

Working Paper 179

# Resolving Tax Disputes: Market Vendors and Local Councils in Malawi

Tizgowero Msiska  
and Masauko Thawe

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Tizgowero Msiska and Masauko Thawe

## Summary

In local markets in Malawi, there are frequent tensions between market traders and the local councils who are responsible for the markets. This sometimes results in the traders refusing to pay market taxes. That in turn causes councils to refuse to provide services, to the markets themselves or to local populations more broadly. This paper reports on research into the circumstances in which these disputes are successfully resolved. The research covered eight local councils where such disputes have taken place. Some disputes were resolved; others were not. Information was obtained through 123 interviews and 12 focus group discussions with top council officials, council employees directly working with vendors, vendors, vendors' committees, councillors, mayors, and leaders of civil society working in local governance. We found that five factors contributed to successful dispute resolution. The first is that senior council leadership should engage in dialogue with market vendors, and not denigrate them as illiterate or uneducated. The second is that there should be good flows of relevant information, especially on the actual uses of market fee revenue and on the reasons why councils are unable to reinvest 100 per cent of this revenue into the markets themselves. The third is that vendors should perceive the overall structure of market fees as equitable. They are then more likely to trust their council and feel fairly treated. Fourth, those market committees that have more autonomy – typically because they raise their own funds to cover operating costs and are not dependent on politicians – are better placed to reach agreements with councils. Finally, civil society organisations (CSOs) can promote resolution if they facilitate dialogue between vendors and councils, especially where there is no trust between the two and where market committees are weak or lack autonomy. These findings have important implications for the effectiveness of local government tax collection, state–citizen relations in local government and tax dispute resolution between market traders and local governments.

**Keywords:** local government taxation; market vendors; local councils; tax dispute resolution; Malawi.

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# Acronyms

BDC	Blantyre District Council
KADEC	Karonga Debate Club
CAS	Church and Society
CCJP	Catholic Commission for Justice and Peace
CEO	Chief executive officer
CSO	Civil society organisation
DEC	District Executive Committee
DC	District commissioner
DoF	Director of finance
DPD	Director of planning and development
FGD	Focus group discussion
FOCUS	Foundation for Community Support Services
FYF	Find Your Feet
GAYO	Girls Activist Youth Organisation
IDI	In-depth interview
LGR	Locally generated revenue
KDC	Karonga District Council
KII	Key informant interview
MK	Malawi Kwacha
MP	Member of Parliament
NGO	Non-governmental organisation
NICE	National Initiative for Civic Education
TDC	Thyolo District Council

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# Introduction

The saying that ‘people live for each other’ can also be manifested in state–citizen relations. The breakdown of this relationship may lead to loss of trust and antagonism between citizens and the state. In local governments, the breakdown of taxpayer–council relations may lead to boycotting of tax payment in market establishments; resolving such breakdowns when they arise is a significant question for revenue collectors around the world.

This is what happened in Mzuzu City in Malawi. In 2019 and 2021, vendors in Mzuzu markets boycotted payment of market fees and ground rents, leading the council to lose a great percentage of income through market levies, upon which it relies heavily. This greatly affected the capability of the council to deliver services in markets. For instance, vendors plied their merchandise in untidy marketplaces. Through negotiations, facilitated by non-state organisations, a consensus was eventually reached, with vendors resuming payment of market levies and the council resolving the concerns of vendors. However, the successful vendor–council tax dispute resolution that took place in Mzuzu City has not happened in other councils facing similar challenges.

What specific conditions made vendor–council tax dispute resolution more likely to succeed and yield governance benefits in Mzuzu City Council – and do we see similar patterns among other councils across Malawi? This is the puzzle our research is trying to understand. Unsuccessful vendor–council tax dispute resolution is likely to affect revenue collection in market establishments, leading to inefficient service delivery by local councils. The understanding of this puzzle will help in promoting cordial engagement between vendors and councils by sharing the outcomes of successful vendor–council resolution with councils experiencing unsuccessful vendor–council tax dispute resolution.

Local governments are mandated to collect revenues in markets. The revenue collected is used by the councils to provide public goods and other services, with a certain fraction of the revenue retained in the markets for their management. This has created a form of reciprocity from the revenues collected from market structures, and the abandonment of this reciprocity in terms of service delivery and accountability by local governments has induced disagreements between vendors and local authorities. In some cases, such as Mzuzu, Karonga and Nsanje councils, such disputes have led to vendors boycotting payment of market fees which has eventually impacted service provision by some local councils such as Mzuzu and Karonga (Malekezo 2020; Kumwenda 2015). Resolving tax payment stalemates that arise due to disagreements between vendors and councils requires equal negotiating power. Vendors would like to have equal power relations to negotiate terms and conditions on tax administration and tax accountability at the local level. However, this usually does not sit well with local councils who consider themselves to have the mandate to decide on tax rates and how taxes will be used.

How can local governments and taxpayers overcome such stalemates? And what makes for effective tax dispute resolution? In striving to understand why tax dispute resolution between market vendors and local councils leads to positive outcomes in some cases and not others, the study compares outcomes across eight local councils in Malawi, which show variation in the nature of revenue stalemates and the success of tax dispute resolution. Successful tax dispute resolution is evidenced by three indicators. The first is an increase in voluntary compliance with a corresponding increase in revenue for the council as a result of the successful dispute resolution. Second, the willingness and ability of the councils to deliver on the demands of market vendors. The last indicator is the occurrence and possibility of successful negotiation of tax rates by market vendors through their committees.

To identify the outcomes of tax dispute resolution and to explain variation in outcomes, we conducted 123 interviews with senior council officials, council staff directly working with vendors, councillors, mayors, chairpersons and civil society leaders working in local governance across all eight case study councils. We also conducted focus group discussions with market vendors in the study councils. We supplemented the interviews with desk-based research, which reviewed financial statements for councils and other data available, including from the National Local Government Finance Committee. We do not aim to establish a causal relationship or to identify determinative factors affecting tax dispute resolution. Instead, we reflect on the recent history of local government-taxpayer relations in Malawi as a means of drawing descriptive insights into specific instances of tax dispute resolution at the local level.

We find that five conditions shape successful tax dispute resolution in this context, though none alone is decisive.

1. Participation of senior council officials and demonstration of mutual respect: councils where the senior leadership participated in dialogue with market vendors and did not denigrate them as illiterate or uneducated had more positive tax dispute resolution outcomes.
2. Feedback mechanisms to close the information gap: effective flow of information has helped ensure successful dispute resolution, especially by increasing perceptions that market fee revenue is being used transparently, and by disrupting unrealistic perceptions on the part of vendors that 100 per cent of revenues generated should be reinvested into markets.
3. Perceptions of equitable fee structures: in councils where the overall market fee structure is seen as more equitable, vendors are more likely to comply and seem to have higher trust in councils, which might facilitate tax dispute resolution.
4. Autonomy of market committees: more autonomous market committees, both politically and in terms of funding their own operating costs, have strengthened the bargaining position of vendors and allowed them to approach councils as equals.
5. Mediation by civil society: civil society organisations (CSOs) have played important roles in restarting dialogue between vendors and councils, especially where the trust has totally broken down, or where market committees are weak/less autonomous.

This paper contributes to our understanding of local government taxation and fiscal decentralisation, as well as of state–citizen relations and the resolving of tax disputes. It provides evidence that can inform local governments in Malawi on feasible strategies to engage vendors through their governance structures with the aim of increasing revenue collections. It also makes clear that civil society has an important role to play in facilitating positive links between taxation and accountability in line with recent research (see e.g. Weigel 2020; van den Boogaard, Prichard, Beach and Mohiuddin 2021) by mediating between councils and vendors, especially when the market committees seemingly appear less capable of negotiating on taxation.

This study’s findings may provide relevant lessons for other contexts beyond Malawi in thinking about how to manage government-taxpayer relationships, overcome stalemates, and encourage smooth tax-related dispute resolution. The study informs local councils on factors that enable state–citizen tax dispute resolution at local government level. Ultimately, this may guide on effectiveness in tax collection by local governments, state–citizen relations and tax dispute resolution between market traders and local governments.

The rest of the paper is organised as follows: section 1 is a literature review, section 2 gives a background of local government and market tax collection in Malawi, whereas section 3 outlines the comparative case study design. Tax resistance and tax dispute resolution outcomes across the study councils are covered in section 4. Section 5 outlines factors that



enable effective vendor–council tax dispute resolution, and lastly, section 6 concludes and suggests policy implications.

# 1 Literature review

In general, literature on the taxation of market vendors has tended to focus on three broad concerns that are relevant to thinking about tax dispute resolution at the local level in Malawi. The first is explaining the structure of market taxes and their impact on vendors, especially related to the progressivity of market taxation and differing gender impacts. Ligomeka (2019), for example, examined the introduction of a presumptive tax on small-scale traders in Zimbabwe. The findings show that most small-scale traders pay a higher proportion of their income in taxes than do formally salaried individuals. Other studies likewise confirm that market taxation is often highly regressive compared to other forms of taxation, and that informal workers such as market vendors pay relatively more in relation to their income than formal sector workers (Rogan 2019; Anyidoho *et al.* 2022; Prichard and van den Boogaard 2017; Carroll 2011), often with more regressive impacts for women.<sup>1</sup> The literature portrays a picture of tax inequities faced by small traders who operate in an informal setup. This necessitates a greater need for market vendors to negotiate better fiscal deals that benefit them.

Second, a body of literature considers the role of tax bargaining between market vendors and local governments, and the role of mediators in such bargaining. Some studies emphasise that market taxation can provide a venue for bargaining between vendors and their local councils (Fjeldstad, Katera and Ngalewa 2008; Prichard 2010). In theory, this type of bargaining can yield governance benefits in the form of increased council accountability, while also improving compliance rates and thus revenue collection for the councils (Brautigam 2008). However, such benefits are not automatic, as market traders often face major barriers to collective action that prevent them from bargaining effectively with their councils (Prichard and van den Boogaard 2017). Market committees or associations can play a major role in facilitating bargaining between councils and vendors. For example, in Ghana associations played a central role in both collecting taxes and negotiating with the government for concessions on behalf of their members (Agyapong 2012). Elsewhere, Siebert and Mbise (2018) found that in Tanzania a significant majority of market traders prefer when taxes are collected by their market committees, as opposed to by local government or private agents. The main reason given for this preference is that market committee collectors are vendors themselves, and thus not strangers. This familiarity leads to a relationship of mutual respect and trust between tax collectors and taxpayers, whereby taxpayers feel that the collectors understand their personal circumstances and consider factors like lack of customers or sickness in making decisions about tax collection. The authors note that while this associational approach to market taxation may improve voluntary compliance, its personalised nature also has a much higher potential for corruption (Siebert and Mbise 2018). Remaining questions revolve around the role of associations in realising the potential governance dividend of taxation, with the reality that ‘very little has been written on the contextual factors that would result in fruitful negotiations and improved state–citizen relations’ (Dube and Casale 2016).

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<sup>1</sup> In addition to the regressive nature of market taxation in Zimbabwe, Ligomeka (2019) shows that female vendors pay a higher proportion of their income in taxes than male vendors, primarily because they sell less than men but are subject to the same tax rate. Siebert and Mbise (2018) add to these findings with their study in Tanzania, which shows that even when tax rates are scaled with expected income, women can still face a higher burden. In the Tanzanian case, this higher burden on women is caused by supplemental fees, such as for accessing toilets. Siebert and Mbise (2018) find that female vendors pay up to 18 times more for their daily use of toilets than they pay in market taxes. Previous research thus shows that the equity of market taxation, along both income and gender lines, can be of major concern to vendors.

Finally, and relatedly, some research has focused on the broader potential governance benefits of market taxation, as well as on how civil society organisations might help facilitate these benefits. The state's reliance on taxation has increased responsiveness and accountability by expanding the political power wielded by taxpayers, though tax-accountability links are more likely where taxpayers have the motivation, resources, and power to make successful demands on governments for reciprocity (Prichard 2015). Indeed, taxation alone does not guarantee state-citizen bargaining, as market vendors often face major barriers to collective action (Prichard and van den Boogaard 2017). In theory, governance benefits are contingent on the ability of vendors to bargain effectively with their local councils (Brautigam 2008).

In an analysis looking at the effectiveness of civil society actors in advocating for more equitable taxation systems, van den Boogaard (2020) finds that civil society actors can play an effective role in improving taxpayer engagement by acting as an enabler, largely by encouraging taxpayers to make demands from government. Among other strategies, civil society actors may improve engagement by supporting safe, secure, and sincerely open spaces for dialogue between taxpayers and government officials, and also by helping taxpayers develop collective demands and engage more constructively in public forums (van den Boogaard *et al.* 2021). Such forums are most effective in encouraging taxpayer engagement where they allow for anonymity and interaction and where governments visibly demonstrate responsiveness to citizen concerns, even on a small scale, while partnering with civil society to foster trust, dialogue, and expanded knowledge (van den Boogaard *et al.* 2021). CSOs are therefore proposed as a mechanism to ensure inclusivity in tax bargaining, especially through the creation of institutional spaces where such bargaining can happen (Prichard 2016). The trust vendors have in the civil society emerges as an enabler in the negotiations between vendors and councils.

Some scholars have additionally reiterated the important role civil society organisations can play in stimulating and facilitating these types of bargaining and tax dispute resolution processes. In Guinea, for instance, a USAID project worked to explicitly link the payment of market taxes to the construction of improved market facilities. It then posted easy-to-understand information about council revenues and expenditures in accessible locations around the market and elsewhere (Levine, Fischer and Kumar 2021). The project resulted in a doubling of revenue collected from the market due to increased compliance and enhanced community monitoring of tax collectors (Prichard 2010). Smooth flow of information has proved to be an important factor in promoting taxpayer-government engagement. In a study conducted in Ghana and Sierra Leone which aimed at drawing more precise and practical lessons and identifying specific interventions and strategies that can be adopted by governments, civil society actors, and development partners to strengthen the links to responsiveness, and accountability, van den Boogaard *et al.* (2021) find that misinformation about the state's mandate to collect tax payments is pervasive in some contexts. Their findings reflect a broader disconnect between taxpayer expectations about what can be expected from tax payment and the reality of what governments can provide. In addition to the role of CSOs in promoting taxpayer-government engagement, our study looks at how misinformation and information gaps facilitate tax dispute resolution – and general engagement – between local councils and vendors.

