that can reinforce and build political support for reform. It is only when property tax regimes, and the services that they support, become broadly popular and accepted that sustaining them in the face of elite resistance becomes more likely. Within the cases studied here, Bo has succeeded in building public support through a combination of outreach, transparency, equity and highly visible service provision. The other cities, most notably Freetown, have seen strategies based overwhelmingly on coercion come under popular attack.

Within the four city councils examined here, it is possible to discern two broad models of taxation that, following broader work by Moore (2008: 37), we can think of as 'coercive' and 'contractual'. While neither model is absolute, they tend to have particular characteristics. To quote Moore, coercive taxation tends to be 'characterised by variable combinations of: arbitrariness in assessing tax liabilities; coercion in the collection process; and the absence of any representation for taxpayers in areas where tax policy is decided'. By contrast, contractual taxation is 'characterised by: institutionalised, negotiable methods of assessing and collecting revenue; the "quasi-voluntary compliance" of taxpayers; and a voice for them in setting tax policy' (Moore 2008:37). The latter is contractual in the sense that it relies on an implicit understanding that in exchange for the payment of taxes, taxpayers should receive some combination of public services and representation in government decision-making.

Experience in Freetown is exemplary of a model of coercive taxation, which, it should be added, is undoubtedly the norm among local government in Africa (see, for example, Fjeldstad and Therkildsen 2008; Moore 2008). Increased tax collection in Freetown has largely targeted the most readily available and vulnerable taxpayers, be it through local taxation or taxation of a handful of large businesses. Collection has been based overwhelmingly on coercion rather than transparent, rules-based systems designed to encourage voluntary compliance. Most notably, unlike the other city councils, Freetown has remained largely unwilling to share information about revenue collection and public spending with citizens, while no systematic reform of property taxation administration has been undertaken in order to ensure transparency and equity.

Developments in Bo lie at the opposite extreme. The local government has pursued increased collection through tightened enforcement, but also by taking measures to encourage voluntary compliance. This has centred on two strategies in particular: first, putting in place clear and transparent rules governing tax assessment, while offering forums for taxpayers to raise objections where enforcement is considered unfair; and, second, extensive efforts to inform citizens about the revenue raised and about how specifically that revenue is being used by the council, including through a weekly radio dialogue and efforts to explicitly link new services to local revenue-raising. Throughout this process there has been a clear effort by the local government to engage with civil society actors; continued engagement by civil society, often led by the media, in drawing attention to the revenue side of the budget has been crucial.

The importance of these divergent strategies lies in what they tell us about the political economy of reform, and about the potential connections between taxation and broader statebuilding. Most basically, while the coercive strategies employed in Freetown achieved short-term revenue gains, the inequity and coerciveness of these methods eventually

generated a strong backlash, imperilling even the modest revenue gains that had been achieved. The same can be said to a lesser degree of Makeni and Kenema, where reform never garnered significant popular support, ensuring that those supportive of reform lacked the political capital to overcome entrenched resistance to more effective and equitable enforcement. This outcome should not, of course, be seen as a failure to adopt appropriate strategies: political leaders in these city councils chose not to support the kind of outreach and transparency pursued in Bo precisely because such measures would have drawn attention to existing abuses and failings. Minimising transparency and public engagement was part of a strategy to reduce pressure for more thoroughgoing reform.

By contrast, the political leadership in Bo was committed to achieving more extensive implementation of the reform programme, and its efforts to dramatically expand outreach and transparency were part of a strategy to build political support for reform in order to overcome entrenched resistance by large taxpayers. The core political challenge of property tax reform is that it promises benefits to the large, and relatively uncoordinated, mass of citizens, while it disproportionately threatens the interests of concentrated, organised and often powerful actors. Quite simply, sustainable reform requires that those who benefit come to identify a genuine interest in sustaining reform, and it appears that the approach adopted in Bo has helped to generate precisely that kind of popular support.

Finally, the broader reform strategies adopted in Bo speak to the broader interconnections between taxation and statebuilding. Scholars have long argued that the need for expanded taxation may provide a spur to broader improvements in state capacity and accountability (Levi 1988; Tilly 1992; Moore 2008; Braütigam 2008; Prichard 2010a). The logic of the basic argument is straightforward: the need for governments to expand tax revenue may provide incentives for them to improve governance in an effort to encourage quasi-voluntary compliance. Expanded taxation may prompt broader demands for improved governance from taxpayers. However, despite the attraction of this logic, these ideas have often remained comparatively broad and abstract, with few examples of research that captures the specific manifestations of these processes in practice in low-income countries (Prichard 2009, 2010b).