Despite encouraging anecdotal cases like that from Guinea, the broader evidence on how CSOs can best facilitate tax dispute resolution between citizens and the state is quite limited. One of the worries in the literature on state-citizen tax negotiation is the significant risk that such processes will be co-opted by larger taxpayers or business interests (Moore 2015). Our research thus additionally considers how CSOs in the Malawian context have worked to encourage the successful resolution of tax disputes between market vendors and councils, what factors inform their effectiveness, and how they might better tailor their strategies moving forward.

What remain unknown are thus the specific conditions under which vendor–council tax dispute resolution is most likely to succeed and yield the theorised governance benefits. Our research begins to fill this gap with an analysis of eight local councils in Malawi. We build on the existing literature to show how the enablers of effective vendor–council tax dispute resolution are shaped in part by the structure of market taxes, the flow of information between vendors and councils, and the zeal with which councils implement demands by vendors. Further, we look at the extent to which market committees are empowered as a mouthpiece for vendors in markets. We further show how civil society organisations facilitate the council–vendor tax dispute resolution process.

## 2 Background: local government and market tax collection in Malawi

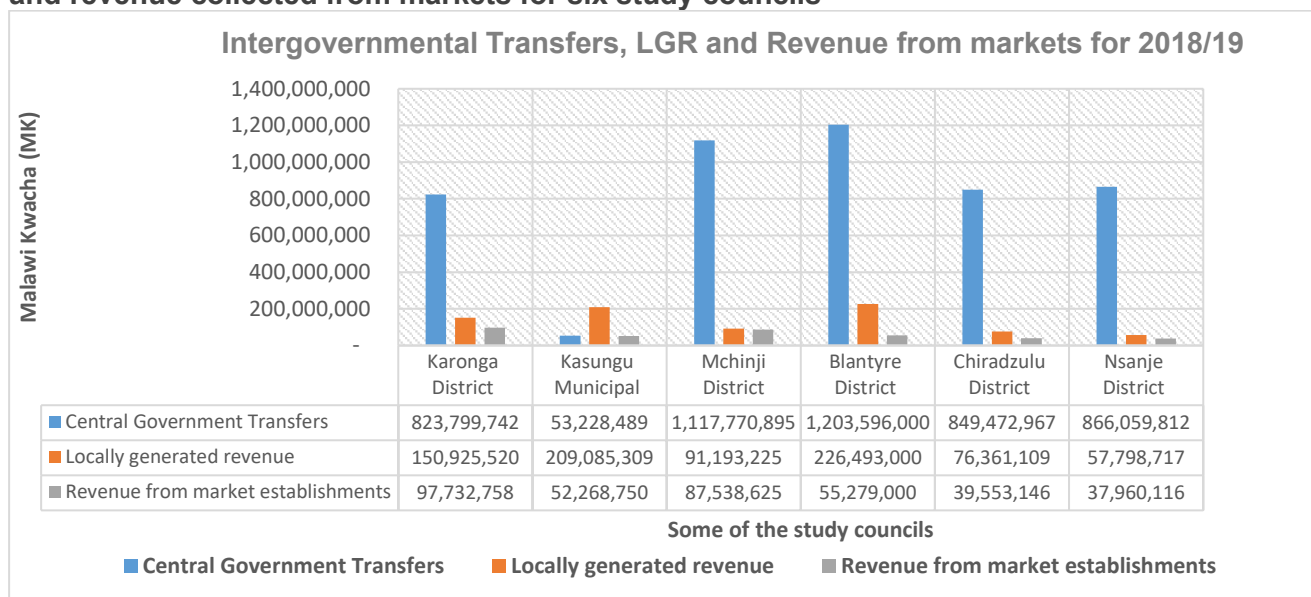
The Local Government Act 1998 (Government of Malawi 1998a) authorises councils to generate resources locally through charging for services, levying various rates, and collecting market fees. Interviews with district council officials indicate that market levies are a major source of locally generated revenues (LGR). This is also corroborated in the most recently available annual reports on intergovernmental transfers and locally generated revenues produced by the National Local Government Finance Committee (LGFC), as indicated in Figure 1, which compares government transfers, LGR and income from market establishments for financial year 2018/2019 for six of the eight study councils.<sup>2</sup> As shown in the figure, almost all (about 96 per cent) of the LGR is income from market establishments in Mchinji District. In a municipal council such as Kasungu and Blantyre district councils, which are peri-urban areas, LGR is meant to be well supported by other sources such as central government property rates, fees and service charges, licences and permits, and commercial undertakings. This could be an explanation of why a consolidated 2021/2022 revenue and budgetary report on approved LGR for all councils in Malawi produced by the National Local Government Finance Committee pegs revenue from market establishments at 14 per cent of all LGR (NLGFC 2022a and 2022b). However, in the absence of ceded revenues, which Blantyre District Council (BDC) used to collect before e-service delivery technologies made them defunct, according to the director of planning and development (DPD), revenue from markets remains a reliable source of LGR for the council: ‘You know, in the past, as Blantyre, we were getting a lot of funds from passport fees; now that the passport has gone e-passport, then people are not paying fees. With the change in the passport fees, we are over relying on the markets.’<sup>3</sup> In this context, councils continue to rely heavily on market revenues.

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<sup>2</sup> Data from the remaining two councils was not available.

<sup>3</sup> Key informant interviews, DPD, Blantyre.

**Figure 1 Comparing 2018/2019 intergovernmental transfers, locally generated revenue and revenue collected from markets for six study councils**



Source: National Local Government Finance Committee report for individual councils.<sup>4</sup>

Like in most African countries, however, local governments in Malawi rely highly on transfers from the central government to finance their projects and administrative work, as also indicated in Figure 1. In the 2021/22 budget estimates for all 35 local governments in Malawi, transfers from central government account for about 93 per cent of total council revenue (NLGFC 2022b). Both interviews and desk research show that reliance on intergovernmental transfers has put local governments in huge debt, and central government has indicated scepticism about bailing them out. The central government holds that it is the responsibility of councils to raise more revenue and settle the debts, which were in excess of 16 billion Malawi Kwacha (MK)<sup>5</sup> for all councils in Malawi by January 2023. Central government has been failing to honour the transfer of five per cent of national revenue to local governments as required by the Decentralization Policy of 1998 (Malekezo 2023). Interviews with the councils show that intergovernmental transfers are either not adequate or not reliable, as councils go several months without receiving the funds. The locally generated revenue affords the councils the independence of generating and the flexibility of spending the revenue since intergovernmental transfers are associated with certain restrictions. Government transfers are intended to be used for other recurrent transactions (ORT), development budget and personnel emoluments. Apart from city councils,<sup>6</sup> as found by the study, market fees form a major percentage of locally generated revenue for a majority of local governments.

Interviews with officials in all eight councils and desk research point to the challenge local governments face to get transfers from central government, which form a large part of revenue for local councils. Most of the officials in the study councils have raised concerns that the transfer of these funds is unreliable – this was also confirmed by recent findings<sup>7</sup> – and sometimes not enough to cover the budget needs of local councils. Locally generated revenue tends to be the most reliable source of revenue. Besides, locally generated revenue

<sup>4</sup> Available on: <https://www.nlgfc.gov.mw/index.php/plushub/file/102-local-authorities-2018-19-financial-statements>

<sup>5</sup> During the period in which the research was conducted, the rate was around USD1 to MK750.

<sup>6</sup> In cities and some municipalities, property rates are the largest source of locally generated revenue, while district councils heavily rely on market fees and licence charges.

<sup>7</sup> Such as in 2023, interviews with district commissioners of ten selected district councils confirmed to have gone two months (June and July) without receiving funding from the central government for other recurrent transactions (ORT) and general resource fund (Chilora 2023).

provides the needed flexibility to use and deliver better services. This is because transfers from the central government are restricted to three major uses; other recurrent transactions, development budget and personnel emoluments.<sup>8</sup>

In this context, local governments have been trying to raise more revenue locally, including through market taxes and fees, though are still under target. In most markets, vendors are required to pay a fixed fee for each day that they sell in the market (the fee usually ranges from about \$0.14–0.21 per day) (IPA 2018). These market fees are decided by the local councils with the mandate drawn from the Malawi Local Government Act of 1998, as stipulated under Section 11 of the Second Schedule of the Act.<sup>9</sup> To collect market fees, councils either employ their own revenue collectors who are on full salary (as is the case in Karonga, Kasungu, Mchinji, Thyolo and Nsanje districts) or employ agents who are remunerated on a commission basis (such as Chiradzulu and Blantyre) or outsource the revenue collection to a private company (such as Mzuzu City). The performance by all 35 local councils in collection of local revenue shows the underutilisation of the huge potential by councils to collect revenue from flea markets. This is evidenced by the performance of all local councils in the fiscal year of July 2021 to March 2022: councils only managed to collect MK14 billion of the targeted MK21 billion (Symon 2022).

The Local Government Act provides that 25 per cent of revenues raised from markets should be retained for the management of those same markets. In general, the 25 per cent of collected fees that is retained in the markets is expected to be channelled towards infrastructural maintenance and upgrades, and service provision. Councils are expected to ensure that vendors operate in well-constructed and organised markets with proper sheds or shops that are not leaking. Councils are expected to locate markets and shops in places that are accessible and convenient for target consumers. And they are expected to ensure the provision of good sanitation facilities, access to water and electricity, and other necessary amenities.

In Malawi, market vendors are represented by market committees at the council level.<sup>10</sup> The principal role of market committees is to act as a bridge between vendors and the local council secretariat. Committees are also responsible for ensuring that the marketplace is kept clean and hygienic. They also play an important advocacy role in pushing for the accountable and transparent use of market fees. The defining characteristic of market committees is that they are local, such that there is no overlap between vendors doing similar business in different townships. Committees are also typically formed for each type of vending, such that even in the same market there may be little contact between, for example, the committees representing tailors and those representing airtime sellers (Jongh 2015). Unlike other African countries such as Tanzania and Zimbabwe, where market committees are also directly involved in revenue collection (Siebert and Mbise 2018; Carroll 2011), committees do not directly get involved in revenue collection in Malawi. The role of the market committees ends at either facilitating smooth market fees collection, ensuring transparency or accountability in tax administration, negotiating tax rates or facilitating tax resistance by siding with vendors.

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<sup>8</sup> The ORT comprises grants for sectors that have devolved their functions to local governments and the general resource fund. Development budget is the budget for locally funded projects and consists of the district development fund (DDF), constituency development fund, infrastructure development fund (IDF), water structures fund and funds for construction of city roads. The personnel emoluments budget is made up of funds for salaries, leave grants and other allowances for local government authority, for staff paid by central government and health, education and agriculture sector staff.

<sup>9</sup> Section 11 (1) of the Local Government Act 1998 (under Second Schedule, Additional Functions of the Assembly): 'An Assembly may establish, maintain and manage markets and market buildings and premises within its area and shall levy upon traders within a market such fees or charges as the Assembly may decide.'

<sup>10</sup> Market committees are typically comprised of a chairperson, vice chairperson, secretary, treasurer and five regular committee members.

The role of market committees is sometimes complemented by chiefs, who are part of the local government structure and could also be considered as a part of civil society. Interviews with market vendors and civil society mentioned some cases in which chiefs resolved council–vendor disputes in certain markets in study councils, particularly Karonga District.

### 3 Research design

The study adopted a comparative case study design, with cases selected based on newspaper stories and online reports of conflicts between local governments and vendors and the successful and unsuccessful outcomes of tax dispute and conflict resolution between market vendors and councils. This initial selection criteria was validated by preliminary interviews and discussions conducted in the study councils. We evaluate the success of tax dispute resolution through three indicators. First, voluntary compliance – and revenue for the councils – should increase after incidents of dispute resolution. Market vendors in most councils have a relatively high level of discretion over whether they will comply with payment of market fees, and rarely face consequences for noncompliance. This is especially the case when there is a general sense that the council is untrustworthy or does not deliver on its promises. As a result, increases in compliance with market fee payments are most likely to result from episodes of successful dispute resolution. Second, councils delivering on the demands of market vendors – such as improved services and infrastructure, or increased transparency and accountability over the use of market fees – may also be evidence of successful dispute resolution. Third, successful negotiation of tax rates by market vendors through consultations with their committees is also considered as a sign of successful dispute resolution.

We identified examples of successful tax dispute resolution by conducting desk-based research on the local councils that have experienced tension between market traders and councils. The desk research further analysed how the two parties tried to resolve their conflicts. We selected eight study councils that had experienced taxpayer-council disputes and achieved either positive or negative outcomes after council–vendor engagement – Mzuzu City, Karonga District, Kasungu Municipal, Mchinji District, Blantyre, Thyolo, Chiradzulu, and Nsanje – selected from all the three major administrative regions in Malawi (see appendix, Figure A1).<sup>11</sup> As illustrated by Table 1, Mzuzu, Kasungu, Karonga, Thyolo, Mchinji and Blantyre were cases with successful dispute resolution outcomes between vendors and councils. Chiradzulu and Nsanje represented councils with unsuccessful dispute resolution outcomes. The study selected only a few of all the 35 local councils in Malawi. Tax disputes resulting in boycotting are a common problem in almost all local councils in Malawi, emanating largely from unrealistic expectations and demands by vendors and lack of transparency by councils in managing such unrealistic expectations and demands.

In particular, Karonga District, Mzuzu City and Kasungu Municipality were repeatedly coming out as councils that have experienced frequent vendor–council tensions, boycotting of market fee payment and tax dispute resolution, particularly on reciprocity pertaining to service delivery, accountability and infrastructure development in the markets, with negotiation of tax rates not coming out clearly at this point. Blantyre, Thyolo and Mchinji showed some cases of vendor–council tensions but they seem not to be frequent as they are in the other councils. These cases are described in further detail in section 4 below.

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<sup>11</sup> Mzuzu City and Karonga District are in the Northern Region, Kasungu Municipality and Mchinji District are in the Central Region, whereas Blantyre, Thyolo, Chiradzulu and Nsanje are in the Southern Region of Malawi. Figure A1 in the appendix gives an overview of the geographical locations of the eight study councils.

**Table 1 Case selection showing outcomes across study councils**

Local council	Taxpayer resistance to paying taxes	Voluntary tax compliance after agreement	Local council responsiveness to taxpayer demands	Negotiation of tax rates	Successful or unsuccessful bargaining outcomes
Karonga District	Yes	Yes	Yes	No	Largely successful
Mzuzu City	Yes	Yes	Yes	No	Largely successful
Kasungu Municipal	Yes	Yes	Yes	Yes	Successful
Mchinji District	Yes	No	Yes	No	Moderately successful
Blantyre District	Yes	Yes	Yes	Yes	Most successful
Thyolo District	Yes	Yes	Yes	Yes	Successful
Chiradzulu District	Yes	No	No	Yes	Generally unsuccessful
Nsanje District	Yes	No	No	No	Largely unsuccessful

Source: Authors' own based on authors' survey.

Within each council, we collected primary data between December 2021 and February 2022, including 123 interviews (82 in-depth interviews (IDIs) with market vendors and employees of councils directly working with vendors, 41 key informant interviews (KIIs) with council top officials, and those with expert knowledge) and 12 focus group discussions (FGDs) (see Table 1 in the appendix).<sup>12</sup> The study purposively collected data in markets where council–vendor tension had been recorded. A majority of these markets are central/main markets in the study councils. In councils where data was collected in more than one market, the selection of the other markets was by referral through snowball sampling method. Interviews and FGDs with vendors were conducted in main/central markets in Karonga, Mzuzu, Mchinji, Kasungu and Nsanje; in central and Bvumbwe markets in Thyolo; in Mbulumbuzi and Thomas markets in Chiradzulu; and in Lunzu market in Blantyre. The rest of the participants in KIIs and FGDs were purposively selected due to the positions they held and nature of their work.

Interviews were conducted with top council officials, council employees working in flea markets, leaders of CSOs and non-governmental organisations (NGOs) that are working with vendors or working in local governance, and vendors who are part of market governance structures, such as market committees. The research adopted purposive and convenience sampling techniques during interviews with vendors. The study purposively targeted vendors, council officials, and leaders of CSOs working in local governance in the study councils. Further, vendors who were conveniently available for interviews and focus groups were the ones considered. The study depended on the vendors' availability and willingness to take part. For vendors, IDIs were used to allow confidentiality when discussing sensitive issues and to compensate for the unavailability of vendors to take part in FGDs, and FGDs were used to bring vendors together since most of them do their businesses in proximity. In Karonga and Chiradzulu districts, the vendors were interviewed through IDIs but not FGDs as vendors were not available to form focus groups, but preferred to be interviewed as individuals on their business benches. Further details of FGDs, IDIs and KIIs are provided in tables A1 and A2 in the appendix.

To complement this qualitative data collection, we also rely on tax data for a period of four to five years of target councils that managed to share their revenue collection reports, i.e. Thyolo District Council and Mzuzu City Council. Researchers' efforts to solicit data on a trend on revenue collected from markets in the eight study councils have not been successful. While some councils promised researchers that they would provide the data through email,

<sup>12</sup> Primary data was processed by transcribing audio recordings and field notes and translating the data collected in local languages to English.

some councils gave an excuse that their previous administrations failed to integrate data and so data spanning five years would not be available. Only Thyolo District Council and Mzuzu City Council were open to sharing their revenue collection records for a period of five and four years, respectively. The desk research also enabled the researchers to review changes in tax collection in some councils which some councils thought were due to the bargaining strategies they adopted, an alleged causal relationship that was not proven by the data collected in this study.

We acknowledge the limitations of the data collected in this study. First, the study is qualitative and descriptive in nature; it is thus unable to identify causal factors that enable successful tax dispute resolution. Instead, it can provide indicative evidence only. Second, the study cannot attribute the changes in the local revenue collection in some councils to successful resolution of tax disputes, as claimed by some participants in the study. Proving such links is beyond the methodology of the study.

## 4 Tax disputes and dispute resolution outcomes across eight case studies

Council–vendor tensions and corresponding tax boycotting among market vendors have been widespread in the study councils. Interviews in the eight study councils suggest that resistance to paying market fees in all but two (Thyolo and Blantyre) study councils was propelled in part by the alleged misuse of funds and lack of transparency and accountability in the administration of taxes by council secretariats. When taxpayers resist payment, councils lack the enforcement capacity to compel them to pay. Across all study councils, the strict enforcement of regulations and market fee payments has generally been a disappointing failure. Karonga District Council (KDC), for instance, tried to use police force to move vendors out of the street in an initiative dubbed Operation Dongosolo. Interviews indicate that the operation was a failure, with the vendors immediately returning to sell their wares in the street. Previous research has documented similar challenges in trying to rely on police and strict enforcement to increase the collection of market fees. In Kumasi, Ghana, for instance, using police and special task forces for revenue mobilisation made the local government very unpopular, ultimately leading them to lose the next election (Agyapong 2012). Politicians tend to consider vendors as a potent political tool to win elections, and hence discourage any aggressive enforcement activities that target vendors. Similar dynamics were documented in Malawi across all the study councils. As a result, council secretariats are largely unable to rely on police forces and strict enforcement to ensure compliance with market fee obligations.

The alternative to relying on police forces and strict enforcement is a process of dispute resolution between councils and market vendors. These experiences with the failures of strict enforcement indicate that a dispute resolution approach, in which councils and vendors come together to discuss their priorities and make concessions, may be a more effective way forward for both parties. In some cases – such as Karonga, Mzuzu, Kasungu and Nsanje – civil society actors intervened in resolving issues of tax boycotting so that market traders resumed paying their taxes as required. In several cases, civil society organisations played an important role in re-establishing a cordial relationship between taxpayers and local councils for improved public service provision.

In theory, a case of successful dispute resolution should at least partly address the vicious cycle of low compliance and poor service delivery. Although dispute resolution may begin with confrontation and noncompliance with market fees, successful cases should eventually



involve councils and vendors coming together in dialogue, deciding on their priorities, making concessions, and agreeing on a path forward. Crucially, both councils and vendors then need to follow through on their promises made in these discussions. In some cases, dispute resolution was initiated but councils subsequently failed to deliver on the service and infrastructure improvements they had promised. Such failures break the trust necessary for successful resolution of disputes. Below, we summarise the key dynamics in each of our case study councils, focusing on the nature of tax resistance, the mode of resolving tax disputes, and the outcomes of dispute resolution, seeking to identify the presence or absence of the three indicators of successful dispute resolution that we outline above.

#### **4.1 Tax payment boycotting and successful tax dispute resolution**

Tax payment boycotting by vendors in Karonga, Mzuzu, Kasungu, Thyolo, Blantyre and Mchinji markets was reflected in collective action by all vendors, led by their committees, to resist further false promises by the council of providing sanitation, ensuring transparency in tax administration, and removing illegal vendors<sup>13</sup> and providing adequate space in the markets. A number of such unfulfilled promises had been observed and vendors could no longer take any more. They resorted to boycotting the payment of market fees. This mostly applied to markets in which vendors had an unwavering trust in their committees as evidenced by the reliance on the committees to resolve issues affecting them, and diminished trust in councils, which was not a common observation in the other councils.

##### **Mzuzu**

In Mzuzu, between 2019 and 2021, vendors that ply their businesses in its main market on a daily basis stopped paying market fees and ground rents, leading the council to lose a greater percentage of income, although no research or statistics are available to quantify the exact loss. During some of the meetings between the council and other stakeholders, it was alleged that this loss of income ultimately resulted in the council failing to conduct its duties such as collection of garbage and paying of employees. Vendors had put forward three major reasons for tax noncompliance. These were the failure of Mzuzu Council to account for the revenue collected in markets, its failure to conduct its duties based on the agreement signed between market committees and the council secretariat, and its failure to remove illegal vendors from the main market. The vendors further threatened that if the council planned to block their boycotting, they would kill any council official sent to enforce the law in the market. These threats toward the council seemed to have worked according to the wishes of the vendors and this was likely perpetuated by lack of political will from the government to involve law enforcers to bring order in the market. Interventions by some CSOs, mainly Find Your Feet (FYF), Church and Society (CAS) and National Initiative for Civic Education (NICE) Trust, facilitated council–vendor dialogue through town hall meetings and other engagement meetings.

As a result of engagements that were initiated and facilitated by CSOs,<sup>14</sup> feedback mechanisms improved. The local government began responding to vendor demands for improved service delivery by providing night markets and improving market structures to increase space for vendors. As described by a CSO leader, ‘Some vendors were complaining about not having places where they [could] sell their merchandise; through this engagement, that’s where they were now able to open up night markets. They close one

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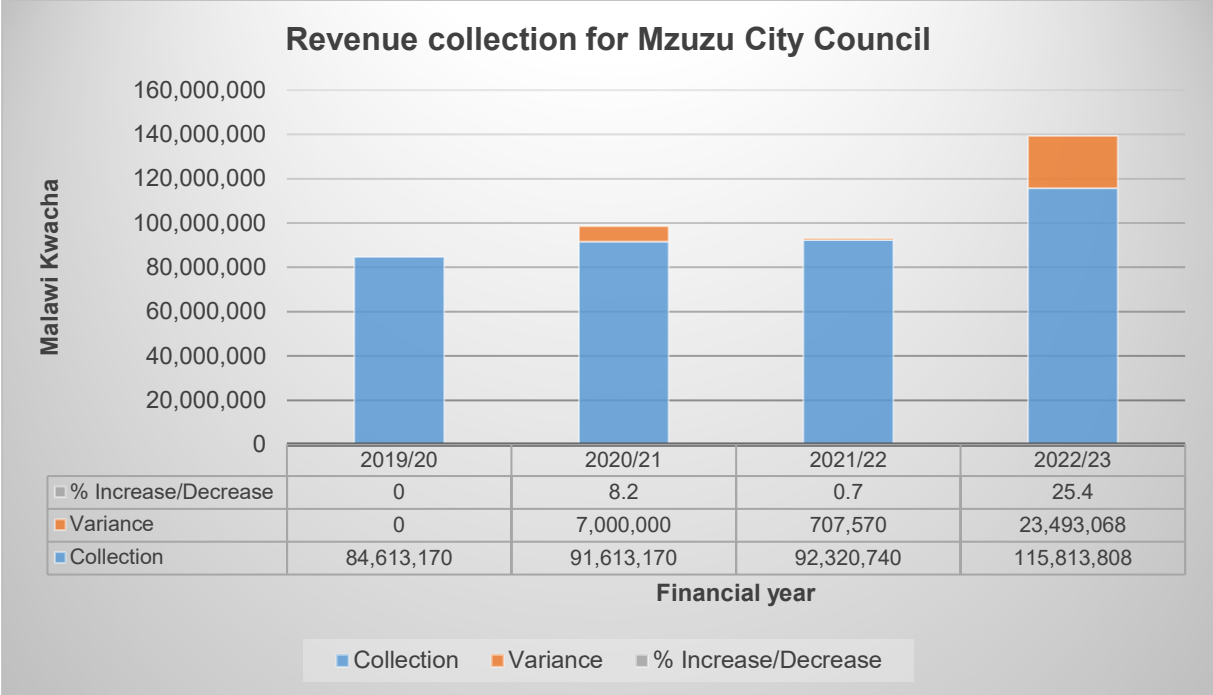
<sup>13</sup> Illegal vendors are defined as vendors who sell in places not approved and designated by Mzuzu City Council. They do not pay market fees or ground rents. Because they ply their trade in undesignated places, authorities are not supposed to collect any market levy from them as the collection would encourage and legitimise illegal vending.

<sup>14</sup> ‘In our project, we have activities like town hall round table meetings where we give space to duty bearers to give those reports, though at the meantime it’s very sketchy. We also get those financial reports from [the] city council and distribute them to vendors as well as community members in the wards where we are implementing the project, so that people should be able to get that information and see how their money is being used.’ KII, CSO leader, FYF, Mzuzu.

road about 5 pm, the one from the bus depot to the health centre, using road cones. Through those engagements, those are some of the initiatives that the council came up with as a way of assisting, so as they are able to provide space, because mostly we chase vendors but this time around, I think we are accommodative. So, that’s one of the initiatives that has been there.’<sup>15</sup> As a result of such accommodation and regular engagement meetings, voluntary tax compliance began to be restored, with a council report highlighting an increase in revenue collection of 25.4 per cent during the financial year 2022/23 (as indicated by Figure 3).

Subsequent to our field work, we observed further increased council–vendor engagement in Mzuzu City. This facilitated tax dispute resolution between vendors and the council. Constant engagement with vendors emerged in Mzuzu City Council particularly in the financial year 2022/23. During this period, the top council officials intensified their regular engagement meetings with the leadership of market committees in all markets (Central, Hardware, Freedom Square, Flea, Matabwa, Luwina, Area 1B, Ching’ambo and other satellite markets). According to a simple report we accessed from the council, this is linked to improved voluntary compliance resulting in an increase in revenue collection of 25.4 per cent during the financial year 2022/23. Through these engagements, some of which were facilitated by the CSO Find Your Feet, the council implemented three major demands from the vendors. It moved to engage vendors plying in illegal places to move into the designated market structures, improved some market infrastructure in the central market through reconstructions, and automated the market fee ticketing system. These initiatives instilled trust in the vendors which led to improved compliance in payment of market fees.

**Figure 2 Revenue collection for Mzuzu City Council for a period of four financial years**



Source: Mzuzu City Council, Malawi.

**Karonga**

In early April 2015, vendors in the flea market of Karonga central market petitioned the district commissioner for the council on three major points: the failure by the council to fulfil the agreement to retain 25 per cent of the collected market revenue towards managing the flea markets, the use of revenue tickets bearing the name of a neighbouring local council (in

<sup>15</sup> KII, CSO leader (CAS), Mzuzu.

this case, Chitipa District Council) and the failure by the council to clean the market premises (Kumwenda 2015). This led to the boycotting of payment of market fees.

The boycotting of payment of fees forced the council to make clarifications on some of the concerns, such as clarifying that the use of revenue tickets from a different council in flea markets under Karonga Council was the fault of the service provider who was given the work to print the tickets. Unlike the flea markets in Mzuzu, which are largely fragmented as hardware operators, cross-border cloth traders and all other traders operate in different markets, Karonga flea market is one huge market which accommodates different traders, from hardware operators to cloth sellers to vegetable sellers to cross-border cloth traders. Through the vendors' committee chairperson, the petition touched on other issues such as corruption and the demand for the council to privatise the management of the market.