In this context Bo is a compelling case. It provides an example in which local government efforts to expand taxation have both provided incentives for broader governance gains and have encouraged popular engagement. As part of the introduction of expanded property taxation, the council explicitly sought to encourage voluntary compliance through greater transparency about revenue and expenditure. This has not been a mere rhetorical commitment, but has been reflected in regular consultation with taxpayers and access to information about revenue collection and public spending, a high degree of transparency and responsiveness about tax assessments, and, perhaps most notably, success in strengthening local public services financed from local revenue. These gains have been reflected in actual outcomes, with the performance of Bo City Council ranked first among Sierra Leone's city councils in 2011 based on ICRBP monitoring data, after being ranked fourth of six in 2006 (Larizza and Glynn 2012). Of course, these gains largely reflect the overall reformist stance of the local government, but interviews with senior officials make clear that some of these governance gains have been directly linked to efforts to expand revenue collection. This offers tentative support for the idea that ambitious local government tax reform programmes can, in fact, contribute to broader governance gains, generating something akin to a virtuous cycle of revenue gains, governance gains and expanding political support for continued reform.

5 Conclusions

This paper has explored the property tax reform experience of the four largest city councils in Sierra Leone, in order to identify those factors central to explaining the relative success and failure of reform. While narrowly about local government revenue-raising, the findings speak more broadly of how to give fuller meaning to nascent processes of decentralisation, and more fully realise the governance gains that are expected to accompany those processes. Local government revenue-raising is an area in which very little research has previously been conducted, and, as such, the research is exploratory, aimed not at generating universal messages, but at unpacking the complex technical and political challenges of local government tax reform in low-income countries. The conclusions drawn here thus offer a set of possibilities for further exploration.

While the reform programme remains at a nascent stage, the initial pace of property tax reform has been impressive in comparative perspective, and highlights three broad messages.

First, international and central government support has been very important to the gains described here, and external agents have an opportunity to contribute much more actively to strengthening local government taxation in low-income countries. Capacity constraints are often very real, thus offering clear benefits to the type of ongoing technical partnership embodied by the role played by Paul Fish. However, the success of such initiatives must be grounded in a focus on longer term, hands-on, local-level partnership and capacity building, rather than large financial disbursements with limited engagement. While capacity constraints are a real issue, the reform programme here makes clear that it is possible to train local officials, who often have only a high school education, to manage many of the key tasks if training is hands-on and continuous. More broadly, the need for consistent, on-the-ground support reflects the fundamentally political character of the reform challenge.

This centrality of political will to successful reform is the second key message from this research. Simply put, success is unlikely where the political leadership is not supportive of reform. While preliminary elements of reform were comparatively successful everywhere, the full implementation of effective transparency, monitoring and enforcement demands a willingness to confront strong vested interests. Recognising the centrality of politics, this research has pointed towards three factors shaping the extent of political leadership: the relationship between political and economic elites, the relationship between local and central political parties, and the extent of local-level political competition. Crucially, while this research has pointed towards potentially generalisable relationships shaping political incentives, it has sought to stress the extent to which these relationships are dependent on context and the specific taxes involved.

The third key message is that reform strategies that are comparatively contractual can contribute to a virtuous cycle of improved governance, and help to build sustainable political support for continued reform. While the success of reform in Bo must be attributed primarily to the existence of a motivated and committed leadership, reform strategies are important: effective outreach, transparency and service delivery can build the sustainable political foundation necessary to confront resistance by large property owners in particular. This can make the difference between short-term revenue gains and long-term improvements. This message holds within it a broader message: governments seeking to expand revenue collection will face pressure to implement broader reciprocal improvements in governance. This provides some support for the notion that strengthening local government revenue collection can, indeed, be an entry point for catalysing broader governance improvements.

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Appendix: Survey methodology

In order to gain a clearer understanding of the identities, perceptions and compliance behaviour of large property owners, we conducted a survey targeting 40 large business owners in each of Bo, Kenema and Makeni. We focused on large property owners, given that they are the largest contributors to total revenue collection, and are also expected to be among the most politically difficult groups to tax effectively. While available resources limited the size of the survey, the consistency of the survey results with the views expressed by other key stakeholders has increased our confidence in the results.

The survey was carried out first in Bo, where the city council was willing to share the official property register in order to aid in the selection of property owners for the survey. Every fifth property was selected from this list, beginning with the highest valued property in the council area. We conducted the interview with the owner when the property was owner-occupied, while we interviewed the responsible tenant in tenant-occupied properties. In the latter case, the tenant both answered opinion questions and provided information about the identity of the property owner. In all cases the tenants were able to respond to questions about the owner confidently, and the overall response rate was 100 per cent.

By contrast, neither Makeni nor Kenema City Councils were willing to make the official property register available. Because of this, in both councils large properties were systematically sampled. With the help of local informants, city streets that were generally home to the most valuable properties were identified, after which every fifth large property was selected for the survey. While the selection method in the three city councils was not identical, there is no reason to expect the divergent methods to affect the conclusions systematically. In Makeni, 100 per cent of those selected were willing to participate in the survey; in Kenema the final sample size was only 32 respondents, owing to the repeated refusal of some owners and tenants to participate.

Critical to the survey methodology were efforts to gain insight into potentially sensitive questions about ethnic identity and tax compliance. The first challenge was overcome by focusing on less sensitive questions about geographic origin and migration, which are nonetheless a close proxy for ethnic identity. The second challenge was overcome by not only recording self-reported compliance by taxpayers, but also asking to see taxpayers' tax receipts, possession of which we view as much stronger evidence of actual compliance – a view shared by tax officials.



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