Our discussions and interviews with both vendors and council officials tracked some positive changes due to continuous council–vendor engagement. While some vendors did not acknowledge the positive developments in market establishments, the expectation that the council would start resolving some of the vendors' challenges, such as improved service delivery through market infrastructure development, despite inadequate engagement, brought hope among vendors to continue payment of market fees. While most vendors said the council has been making some strides in improving vendors' welfare, a few held the view that the council could do more than the current intervention. One vendor in Karonga thought that the council had tried its best to respond to some of their demands within its capacity,<sup>16</sup> but that he and his fellow vendors did not appreciate the effort made by the council. He noted,

The challenges come down to us as vendors who pay taxes. Regardless of that, the council is able to do certain duties expected of them, or rather those they promised. They once promised to build a market and this is the one you can see now. They are people just like us but they do fulfil some of their promises. They were also able to put people in the designated places and the market has been placed at a better position unlike the previous years. If you had visited the market before, you were to differentiate and agree with me that the market has really been better. There were too many benches in the middle of the market that caused chaos and made it seem it wasn't a planned-for market. One would move around the market for about three hours.

Further, the council ultimately agreed to allow market vendors to police themselves. Vendors now allocate market space to their fellow vendors, and violations are followed up by voluntary community policing groups. The attainment of this arrangement was facilitated by CSOs, mainly the Catholic Commission for Justice and Peace (CCJP) and other local organisations. Interviews indicate that this approach has been much more successful than Operation Dongosolo at effectively managing market space and has also removed some of the administrative burden from the council. The vendors are motivated to achieve stable and orderly marketplaces where they can peacefully conduct their business, and the council is motivated to download enforcement costs onto the voluntary community policing groups.

Karonga District Council's efforts to make markets conducive for trading were observed by the researchers during field work. There was insignificant difference between what the vendors perceived and the researchers' observations. The senior council official responsible for planning also feels the council has been doing all it can to respond to vendors' demands:

We are working tooth and nail to improve the situation; firstly we have worked on the drains in the markets, we have also worked out to improve the system, we had smaller

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<sup>16</sup> IDI, vendor, Karonga.

sizes of curvet, we have put bigger ones just to improve the whole drainage system. That is the first one.<sup>17</sup>

Largely as a result of the council's responsiveness to vendors' demands and interventions by CSOs, voluntary tax compliance improved. We observe a general perception of tax equity, despite dissatisfaction among some vendors with the council's tendency to not involve them in setting the tax rate.

Additionally, the general satisfaction with the perception that the council applies equity in taxation, based on size and nature of business<sup>18</sup> and the space one occupies in the market,<sup>19</sup> has helped achieve positive outcomes.

## Kasungu

In January 2021, amid the fast increase of COVID-19 and very strict restrictions to prevent the spread of the epidemic, there were misunderstandings between market vendors plying their trade in the flea market of Kasungu Central under Kasungu Municipal Council and the council itself. The vendors were not happy with the council's decision to provide only two guards to guard the entire main market. It was alleged that the council was financially constrained in providing the market with an adequate number of security guards, which could have emanated from the negative impacts of COVID-19 restrictions, mostly movement restrictions and reduced business activities which translated into loss in revenue collection by the council. Regardless of the reasons, market vendors felt two guards were not enough to guard the entire market. The council held the view that the employment of security personnel to safeguard vendors' businesses is the responsibility of vendors themselves, a stand which did not go well with vendors, who threatened to manhandle the council's tax collectors, especially if they come to their places (Mhango 2021). Despite continuous discussions between vendors and the council to increase the number of guards, at first the council secretariat resisted accepting.

The vendors resolved to stop remitting market fees until the council considered putting additional guards in the market. A vendor in Kasungu recounted the nature of these conflicts, the persistence of which is attributed to the unconvincing feedback from the municipality:

The disagreement happened where we did demonstrations and boycotted paying tickets because there were no sanitation facilities and they were charging; the other problem which ignited our disagreements is about [the] poor drainage systems of the market, so we are not happy with them just collecting money from us and not taking care of the market nor doing developments. When we have such problems, we deliver our problems to the market chair, who submits those problem to the council; that's why if we get unconvincing feedback from the chairperson then we boycott paying market fees; for example last year in 2021 we boycotted between April and May.<sup>20</sup>

After six weeks of misunderstandings and boycotting payment of market fees, the council bowed down to the pressure from vendors. The compromise was reached after a network of

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<sup>17</sup> KII, senior council official responsible for planning, Karonga.

<sup>18</sup> 'Yes, the council people come with different types of lists, we have MK150, MK200, and MK120. So, they usually charge depending on [the] degree of the commodities that you are selling. People with more goods pay MK200, and vice versa... There are some [categories of vendors], depending [on] the package of goods which they sell, if they pay for a MK150 ticket, it is expensive.' IDI, chairperson of a committee (beans section), Karonga.

<sup>19</sup> 'Yes, I do pay MK150. The shop which is 1 to 3 metres, you pay MK300. For example this neighbour of mine, he pays double, and also that one he pays double tickets, according to the sizes of their shops.' IDI, vendor (committee member), Karonga.

<sup>20</sup> IDI, vendor, Kasungu.

CSOs known as Kasungu Civil Society Network<sup>21</sup> mediated a dialogue between the council and the vendors who came from all sections of the central market. The resolution was that the council should provide six more guards to staff the market, increasing the total number of guards to eight. As the secretary for the market committee put it, 'So we had a meeting with municipal officials and resolved the issues, although we are still having challenges on sanitation.' Vendors resumed paying market fees from the day the additional guards started working. The assurance demonstrated by addressing some of the challenges had changed the decision of the vendors to proceed with the boycotting. The intervention by CSOs in different council–vendor disputes is said to have contributed to voluntary tax compliance in Kasungu Municipality.<sup>22</sup>

Further, the tax rate was successfully negotiated, with vendors making concessions based on the council's explanation, and the existence of variations in the application of the tax rate.<sup>23</sup> As described in a FGD with a market committee:

In the first place the ticket was at MK100 before the current MK150. However, because in 2015 Kasungu market faced a fire accident and everything was destroyed and the council wanted to reconstruct the market sheds, they said the market fee should increase to MK150. So, the vendors accepted.<sup>24</sup>

Though vendors remained dissatisfied with various aspects of the tax rate and tax collection process,<sup>25</sup> they largely accepted this rate increase.

## Mchinji

In Mchinji District, both vendors and councils attributed the resolution of the boycotting of tax payment and the post-conflict tax compliance to the perceived opportunities for engagement presented by the council, and intervention by CSOs. This enabled the council to collect more revenue to further develop the market infrastructure. After a long period of unfulfilled promises by Mchinji Council, the tax justice project, initiated by the NGO ActionAid, raised awareness about the taxation system and tax obligations, empowering vendors to start demanding services and the fulfilment of a 25 per cent revenue retention obligation for the market, which was said to be a provision in the Malawi Local Government Act.<sup>26</sup> As described by a CSO leader from the tax justice project:

We also did inception meetings that were done at DEC [district executive committee] level, and vendors were done by representatives, and we did engagement with market

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<sup>21</sup> 'We had a very big problem, because they were refusing to meet with us and talk, they just remain silent. Then we engaged an organisation (NICE Trust) [which] came and settled us together. So we sorted it out and now the maintenance is in progress. The rest they said they will be working on it.' IDI, vendor, section treasurer, Kasungu.

<sup>22</sup> 'We have been calling them together with NICE [Trust], so we sat down and discussed and came up with a better conclusion. So that was helping us and as [of] now I can say three-quarters of them are buying tickets... Of course we were not reaching it [target] – for example, if they were supposed to collect MK300,000 per day we were receiving MK250,000, so we were understanding them according to the season we are in [rainy season which is characterised by low business as some traders are busy in their farms]. For example, rainy season we can't compare with dry season. But at least there was an improvement comparing to the past.' KII, Mayor, Kasungu.

<sup>23</sup> 'Yes, we do pay. For example, on my shop here I am paying MK300, and [the] reason being they are saying [I] am having a big bench where am plying my trade, while the rest of my colleagues, for example, in our section are paying MK150.' IDI, vendor, Kasungu.

<sup>24</sup> FGD, market committee, Kasungu.

<sup>25</sup> For example, a market vendor explained, 'The other painful thing is that we are expected to pay the market fees on Sundays sometimes and public holidays. I have been meaning to ask, is the assembly not part of the government? Why do they still come to make us pay the market fees? I tend to get surprised regardless of them saying it is a statutory corporation. When we look at the assembly, we associate it with government and that is one thing that we don't understand. They make us pay on New Year's Eve when it is a public holiday.' IDI, vendor, Kasungu.

<sup>26</sup> This provision in the Malawi Local Government Act is not stipulated in figures as 25 per cent; it therefore depends on experts to interpret it to laypeople at law. Researchers observe this as the possible major reason stakeholders are not aware the provision exists.

committee where they were briefed, and we did roadshows thereafter to fully raise awareness [for] small or medium vendors and we also did copy [small] meetings at the market there and we are also planning to use Mudzi Wathu community radio. Noncompliance of payment of tax was stopped because of our interventions, because there was win-win mediation, which brought them together and they resumed paying market fees.<sup>27</sup>

The researchers observed that the immediate outcome of these awareness campaigns was the strengthened power relations of vendors who started boycotting payment of market levies. The council's reaction was to listen to the vendors' concerns which hinged much on market infrastructure, service provision and pilferage of market fees. The council is reported to have proceeded to start addressing these concerns and to fulfil promises made to vendors by, among other things, building a car park, relocating the slaughterhouse (which initially was in an unsuitable place),<sup>28</sup> suspending a tax collector on suspicion of fraud activities, and improving sanitation in the market.<sup>29</sup> When Mchinji Council began gradually addressing vendors concerns (i.e., because of pressure from vendors to have their concerns addressed), vendors consequently started paying market fees,<sup>30</sup> resulting in improved voluntary tax compliance. At the time of data collection, Mchinji Council had started building the new slaughterhouse as part of a series of infrastructure developments in the market. The council's move to gradually respond to vendors' concerns increased trust and confidence among the vendors regarding starting to pay market fees, and in reciprocity, the council started collecting more revenue from markets.

We thus consider this to be a moderately successful instance of a resolved tax dispute, with the council responding to some vendors' demands through service delivery. As described by a CSO leader:

Actually what happened is like we have a market and the problems existed due to waste management, and vendors were failing to understand why they should be keeping on paying tax yet [the] council is failing to clear waste in the market. So we engaged the council to understand the importance of waste management at the market, and it was found that they had a problem of car to carry garbage, so we intervened and the waste was cleared. There were also some problems about [the] slaughterhouse, which is not yet constructed [though by this time construction had started] so by then vendors boycotted paying market fees, and after engaging them we agreed that they continue paying market fees while other problems are being sorted by the council amicably.<sup>31</sup>

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<sup>27</sup> KII, CSO leader, Girls Activist Youth Organisation (GAYO), Mchinji.

<sup>28</sup> 'I understand that there was an issue of an animal slaughter spot that the vendors had been complaining about which was built within the market and makes it unconducive for them. This made vendors find another spot for it to be built at and I have seen the council has started constructing it.' KII, CSO leader, GAYO.

<sup>29</sup> 'In the recent time, we started paying the new market fees rate because they removed the refuse from the bin.' FGD, vendors, Mchinji.

<sup>30</sup> '...so, by then vendors boycotted paying market fees, and after engaging them we agreed that they continue paying market fees while other problems [were] being addressed by the council amicably. There is also the issue of illegal vending that emanates from land distribution by the council, and we raised the issue with the council and they had nothing to do, so we went further, engaging with the Ministry of Trade, and they have identified a place whereby all vendors will ply their trade there.' CSO leader, Mchinji.

<sup>31</sup> KII, CSO leader, GAYO, Mchinji.

Nevertheless, dissatisfaction remains high among vendors about the rate they have to pay<sup>32</sup> – the formulation of which the council claims is highly consultative<sup>33</sup> – and about suspicions of revenue being misused.<sup>34</sup> This has been in part further alleviated, however, by the council's decision to suspend suspected fraudulent revenue collectors, which pleased vendors.

## Thyolo

In Thyolo District, there had been a perception of tax inequity and high demand among vendors for service delivery by the council, which sometimes led to dissatisfaction among market vendors. The high demand for the delivery of services and infrastructure development in the markets had posed a threat for tax boycotting among vendors. The management of Thyolo District Council had been employing a conflict prevention strategy of engaging vendors in tax rate negotiations. The council considered the budget formulation period as the best opportunity for tax rate negotiation between vendors and the council, and this has helped to control and minimise high expectations,<sup>35</sup> as well as raise a perception of tax equity among vendors. This has given vendors an opportunity to participate in setting tax fee rates and also helped the council in containing the unrealistic demands by vendors. According to the director of finance (DoF) for the council, this frequent council–vendor engagement coupled with expressions of mutual respect between the two has led to a general increase in revenue collection in financial years 2016/17, 2019/20 and 2020/21, as depicted in Figure 3 in section 5.

## Blantyre

Blantyre District Council is one of the councils that has been touted for its determination to successfully deal with council–vendor conflicts. Interviews by both vendors and council officials point to the two parties' resolution not to engage in conflict that would affect effective tax collection from market establishments and also affect effective delivery of services in the markets. Interviews with both vendors and the council point to the general perception of voluntary tax compliance.<sup>36</sup> Blantyre portrays desirable council–vendor relations where voluntary tax compliance is induced by perceived tax equity,<sup>37</sup> local council responsiveness

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<sup>32</sup> 'We told the council this other time to give us a financial report as a condition for raising market fees from MK100 to MK200. But they failed to present a report. These days if [we] ask them about reports, they say reports are pasted on a notice board at the district commissioner (DC)'s office. So, if you want to see a report, just see it on the notice board. As business persons, there is no one who goes there to make follow ups. Issues of reports can go well if they can come here [in the market] to explain on collections and expenditure, instead of them telling us to see on a notice board at their office. Simply put, the assembly fails to give us reports on revenue collected in markets.' IDI, market committee chairperson, Mchinji.

<sup>33</sup> 'We have got by-laws which are approved by the council management. Actually I mentioned about giving 21 days' notice for bargaining because it gives room to those with complaints or issues to come forward and solve or negotiate and agree on one thing.' KII, DoF, Mchinji.

<sup>34</sup> 'When we were paying MK100 per day they could collect six million per month; now that we are paying MK200 the database is still showing six million per month, which is not true. We want the place to be transforming to betterment and not like this.' IDI, vendor, Mchinji.

<sup>35</sup> 'The process is very simple: right now we are formulating the budgets, and the time when we are preparing the budget is the time when the rates are set, so we invite the market committee representatives and we tell them that the council has planned different development projects, but before the council starts to work on these initiatives the council would like to hear from them what they need, and they bring in different needs of their markets' [emphasising the point that vendors should understand the cost of their demands. If they make huge demands, they should also be ready to pay more through increased market fees. In that way, vendors have the opportunity to determine the tax rate by adjusting their demands to match their willingness to pay increased market fees]. KII, DoF, Thyolo.

<sup>36</sup> 'In as far as we are concerned, the compliance rate is quite encouraging... So we meet with the committees to continuously talk to the vendors and everyone who is concerned, so that there is compliance.' DC, KII, Blantyre.

<sup>37</sup> 'On the market days, the ones that sell tomatoes, and the like pay MK100 per day but one in our fish section, we pay MK200 on Sundays and Thursdays.' IDI, vendor, Lunzu market, Blantyre.

to taxpayer demands, and negotiation of tax rates.<sup>38</sup> This has made the role of CSOs as a mediator appear irrelevant.<sup>39</sup>

## 4.2 Tax boycotting and the failure of tax dispute resolution

While the above cases can be seen as instances where tax-related conflicts have led to more positive tax and governance outcomes, these successes are not universal. Our analysis also points to instances where the boycotting of paying market fees has occurred, but has not resulted in increased revenue collection, the delivery of better services/infrastructure, or the negotiation of market rates through consultations and engagement. The flea markets of Nsanje and part of Chiradzulu (specifically Thomas flea market) present key examples of unsuccessful tax bargaining.

### Nsanje

In Nsanje District, we found instances where vendors were operating in poor infrastructures due to construction work on the new market,<sup>40</sup> much of which had been fixed by vendors themselves. The issue of market infrastructure is what led vendors in Nsanje market to stop remitting taxes to the local council, and the failure by the council to provide the market infrastructure made it a weak bargaining party in the process. The boycotting began when vendors realised that the council was taking a long time to complete the construction of a new market – and making never-ending promises on deadlines to complete the construction work – while the vendors were plying their trade in unsuitable structures. Nsanje District Council completely lost on collection of market fees as vendors stopped paying market fees to the council; instead, the fees were being paid to an individual person whose land some vendors were renting, citing the council's failure to fully operationalise a newly constructed market, which lacked toilets, storage facilities and water connection.

While confirming the availability of the council for dialogue and engagement, a Secretary of the Nsanje market committee said most engagements had not yielded fruitful outcomes. Besides, it was mostly the vendors that initiated the engagement meetings. As noted by the secretary: 'We had disagreements with the council that made us stop paying tax until the council completely finished building the new market, so we decided to be independent for a while.'<sup>41</sup> The council did not want to go against the agreement it had with the vendors, thereby losing revenue in the process.

It was evident that in the case of effective negotiation, the vendors could easily become tax compliant, having demonstrated their willingness to pay 'market fees' to the private landowner of the place where they were plying their trade. Findings indicate that the move was a decision consented to by both vendors and the council: that if the council failed to address outstanding issues in the market by a specified date, vendors would stop paying market fees directly to the council.

Complete non-payment of tax to the council and the council's responsiveness to vendors' demands was very minimal. CSOs intervention into the matter through MUFIC, a local

<sup>38</sup> 'Sometimes there [is consideration of] the days that there is no market [business] by letting two people pay MK100 each for one receipt of MK200. On market days, everyone pays MK200' [pointing to the consideration of payment of reduced market fees when business is bad]. IDI, vendor, Lunzu market, Blantyre.

<sup>39</sup> 'Yes, they can ask for a meeting through the market committees. We are very open. So far, I think we haven't reached an experience where we engage a third party. More often than not, we have actually resolved the matters. When they have issues, we discuss then we resolve the matters.' KII, DC, Blantyre.

<sup>40</sup> 'Things have been changing here and there. Now, since they wanted to build a new market, the vendors were allocated to another place, where they complained that business was not doing well, that the place was very far, so the vendors again allocated themselves to private places just to be close to where they used to do business, so that business should resume as normal.' KII, CSO Network chairperson.

<sup>41</sup> IDI, market committee secretary, Nsanje.



organisation<sup>42</sup> and Nsanje CSO Network did not bring successful tax dispute resolution outcomes. This was largely due to the nature of the matter under contest. The issue of unfinished market infrastructure depended on additional funding by the central government,<sup>43</sup> hence the council's continued inability to deal with the issue once and for all.

## Chiradzulu

At a seemingly self-constructed market in Chiradzulu, vendors at Thomas market, led by the leadership of their committee, vowed to stop paying market fees because of the council's failure to fulfil its promise of constructing a toilet at the market. They told us:

Right now we are not paying market fees because we don't have proper sanitation facilities, like toilets; of course at first we were paying and due to some delays due to construction of toilets vendors agreed not to pay and thus [have not paid] until today. But we were paying MK200... Yes, of course disagreements emerged due to scarcity of sanitation materials like toilets, water and cleaning the market. We negotiate and discuss, and if we are convinced that they will do what they have promised, we [will] start paying market fees.<sup>44</sup>

The chairperson of the market committee seems to provide all the necessary leadership for managing the market, without council involvement.

This represents a two-sided loss; the council no longer collects market fees from the market, and the vendors are losing out in terms of the infrastructural development and service delivery in the market. This may be seen as a 'devil's deal' as described by Tendler (2002). The concept of a 'devil's deal' is a deal between politicians and their constituents (owners of small firms) which causes informality to become more attractive, and formalisation less attractive. After interviewing economic development officials in the Brazilian state of Pernambuco, Tendler (2002) explains this exchange deal in the following statement: 'If you vote for me, I won't collect taxes from you; I won't make you comply with other tax, environmental, or labour regulations; and I will keep the police and inspectors from harassing you.' This kind of situation leads to losses for both the council and vendors; the council cannot collect revenue from the market, and in reciprocity vendors cannot access effective service delivery from the council. Both CSOs and the leadership of vendors in Thomas market cited that the market is a good example of the boycotting of paying market fees for justifiable reasons – if not just for the love of enjoying informality as conceptualised by Tendler.

Though efforts to hold interviews with council officials at Chiradzulu District Council proved futile, evidence from other study councils points to the challenges markets face in collecting taxes, which are often inefficient in revenue terms (see van den Boogaard and Beach 2022). This implies councils are unwilling to advance dialogue with vendors in markets characterised by high unrealistic demands but with inefficient tax collection. For example, interviews with senior council officials in other study councils such as Blantyre, Mzuzu and Karonga<sup>45</sup> point to challenges councils face to sustain small or low-income markets,

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<sup>42</sup> 'MUFIC is an organisation that mediates between vendors and councils, so in a way they have already started helping us and we want them to continue.' IDI, market committee secretary, Nsanje.

<sup>43</sup> 'The new market issue is still the centre of controversy; central government built the market which was handed over to the district before the market was completed. There were no warehouses, no water source, no electricity and no toilets. So vendors are angry because they have nowhere to do their business. The problem of toilets and lack of other facilities contributed to low tax compliance. Insufficient cleaners in the markets also contributed to low tax compliance from the vendors.' KII, CSO network chairperson.

<sup>44</sup> IDI, market committee chairperson (Thomas market), Chiradzulu.

<sup>45</sup> 'So usually we engage each other, especially on our side, aah for example our vendors usually rush to say, for example, we have got capacity problems in terms of transport, we need to carry the rubbish every day away from the market. Now we don't have the tractor [like the] council, or we don't have a vehicle specifically allocated for that one. Usually we just borrow. So if maybe two days we have not collected, as of now we hire, as of now as I am speaking we have to pay

considering that such markets do not provide a wide tax base. A key informant interview with a senior official at Blantyre District Council give examples of some markets whose revenue is not enough to just sustain the operations of the market, making them rely on subsidies from revenue collected from other markets.<sup>46</sup> This forces councils to maintain the markets at a huge cost just for the sake of providing social services.<sup>47</sup> Thomas market is small in size and characterised by small and low-income vendors. Possibly, considering the cost of sustaining the market, the council is reluctant to initiate further engagement with the vendors to resolve the standoff. In such councils, vendors need to really understand the financial capacity of councils to reach a win-win resolution.

## 5 Enablers of effective vendor–council tax dispute resolution

We identify five contextual factors that are important in explaining the success of resolving tax disputes between market vendors and councils in Malawi. It must be highlighted that in some cases, the availability of one or two factors is not enough to lead to successful outcomes. Depending on the context, some factors are necessary but not sufficient on their own to lead to successful outcomes. This explains the existence of factors of success even in councils with unsuccessful outcomes. Our identification of these factors is thus not attempting to contribute to a causal or determinative explanation, but rather to summarise some of the key factors that were relevant in these cases.

By their formation, market committees are independent associations of market vendors that operate autonomously from local councils. They appear to be most organised in terms of their leadership and the execution of their mandate. They are both politically and financially independent considering that they fund their own activities and elect their own leaders. Thus, the independence of market committees could be attributed to the way leaders assume power in these committees. More autonomous market committees, both politically and in terms of funding their own operating costs, have strengthened the power relations position of vendors and allowed them to approach councils as equals. This enables them to defend the stand of vendors in terms of negotiating on various issues in the markets, including taxes.

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somebody MK315 [thousand] for collecting refuse for seven days. Because we hire the vehicle, now we have noted, now if we don't have money, it means we cannot hire. Now the vendor will not understand that one.' KII, senior council official, Karonga.

<sup>46</sup> 'Now, in that point of scenario, people would still insist: we have no toilet here, we want you to construct a toilet, and yet you also have a market, so where you feel like you are generating a lot and that market is sustaining other markets, in that point of scenario, then we try to engage them to explain our situation; yes you have a market, but the market is not making much, we are running into a loss, yes we are going to construct these toilets, but give us time. If they want new markets, yes we understand they would want change, but let's get resources. So there has been that kind of engagement.' KII, senior council official, BDC.

<sup>47</sup> 'Those markets generate money that is insignificantly contributing to our budget. Markets are supposed to be cost centres. As a cost centre, what is expected is a market should be able to generate enough to service itself, so we need to have a market, and all the staff members working in the markets, the market fee collectors, cleaners and security, are supposed to be financed by money from the markets, but what is happening now is kind of subsidising the markets. So we are largely providing our services to them because if we stop, where do you buy your vegetables, it is the markets and how do we promote small and micro enterprises?' KII, senior council official, Mzuzu.

**Table 2 Major enablers of effective vendor–council tax bargaining**

Council	Explanatory factors					Outcomes
	Participation of senior council officials	Feedback mechanisms to share information	Perceptions of equitable fee structures	Autonomy of market committees	Mediation by CSOs	
Karonga District			X	X	X	Largely successful
Mzuzu City	X	X		X		Largely successful
Kasungu Municipal				X	X	Generally successful
Mchinji District	X	X				Moderately successful
Blantyre District	X	X	X	X		Most successful
Thyolo District	X	X		X		Largely successful
Chiradzulu District				X		Largely unsuccessful
Nsanje District				X	X	Largely unsuccessful

Source: Authors' own based on authors' survey.

### 5.1 Demonstration of mutual respect in engagement

Councils where the senior leadership participated in dialogue with market vendors, and did not denigrate them as illiterate or uneducated, notably Thyolo Council, had more positive tax dispute resolution outcomes. Aspects of mutual respect were observed between Thyolo Council and its vendors in both Central market and Bvumbwe market. In some local councils, interviews with both vendors and council officials attributed tax compliance in markets to this mutual respect. It was lacking in some councils such as Chiradzulu (particularly for the case of Thomas market), Nsanje, and Kasungu. The demonstration – or its lack – of mutual respect and the participation of senior officials is seen in some councils showing successful tax dispute resolution. The lack of mutual respect makes vendors feel undermined and feel that their concerns are not taken seriously, leading to tax boycott.

Illustrating how a lack of respect can lead to a stalemate in relations, the failure of the district commissioner (DC) for Nsanje Council to meet the leader of Nsanje market committee to discuss vendors' concerns further infuriated the vendors. While hopes were high that their concerns would be resolved when their leadership met the DC, the news that the market chairperson failed to meet the DC due to the DC's other engagements did not sit well with vendors, whose final move was to stop paying market taxes.<sup>48</sup> Meanwhile, responses from both vendors and senior council officials in Thyolo and Blantyre show that the direct involvement of senior council officials has demonstrated a sense of mutual respect, making council–vendor tax dispute resolution easily attained.

The vendors' expectation that their grievances are likely to be quickly solved when they engage with senior council officials instils some confidence, thereby lessening the likelihood of tax boycotting among vendors. The study finds that the councils' tendency to impose decisions about market-related issues on vendors is largely attributed to lack of consultation, which comes with the perception that some councils have that vendors are 'illiterate'.

Some vendors in Kasungu attributed the failure to achieve absolutely successful resolution of the tax dispute to the perception senior council officials have of vendors, considering them to

<sup>48</sup> 'Yes, they promised us in June that they were going to open the market, but it did not happen until December, and so us the vendors agreed that [we] were going to stop paying tax. I went to the council to meet the CEO [DC] but I was told that that he had gone away on other business trips, so when I came back here to communicate with the people, they did not believe, and they thought I had been bribed to tell the false news. And for your own information, these people [vendors] are ready to go into the market and begin to pay tax.' ID1, market committee chairperson, Nsanje.

be 'illiterate people' who cannot understand market revenue reports and hence do not need to be fed with information on market levies. One of the vendors in Kasungu expressed his bitterness:

There were issues of watchmen, raising of market fees that led to vendors boycotting market fees payment. The chief of the council requested the other council official to conduct dialogue as he said he himself would not talk to the uneducated people.<sup>49</sup>

These sentiments are echoed by a senior official at KDC in a KII who also perceived that 'the other problem is that all vendors are not literate, so it's hard for them to understand how market fees are being used', further suggesting that: 'If there is enough civic education [for] vendors to understand, there could be no problem.' This indicates that had Kasungu Council demonstrated vendor–council mutual respect, the degree of negotiation would be mostly successful.

## **5.2 Transparency in tax information**

Knowledge around taxation is generally low across the councils, which has affected the understanding of the use of market revenues among vendors. In some cases, the effective flow of information has helped ensure successful dispute resolution, especially by increasing perceptions that market fee revenue is being used transparently, and by disrupting unrealistic perceptions on the part of vendors that 100 per cent of revenues generated should be reinvested into markets. Essentially, councils are required to reinvest 25 per cent of the revenue generated from market establishments. Poor flow of information and poor feedback mechanisms between councils and vendors have a huge impact on tax compliance and dispute resolution. Councils assume that feedback and reporting systems ferrying messages to vendors are working effectively, when in reality the system does not reach the final intended user of the information. Interviews with council top officials reveal that a majority of councils release market revenue reports to market users; however, the channels used tend to get economical with the information by not sharing with ordinary vendors.

Apart from pasting the reports on notice boards at council offices, the other common practice across councils is that reports on revenue collection are given to market masters/supervisors who then share with the vendors' leadership, which in turn is supposed to share with all vendors in the markets. Some reports are given to ward councillors to share with both vendors and their general constituents, as observed in Kasungu. However, the reality on the ground is that the leadership hardly shares the reports with fellow vendors, mainly for lack of time to do that or the tendency to trivialise the relevance of sharing the reports with other vendors. Interviews and discussions with vendors that are not in leadership positions across the eight councils acknowledged that their leadership knows how much is collected from the markets, however there is sketchy information on how the taxes are used.

These circumstances create a scenario where the market leadership might be well-informed on revenue collection but makes it difficult for the local citizenry to find out how the governments at both central and local levels spend public revenues (as also shown in van den Boogaard and Beach 2022). Thus, the increased reliance on market committees and councillors has further widened the information sharing gap that exists between vendors and councils.

At some point, knowledge on how the tax would be used led to improved tax compliance in Kasungu. When part of the market was gutted by fire, the Municipal Council needed to raise more local revenue to reconstruct the destroyed market.

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<sup>49</sup> IDI, market vendor, Kasungu.

In the first place, the ticket was at MK100 before the current MK150. However, because in 2015 Kasungu market faced a fire accident and everything was destroyed and the council wanted to reconstruct the market sheds, they said the market fee should increase to MK150. So, the vendors accepted.<sup>50</sup>

The acceptance by vendors – on the understanding that the collected revenue would largely be used to rebuild the market – made it easier for the council to collect revenue from the vendors.

Knowledge of the 25 per cent retained market revenue provision is not uniform across councils or market vendors. The 25 per cent revenue provision was referenced in key informant interviews with CSO and council officials in the Central and Southern regions. Council officials and market vendors seemed generally unaware of this provision in the Northern Region. For instance, this provision was mentioned by two of the four study councils in the Southern Region (Thyolo and Blantyre), one of the two study councils in the Central Region (Mchinji), and neither of the two study councils in the Northern Region.

Nevertheless, the awareness has brought some sort of understanding between vendors and councils, mainly in Mchinji Council. In Mchinji, vendors are now aware that not all the money collected in markets is supposed to be used in those same markets. Typical of rural (or peri-urban) areas, district councils such as Mchinji suffer revenue inefficiencies ‘as a result of limited revenue potential, with high concentrations of poverty and limited fiscal mandates, and high collection costs resulting from low population density, the illegibility of tax bases, and low quasi-voluntary tax compliance’ (van den Boogaard and Beach 2022). Thus, even if the local governments are able to collect revenue, it is not enough to meet all the expectations raised by the citizenry. These are enough reasons for the local councils, particularly district councils, to retain for market development a small portion of revenue from markets. However, the market has started benefitting from infrastructural development, such as the construction of a new slaughterhouse and car park, in a positive way. These findings demonstrate how effective flow of information became an enabler for vendors to gain strong bargaining power in issues of local tax administration and governance in Mchinji markets. The growing bargaining power was largely attributed to a tax justice project, which sensitised vendors on their obligation to pay market levies and demanded Mchinji Council’s obligation to remit 25 per cent of the revenue to the markets. Analysis of awareness among stakeholders on this obligation presents another good research area.

Interviews in the study councils suggest that in some cases, mainly in Karonga District and Mzuzu City in the Northern Region and Nsanje District in the Southern Region, vendors may have very high and unrealistic expectations about the services that can be provided by the council in exchange for the fees collected. In most cases, this is because vendors are not aware that councils are only required to return 25 per cent of expected revenue back to the markets, and instead expect that all revenue should be devoted to market service delivery. Similar misunderstandings emerged in interviews with lower-level council officials in Mzuzu, as narrated by one of the tax collectors:

These vendors don't have an issue with the current market fees rate, but they would rather also benefit from the fees collected. They suggested that out of every MK200 collected, 40 per cent of it is used for other market services, for example sanitation.<sup>51</sup>

For some councils, these concerns seemed to disappear as they started to use strategies recommended by this research, such as increased engagement and meetings between councils and vendors. The researchers’ observations and interview responses showed that

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<sup>50</sup> FGD, market committee, Kasungu.

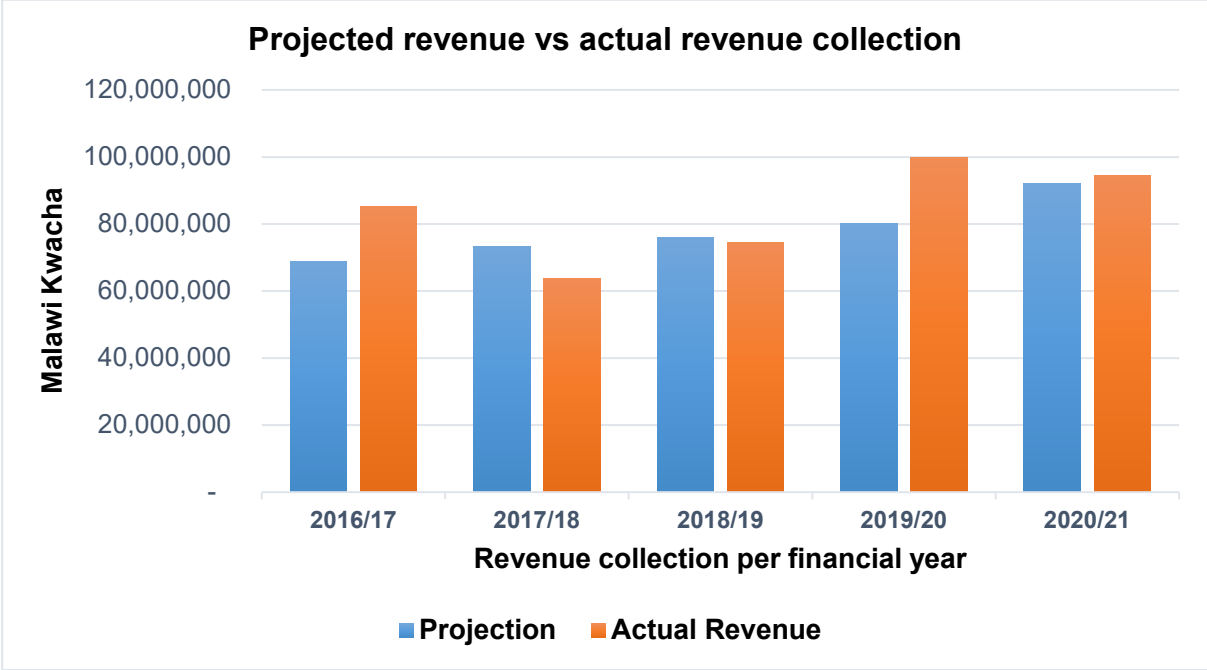
<sup>51</sup> IDI, tax collector, Mzuzu.

Blantyre had few incidents of vendor–council conflicts, leading to voluntary tax compliance. This could be as a result of good strategies to facilitate council–vendor tax negotiations, as evidenced from the council’s demonstrated knowledge of the 25 per cent retained market revenue provision, as mentioned by a senior council official at BDC:

The council is only collecting revenue to be pumped back to the community because apart from using a certain percentage for office operations, we also set aside 25 per cent of the revenue generated to do community projects.<sup>52</sup>

The constant flow of information on market revenue through awareness campaigns and engagement between vendors and councils has made the resolving of disagreements successful in Thyolo. Interviews with a council official working directly with vendors show some instances of lack of knowledge on the use of market levies among vendors. Interviews with a top official at Thyolo Council show that this constant engagement with market vendors has translated to the council’s good performance<sup>53</sup> in market fee collection from all its ten sub offices (Thava, Mapanga, Khonjeni, Thunga, Boma, Muonekera, Thekerani, Chisawani, Mangunda and Central Office). The interviews with top council officials attribute positive changes in revenue collection over a period of five years to the effective flow of information between vendors and the council. Figure 3 gives a good picture.

**Figure 3 Revenue collection for Thyolo Council for a period of five financial years**



Source: Thyolo District Council, Malawi.

A top council official at Thyolo District Council (TDC) attributed the beating of the target in revenue collection in certain financial years, such as 2016/17, 2019/20 and 2020/21, to the approach adopted by the council. If TDC missed its revenue target, the difference was small. Essentially, the council would take advantage of the budget formulation process to either raise or maintain market fees in a manner that enabled vendors to understand the needs in the market, so that there would be fewer complaints to come with raising of the fees. The council official explains the strategy:

<sup>52</sup> KII, senior council official, Blantyre.

<sup>53</sup> Thyolo District Council and Mzuzu City Council are the only councils that submitted their reports on market levies. The rest promised, but did not honour their promise. This made it difficult to make a clear comparison. However, issues coming from interviews showed that most of the councils struggled with meeting revenue targets.

The time when we are preparing the budget is the time when the rates are set, so we invite the market committee representatives, and we tell them that the council has planned different development projects, but before the council starts to work on these initiatives, the council would like to hear from them what they need, and they bring in different needs of their markets.<sup>54</sup>

These sentiments were corroborated by a committee member for the market governance structure who agreed that ‘Yes, opportunities are there. We have been going to the council and they have been coming to us several times’,<sup>55</sup> clearly pointing out that it is not only vendors that go about seeking the attention of the council, but councils can also approach vendors for a meeting. This practice did not exist in other councils, where it was always vendors seeking an audience with councils.

This approach entices vendors into costing their demands and then comparing them with the revenue realised from market establishments. By reasoning with the council, they may either accept a revised rate to access new services or maintain the current rate to save themselves from the burden of market fee increment. By going through this process, vendors understand the implications of their demands, keeping in mind that the council is only obliged to remit 25 per cent of the revenue collected. Such a strategy creates an equal power relation in which there is a mutually beneficial relationship.

A slightly different approach emerged in Karonga. Despite opportunities for dialogue meetings, both a senior council official and a vendor agreed that the council comes to an engagement meeting with a preconceived resolution for rubberstamping. Although the council avails itself for dialogue, a vendor complains that:

Though] there is always a chance [for dialogue], this opportunity does not go in line with the vendors’ needs but [those of] the council, because mostly what we as vendors want does not happen. They make their decision in advance before meeting with us, hence making it hard to agree on one thing the moment we meet.<sup>56</sup>

Interviews with a senior council official at Karonga just validated the vendor’s sentiments, especially when the council wanted to revise the market fee upwards. Confirming that this happens, the official highlighted that despite the decision on the market fee rate being a mandate of the full council, the council always gives room for discussions with the vendors:

Yes, and what we do is: if we want to raise fees, we bring it to the full council, and once the council have approved then we meet with [the] vendors’ committee to communicate on the development, and if there is a complaint, there is room for discussions to avoid some sorts of conflicts between us and vendors.<sup>57</sup>

Interviews and discussions with vendors across Karonga blamed this tendency by the council for its perceived partial inability to deal with problems faced by vendors.

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<sup>54</sup> Senior council official responsible for finance, KII, TDC.

<sup>55</sup> IDI, market committee member.

<sup>56</sup> IDI, market committee member, Karonga.

<sup>57</sup> KII, senior council official, Karonga.

### 5.3 Perceptions of equitable fee structures

In councils where the overall market fee structure is seen as more equitable, vendors are more likely to comply and seem to have higher trust in councils, which might facilitate conflict resolution. Perceptions of an equitable tax fee structure portray a picture of consideration and fair treatment for different categories of vendors. This makes vendors, especially those with small businesses that pay little compared to bigger traders, feel motivated to stop resisting tax payment and start paying. This leads to voluntary tax compliance in the process.

We observed that, much as local governments are guided by the Local Government Act, to a larger extent by-laws play a major legal part in tax administration in local councils. These by-laws have influenced the rates of market fees, thereby bringing disparities across councils. Criteria used for coming up with market fee rates vary from region to region, with the Southern Region being guided by market days<sup>58</sup> and the Northern and Central regions being guided by volume of goods, public holidays, Sundays, and the space one occupies in the market. Most fees in the southern part of Malawi range from MK100 to MK200 per vendor per day, with the lowest amount paid on non-market days. The variations in tax rates based on the size of business or the nature of a day are seen as more equitable, considering that during non-market days vendors do not expect to make huge sales, thereby shrinking the amount available to pay as standard market fees, possibly enticing vendors to resist tax payment.

Incidents of perceived equitable market fee structure, which is largely determined by market and non-market days, emerged across interviews with vendors and revenue collectors in Blantyre, with both attributing the non-prevalence of council–vendor conflicts to it – and other factors, as the paper indicates. Vendors felt they are fairly considered by paying a considerably higher fee (MK200) on market days and a lower fee (MK150) on normal days. Consideration of an equitable fee structure on market days further extends to business categories, with petty businesses paying far lower than those with bigger businesses, going by the response of a vendor in the fish section in Lunzu market: ‘On the market days, the ones that sell tomatoes, and the like pay MK100 per day but in our fish section, we pay MK200 on Sundays and Thursdays.’<sup>59</sup> In some rare circumstances on usual days, especially when business is not good, the council considers two vendors paying for a single ticket.

An inequitable market fee structure as a contributing factor to tax resistance is also observed by councillors in Karonga. As a political arm of a local council, councillors in Karonga conducted an independent campaign to assess the challenges in market fee collection, in which perceived inequitable market fees were among the major challenges for resistance. As a corrective measure:

We considered that one would be selling from a big building and allowed to pay once a year, while another one would be selling flitters and be charged a MK200 ticket per day, hence paying more than the one selling from a big building in total.<sup>60</sup>

Considering the size of one’s business to determine tax rate is acknowledged as one of the incentives for compliance with tax payment in Karonga. One vendor in Karonga commented that the equity in market fee structure contributes to tax compliance, especially among vendors with small businesses.

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<sup>58</sup> These are days within a week during which there is mass selling of commodities in the market. The day attracts numerous sellers from within and outside the community in which the market is situated. Usually, the number of vendors is huge compared to a normal day in the market.

<sup>59</sup> IDI, vendor, Blantyre.

<sup>60</sup> KII, councillor, Karonga.



Interviews across markets registered some levels of dissatisfaction from small-scale vendors who felt they are paying an unjustifiable amount of market fees which are too high compared to the size of business they are doing. Apart from the small size of the businesses, COVID-19 had also negatively affected small-scale vendors. This perceived inequity evokes dissatisfaction in small-scale vendors leading to resistance, avoidance and noncompliance, as vendors in a focus group discussion in Mchinji complained:

No, we are not satisfied, it is expensive. We sell from one-metre benches and that is a lot of money compared to the capital that we have. One with a capital of MK500 suffers as they pay the same amount of MK200 market fee rate as one with a capital of MK5,000,000.<sup>61</sup>

These sentiments from the Mchinji vendors point to the likelihood of boycotting tax payment despite Mchinji Council having started to fulfil some of the promises it made to vendors.

This form of inequity contributes to noncompliance among small and/or seasonal vendors by selling fast and leaving the market before the ticket seller comes with their ticket. In Thyolo District, there are variations across markets. Some markets (such as Thyolo Central) charged a flat rate for all vendors regardless of the size of the business or the size of benches they occupied, whereas in other markets (such as Bvumbwe), there was application of a differential market fee rate. Expressing dissatisfaction with same rate for all, the voices of small vendors in markets of Thyolo, who believed that they are not supposed to pay the same rate as done by their counterparts with considerably bigger business capital, were heard widely. This inequity is seen to be partially contributing to tax resistance among vendors plying small businesses, even in markets showing successful bargaining. In Thyolo District, such vendors do not stay long in the markets. They do business and leave before the revenue collector comes to collect the fee. This happens even when they have collected tickets without paying, on the pretext that they will pay after they have made some sales. Similar cases, though very few, were registered in Mbulumbuzi market in Chiradzulu despite perceptions of tax equity.

The equitable tax rate is perceived by vendors in Bvumbwe market, also in Thyolo District, which the market master for the market cites as one of the factors that has made the market collect more revenue than previously. In an in-depth interview, a vendor in Bvumbwe market said:

Yes, market fee differs with products that someone plies. Some market fees are paid as general receipts, for example, if someone has brought a trip of vegetables or fruits on either a one ton or two ton car and above, that person is supposed to pay an extra market fee despite [the] daily market fee that he/she pays.<sup>62</sup>

However, this perceived equity seems to only apply when some vendors come with products in bulk, enough reason for most vendors not to acknowledge the existence of tax equity, as observed in several interviews with vendors in Thyolo District.

In markets with perceived tax equity, small vendors' willingness to pay market fees is high. The strategy of charging small vendors less brings motivation and willingness to pay market levies. As observed in Mbulumbuzi market in Chiradzulu, both small- and large-scale vendors felt satisfied that they were paying MK120 and MK150, respectively. This was even observed in interviews with vendors in private spaces. The feeling that vendors selling vegetables pay slightly lower market fees than those operating grocery shops motivates even the smallest vendor to pay market fees, knowing that they are treated fairly. Such tax equity

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<sup>61</sup> FGD, vendors, Mchinji.

<sup>62</sup> KII, CSO leader, Mchinji.

is also seen in Karonga market. Vendors occupying bigger benches pay twice the fee, meaning that those occupying small ones do not complain. This equity itself is the best motivational tool, minimising efforts by councils and vendors to engage in serious tax dispute resolution. This could be the reason tax inequity had not been among the reasons for tax boycotting among the vendors in Karonga. Tax boycotting is mostly attributed to lack of accountability, inadequate sanitation, inadequate market space and lack of proper consultations with vendors.

Although some vendors avoided paying market fees, a few councils cited the strategy as one of motivating factors for both categories of vendors to pay market fees knowing fully that there is fairness. In this study, adoption of this strategy was registered in a majority of the councils, to varying degrees. Some had adopted it to a larger extent and others to a lesser extent. Councils that have significantly adopted this strategy have faced little resistance as the strategy gives the impression that vendors have strong power relations. In this study, these councils are Chiradzulu (specifically Mbulumbuzi market) and Blantyre.

#### **5.4 Autonomy of market committees**

Incidents of successful dispute resolution seem to occur in councils with a relatively autonomous market committee. More autonomous market committees, both politically and in terms of funding their own operating costs, have strengthened the negotiating position of vendors and allowed them to approach councils as equals. This enables committees to defend the stand of vendors in terms of negotiating on various issues in the markets including taxes. One CSO leader in Mchinji gives an example of an incident in which the market committee led boycotting of tax payment because the council failed to explain the circumstances surrounding revenue administration. 'At the same time, the council's shortfall was about failing to explain to the market committees on what was going on, which made us bring them together on how to go about it all over again.'<sup>63</sup> The circumstance that underlies successful bargaining is the independence of the market committee, a core value of all governance structures. The role market committees assume in taking part in the formulation of by-laws clearly manifests the part they take in negotiating deals with local governments.

Interviews across study councils suggest that they see market committees as a useful mechanism for managing the behaviour of vendors, as they can act to exclude vendors from the market if they misbehave. The behaviour management role of vendor committees helps in maintaining unity among vendors which enhances the consolidation of vendors' voices. With a consolidated voice, vendor committees speak with a unified voice, making the organisation of tax resistance easier. In Blantyre and Lilongwe cities (not the case councils) such committees helped relocate vendors to council-designated places in the flea markets (Jongh 2015). The behaviour management role of market committees, coupled with their proximity to vendors, makes it easier for them to gain the trust of vendors. The consolidated trust of thousands of vendors empowers the market committees to influence the running of affairs in markets.

Vendors, through interviews and discussions, affirmed their independence by ruling out any influence by politicians in their operations. This independence enhances vendors' bargaining stand, leading to successful dispute resolution outcomes. The independence of market committees could be attributed to the way leaders assume power in these committees. Vendors are the only ones that take part in electing the leaders, either through the ballot or by rallying behind the preferred person during elections. The secretariat for the council only determines the day for elections and assumes the observer role. The council secretariat and councillors only endorse the final outcomes of elections. The leadership of market sections (or departments, as called in Mchinji) is either chosen by the main committee, or members of

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<sup>63</sup> CSO leader, KII, Mchinji.

the section hold elections to elect their own leadership. This structure is not necessarily the same but it is similar across the country. While seven of the study councils depict the same structure, Mzuzu City presents a slightly different structure with an inclusion of the market committee president who is an overall leader of all vendor committees. Findings from this study portray all vendor committees as independent.

The source of funding for market committees could also contribute to market vendors' independence. The major sources of funding for market committees are the funds they collect from the membership when one of them is bereaved or fined. After consoling the bereaved member with an agreed amount of money, the remaining funds are kept for the operations of the committees. Market committees also get their funds from fines collected from members that have violated some by-laws of either the whole market or their section. In a few isolated markets, such as Mbulumbuzi market in Chiradzulu, members make monthly contributions to fund the operations of the committees. Additionally, when the leadership is resolving disagreements between two vendors, each conflicting party pays a specified amount of money to the leaders mediating between the two parties.

We observed that such committees were dedicated to their work and spent a lot of time resolving vendor issues. Even on the day of the interview, the committee chairperson was not in the market as he was somewhere attending to matters concerning his office.<sup>64</sup> The same level of effort was not observed in other markets where the committee leadership was working voluntarily and could not dedicate much of their time to office duties. The self-funded approach gives autonomy to the vendors to not be swayed by political influence. Such incentives could be what motivate the committee leadership to work hard in representing vendors in the council, and also constantly report to the membership on any progress made.

Joint formulation of by-laws in some councils has increased the autonomy of market committees. Through their representation, vendors have been regarded as an equal party in the formulation of by-laws. The market committee leadership in Mchinji has led vendors in negotiating a fair reciprocity in taxation, which made councils start infrastructural development in the market in exchange for tax compliance. These by-laws clearly stipulate the implications of failure by both vendors and councils to fulfil their obligations. Similar by-laws guided consultations between vendors – through market committees – and the council on raising the market fee by 50 per cent in Mzuzu in the 2022/23 financial year. One characteristic element of an autonomous market committee, according to a senior official at Blantyre District Council, is the resistance to taking threats and orders from council authorities. Recommending that engagement is the only way to iron out differences when they arise, he said:

They [vendors] cannot take threats and they cannot take orders. So usually we engage them, we have meetings with them. Every time there is an issue, we have to set aside time to go and have a meeting, just by writing that from now onwards, this is what will happen, they don't adhere to that. So the best strategy that we use as a council is engaging: we present our issues, they present their issues, then we move together.<sup>65</sup>

Another senior council official at Blantyre District Council talks of a rare strategy of promoting cordial vendor–council relationships which is not seen in the rest of the study councils. As a way of enhancing the financial independence of market committees and promoting a cordial working relationship, – possibly to minimise the incidence of conflicts – Blantyre District Council has left collection of market fees in some market structures to market committees<sup>66</sup>

<sup>64</sup> Just after giving the team an interview, the chairperson left to continue with the duties of his office.

<sup>65</sup> Senior council official, KII, Blantyre.

<sup>66</sup> 'What we have noted is the market committee really knows what is happening in the market: if the revenue collector is making some fake receipts, if the revenue collector is deliberately conniving with some people, they know if we have late market, they know what is happening so what we have done is we are working in close relationship with the market

which in turn share the funds with the council. There are seemingly no incidents of vendor–council conflicts in Blantyre, which could partly be attributed to the independence of the market committees, frequent vendor–council engagements, and the council’s knowledge and commitment to retaining 25 per cent of the market revenue for development of market structures and service delivery.

Despite indicating minimal involvement of CSOs in disagreements between vendors and councils, districts in the Southern Region have shown that even in the absence of CSOs the two sides reach some mutually beneficial consensus. In such cases, vendors have put much trust in their committees as structures that can effectively represent them when engaging the council. The trust vendors have in their governance structures is even portrayed in recommendations requiring capacity building of market committees to become even more effective in representing vendors. We observe that in markets with a strong negotiating position, mainly Mchinji, Mzuzu, Kasungu, Blantyre and Thyolo, vendors understand how councils should operate, how reports must be disseminated, how to track the collection and use of market revenue and what portion of market revenue should be retained in the market for its maintenance.

## **5.5 Mediation by civil society**

In some cases, CSOs have played an important role in restarting dialogue between vendors and councils, especially where the trust has totally broken down, or where market committees are weak/less autonomous. They have also played an important role in making sure that relevant information is shared between councils and vendors. In Mchinji, for example, awareness among vendors on the council’s obligation to remit 25 per cent of revenue collected back into markets was increased through a tax justice project led by ActionAid to stop the boycotting of paying fees by the vendors, as they suspected that the money the council had been ploughing back to the market did not equal the 25 per cent obligation.

There are regional differences in the visibility of CSOs in interventions on tax compliance and tax dispute resolution between councils and market vendors, with little involvement of CSOs in the Southern Region compared to the Northern and Central regions. In councils with little to no presence of CSOs, our observation attributes this absence to the hibernation of CSOs which do not avail themselves to vendors and councils for partnerships.

Interviews show that another reason is the lack of expertise by the available CSOs to mediate between vendors and councils specifically in the Southern Region,<sup>67</sup> so CSOs just prefer to be quiet. The work of the Catholic Commission for Justice and Peace (CCJP) and NICE Trust was mostly visible in the Northern and Central regions where their role of facilitating dialogue between councils and vendors was acknowledged. The work of other national NGOs in local tax governance was visible in selected districts. For instance, the work by ActionAid on local tax governance was only acknowledged in Mchinji of all the eight study local authorities.

Views from both vendors and CSOs show that the work of CSOs in promoting dialogue between councils and vendors brought positive change in Karonga and Mzuzu. When

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committee. So if there is a problem, we solve the problem together; if we identify something we also come together. In the range of working together with the market committee, what we have done is there are some areas we are introducing incentives where we are allowing them to run some of the things. For example, at Lunzu market, they are running the ablution block so when people pay, there is a percentage that they get and there is a percentage that they give to the council.’ KII, senior council official, Blantyre.

<sup>67</sup> ‘And also a lot of CSOs/CBOs [community-based organisations] do not understand their role in markets. Most of the organisations are concerned with disasters, food security, and environment. Therefore there is need to empower the CSOs/CBOs.’ KII, CSO Network chairperson, Nsanje.

attempts by Karonga Council to bring order in the market by using police yielded nothing, CCJP, in collaboration with local CSOs such as Foundation for Community Support Services (FOCUS) and Karonga Debate Club (KADEC) initiated some engagement meetings and participated in allocating space to vendors in the market at the time when vendors had just accepted moving from streets to the market.

The presence of these CSOs had vanished by the time data was collected and vendors felt the CSOs' work in promoting tax governance should be consistent, as they feel market governance structures could not be trusted when it comes to representing them in meetings with the council because there is a perception of accepting bribes and political influence on these committees. This was corroborated by vendors in Kasungu who expressed a lack of trust in both CSOs and market leadership, citing the high susceptibility of these two to bribes by the council, and adding there is need for council officials to conduct monthly meetings with all vendors to hear people's concerns because when it is only the representatives involved, vendors feel councils only take the opinions of very few people and not the whole market. Even if this suggestion could be helpful in eliminating doubt with market leadership, the strategy has been deemed unrealistic by some vendors who appreciate the role played by market leadership.

This split in preferences speaks to the problem of lack of coordination within the leadership. Nevertheless, a CSO leader in Karonga thought that, in addition to dialogue:

Sometimes we [CSOs] use interface [meetings]... it is very important to incorporate business associations, women and all sectors that are affected, CSOs, religious leaders, and government itself. We may use different approaches like training communities, [the] district council itself, sometimes if funds are available learning visits are also important, and facility-coordination meetings between CSOs and council and other committees. Sometimes, conducting tax-based advocacy campaigns also, a very good strategy, conducting participatory revenue expenditure tracking is also important [in] improving the revenue collection.<sup>68</sup>

Even if dialogue is a dominating strategy, the strategies suggested here could also be helpful in promoting good tax governance in local councils and enhancing successful council–vendor tax negotiation.

When desperation engulfed Mzuzu City Council at the time when vendors in some of the city's markets boycotted payment of market fees, mainly due to illegal vending by some of their colleagues, some CSOs, namely FYF, CAS and NICE Trust, initiated engagement meetings with vendors, councillors and the Mzuzu Council secretariat. These CSOs organised town hall meetings to which they invited all concerned stakeholders, mainly council officials (secretariat and political arm), leaders of market committees and traditional leaders. Such engagements have been part of projects on local accountability whose lifespan has been very limited. This has led to CSOs becoming inactive in this work beyond the project's lifespan. Apart from boycotting market fee payment, the dialogues extended to issues of pilferage of funds, inadequate space in the market and sanitation in the market, among others. The fruits of such dialogue meetings were manifested in Mzuzu City Council adopting an e-ticketing system which improved transparency on revenue collection, the opening of night markets and resumption of fee payment by vendors.<sup>69</sup>

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<sup>68</sup> KII, CSO leader (KADEC), Karonga.

<sup>69</sup> 'Through that project, we have been having engagement meetings where the councillors, the city council and the vendors have been coming together and through this forum we have been sharing a number of issues. One of the issues that has been on the table is about the fees. Some vendors were complaining about not having places where they can sell their merchandise; through this engagement, that's where they were now able to open up night markets. They close one road about 5pm, the one from the bus depot to the health centre, using road cones. Through those engagements, those are some of the initiatives that the council came up with as a way of assisting, so as they are able

The role of chiefs in bringing vendors and councils together was suggested by most vendors across study councils. The chiefs' expertise was questioned by a CSO leader in Karonga, based on how chiefs in Karonga allegedly resolved disagreements between vendors at Uliwa market in Karonga under Karonga Council. At Uliwa market, where vendors were boycotting payment of market fees due to the council's failure to provide sanitation facilities, chiefs decided to allow the market committee to collect these market fees so as to buy waste bins, pay for water and build toilets so that the sanitation issues could be resolved. This solution was faulted by a CSO leader who cited that it undermined the concept of decentralisation. Being custodians of traditions, chiefs command respect from their subjects, which makes it easier for them to facilitate vendor–council dialogue. Thus, chiefs have been invited to participate in some meetings discussing relationships between councils and vendors.

Responses from this research have shown that such hard decisions by chiefs and vendors are reached due to failure by councils to fulfil promises made to vendors. Vendors must always find a way out to continue doing business in a clean environment. Even though CCJP intervened in this wrangle by establishing a taskforce committee to embark on civic education for market users, some CSOs perceived the scenario initiated by chiefs as presenting an undesirable way of settling disputes between councils and vendors.

Interviews with CSO leaders in Chiradzulu gave an impression that the absence of CSOs working in local tax governance has contributed to poorly resolved disagreements between vendors and councils. While acknowledging the need for CSOs to help cement the relationship between vendors and councils, that would entirely be based on the two sides' willingness to come for dialogue.

The inactiveness of some CSOs in taking part in tax governance issues has been attributed to lack of expertise in the area and lack of funds to carry out the activities. This worry is partly answered by a council official in Mzuzu who complained that CSOs tend to always side with the vendors, which undermines their objectivity as mediators.

The other challenge is civil societies in most cases; of course people don't like me saying that statement, but I will still do because it is research. Most civil societies are there only to advocate everything from the council to people but not from the people to the council.<sup>70</sup>

This presents a learning point for CSOs to be objective when mediating conflicts between vendors and councils. Nevertheless, except for a few councils where market governance structures have proven to be effective, the role of CSOs as a mediator in local tax issues cannot be underestimated.

## 6 Conclusions and policy implications

The study considered instances of tax boycotting among vendors and local councils across Malawi, considering the enablers of effective tax dispute resolution and considering when such boycotting leads to positive outcomes and when it merely appears to lead to stalemate. We highlight five factors that play a role in effective resolution of tax disputes in this context. First, demonstration of mutual respect between councils and vendors during dialogue produces successful dispute resolution outcomes. Second, proper dissemination of

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to provide space, because mostly we chase vendors, but this time around, I think we are accommodative. So, that's one of the initiatives that have been there.' KII, CSO leader (CAS), Mzuzu.

<sup>70</sup> KII, senior council official, Mzuzu.

information on revenue helps manage unrealistic expectations by vendors. Third, vendors are more likely to comply when they perceive an equitable fee structure. Fourth, when an autonomous vendor committee positions itself as a strong and equal negotiating party. Lastly, a mediation role by civil society has helped facilitate successful council–vendor dispute resolution

Based on the emerging enablers, the study makes the following recommendations for local councils, with the goal of improving state–citizen relations and effectively resolving vendor–council disagreements and increasing revenue collections. First, councils must consider vendors as partners in development by taking away the perception that vendors are ‘illiterate’, and that they do not need the audience of top officials of the councils. The presence of top officials in meetings with vendors brings more assurance that vendors’ concerns have been heard and will be attended to. This will reduce resistance, increase tax compliance and balance negotiating power relations between councils and vendors. Considering vendors as partners may also help in understanding the economic challenges vendors are facing, particularly those induced by COVID-19, which have also affected businesses and involvement in other economic activities.

Second, local councils should improve on the reporting of revenue collected from market establishments and increase overall transparency on tax issues. Study findings and individual observations show that councils make revenue reports available through pasting them on walls at council office premises and other channels which are not accessible to vendors. Even reports that are sent to markets through committee leadership and councillors do not reach the intended vendors. Councils should therefore intensify their efforts by ensuring that reports reach the vendors. Also, considering the low literacy levels of a majority of vendors, some of the reports must be translated into local languages for easy understanding by all vendors.

Third, greater sensitisation is needed on the fact that only 25 per cent of revenue is recommended to be reinvested in markets, which will help to calibrate taxpayer expectations about what is possible with the taxes they pay. The low levels of knowledge on the use of revenues collected in the markets has resulted in vendors demanding much as a form of reciprocity for paying taxes. Save for Mchinji and Thyolo, vendors in the rest of the study councils were not aware of the 25 per cent retained revenue requirement for councils to fulfil. In Blantyre, adherence to the 25 per cent retained revenue was mentioned by the council but by none of the vendors or CSO leaders. Local councils and CSOs should embark on and intensify sensitising market users on the obligation by councils to channel back 25 per cent of revenues raised from the markets towards market management and renovations. This is provided for in the Malawi Local Government Act to promote reciprocity in tax payment and usage, and also promote accountability. The study has laid bare the high expectations and demands by vendors even in markets that do not contribute much in terms of revenue generation, findings corroborated by van den Boogaard and Beach (2022), who find that local governments are inefficient in revenue collection largely due to limited revenue potential in local governments, high poverty levels, limited fiscal mandates, high collection costs resulting from population density, and low quasi-voluntary tax compliance. These unrealistic demands arise from the context that there is little awareness on the obligations by local councils when they collect revenue from market establishments. Sensitisation will remove such high and unrealistic expectations that vendors have on the funds collected from markets while simultaneously increasing accountability in the administration of market levies by councils.

Finally, local councils should take the mediatory role of civil society, including chiefs, more seriously. For example, local governments should open up to partnerships with local CSOs in sensitising market users on local taxation systems even when it means councils directly funding the sensitisation activities. The fact that vendors have put more confidence in CSOs

than councils makes CSOs more suitable to do the sensitisation work. CSOs assuming a mediatory role should be well-informed, independent and neutral. This will help in building the confidence of both vendors and councils. The relevance of civil society in mediating between councils and vendors is still valued despite some vendors and councils trashing the relevance of CSOs in bringing councils and vendors together. Local and international partners should intervene in building the capacity of local CSOs in local tax governance, advocacy and lobbying. In councils where the role of CSOs is not appreciated or the presence of CSOs is minimal, building the capacity of market governance structures in local tax governance is highly recommended. In markets where coordination between CSOs and market committees is already functioning, CSOs should be vigilant in assessing the activeness of market committees in tax dispute resolution, holding local councils accountable and promoting general good tax governance at local council level.



# Appendix

Figure A1 Map of Malawi showing districts and administrative zones



Source: De Vries (2019).

Karonga District and Mzuzu City are in the Northern Region. Kasungu Municipal and Mchinji district are in the Central Region. Blantyre, Chiradzulu, Thyolo and Nsanje districts are in the Southern Region.

**Table A1 Number of interviews by local council**

Councils	No. of interviews <sup>71</sup>			Total
	FGDs	IDIs	KIIs	
Karonga District	0	11	6	17
Mzuzu City	2	11	6	19
Kasungu Municipal	3	11	5	19
Nsanje District	1	11	6	18
Chiradzulu District	0	10	1	11
Mchinji District	2	8	6	16
Blantyre District	2	11	6	19
Thyolo District	2	9	5	16
Grand total	12	82	41	135

**Table A2 Focus group discussions, individual interviews, and key informant interviews**

Councils	Number of interviews				Details
	FGDs	IDIs	KIIs	Total	
Karonga District Council	0	11	6	17	KIIs were conducted with the director of planning and development (DPD), director of finance (DoF), chairperson of the council (who is also a councillor), 1 councillor, 2 leaders of civil society organisations (CSOs). IDIs were conducted with 2 market masters [these are employees of the council responsible for managing markets and consolidating revenue collected in the markets], 1 vice chairperson of the tomato section of the market, secretary of the market committee, 6 ordinary vendors, 1 revenue collector, 1 ordinary member of the market committee.
Mzuzu City Council	2	11	6	19	KIIs were conducted with the chief executive officer (CEO) of Mzuzu City Council, assistant DoF, 4 leaders of CSOs. 2 FGDs were done with vendors in the fish and second-hand clothes sections. IDIs were conducted with the president of all the markets in the central business district of Mzuzu City, 3 revenue collectors, 1 market master, 5 vendors, 1 chairperson of the central market.
Kasungu Municipal Council	3	11	5	19	KIIs were conducted with the CEO of Kasungu Municipal Council, the DoF, chairperson of Kasungu Municipal Council (who is also a councillor), 2 leaders of CSOs. 3 FGDs were conducted; 1 with the market committee for Kasungu central market, and 2 with vendors of the same market. IDIs were conducted with 7 ordinary vendors, 1 secretary of market committee, 1 committee member, 1 treasurer of the market section, 1 chairperson of section committee.
Nsanje District Council	1	11	6	18	KIIs were conducted with 1 councillor (who was also the chairperson of education committee), the DoF, chief accountant for Nsanje District Council, 3 leaders of CSOs. 1 FGD was conducted with vendors. IDIs were conducted with 7 vendors, 1 secretary of the market committee, chairperson of committee, 2 committee members.
Chiradzulu District Council	0	10	1	11	Researchers did not manage to interview council officials despite several attempts. The only KII was conducted with a leader of a CSO based in the district. At Mbulumbuzi market, 9 IDIs were conducted with the chairperson of the market committee, 1 committee member, the vice chairperson, 2 chairpersons of the market sections. At Thomas market, an IDI was conducted with the chairperson of the market.
Mchinji District Council	2	8	6	16	KIIs were conducted with the DoF for Mchinji District Council, two councillors, one of which was ex-council chairperson and incumbent chairperson of the council's finance committee, 3 CSO leaders. 2 FGDs were conducted with market vendors. IDIs were conducted with the market

<sup>71</sup> Researchers intentionally conducted more interviews in local councils with perceived strong bargaining power. The number of interviews in the rest of the councils was determined by the availability of key informants, leaders of CSOs, vendors and their leadership.

					chairperson, 1 ordinary vendor, 1 market secretary, 2 ordinary members of market committee, 1 vice secretary of the market committee, 2 revenue collectors.
Blantyre District Council	2	11	6	19	KIIs were conducted with the district commissioner (DC) for Blantyre District Council, its DPD, accountant, a cashier, and 2 leaders of CSOs. 2 FGDs were conducted with vendors in Lunzu market. All IDIs were conducted at Lunzu market in which researchers interviewed 2 revenue collectors, 1 market master, vice secretary for market committee, a committee member, and 6 vendors.
Thyolo District Council	2	9	5	16	KIIs were conducted the DoF, chief accountant for Thyolo District Council, and 3 leaders of CSOs. 2 FGDs were conducted with vendors in Bvumbwe market. IDIs were conducted with 3 vendors, the market chairperson, 2 committee members, and 3 revenue collectors.
Sub total	12	82	41	135	

Note: FGDs = focus group discussions; IDIs = individual in-depth interviews; and KIIs = key informant interviews.

The purpose of the KIIs is to understand the legal framework on taxation in local governments, to outline and assess the strategies councils use to engage market vendors, the challenges they face to effectively collect tax and the challenges they face in tax administration, and to understand the existing strategies councils put in place to enforce tax compliance. KIIs were also carried out with leaders of CSOs and other NGOs working in tax governance, both those that are working with vendors and those that have interest in such issues.

These KIIs collected data to assess the role of CSOs/NGOs in enabling the processes aimed at reducing tax resistance by market vendors and promoting tax bargaining and good governance. Interviewing of leaders of CSOs/NGOs also assessed the effectiveness of these CSOs/NGOs in effectively engaging both vendors and councils on tax transparency and accountability and presenting their perspective on why some vendors/CSOs succeed in tax bargaining while others do not. Apart from KIIs, FGDs and IDIs, the research used observation as an additional tool for data collection. This observation was mostly on the appearance of the market, how vendors engage themselves in the market and the facial expressions of participants.

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