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# Rebuilding Local Government Finances After Conflict: Lessons from a Property Tax Reform Programme in Post-Conflict Sierra Leone

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**ABSTRACT** *This research interrogates the factors underpinning the relative success of a property tax reform programme in Sierra Leone. Recognising the importance of politics in shaping reform outcomes, it highlights reform strategies that have contributed to overcoming both technical and political barriers to reform. It highlights three interconnected arguments. First, there is a need for long-term, hands-on, local partnerships that support local capacity, help to confront political resistance and build a constituency for reform. Second, there should be expanded focus on politically contentious efforts to strengthen transparency, public outreach, and enforcement among elites, as they are critical to programme success and sustainability. Third, a focus on the same politically contentious elements of reform can help external actors better assess the extent of local political commitment to reform early-on, and thus target reform funding and efforts more effectively.*

## 1 Introduction

Over the past two decades, national governments and international aid donors have increasingly emphasised the potential development benefits of decentralisation in low-income countries. However, while the decentralisation of expenditure responsibilities has advanced significantly, the reform of sub-national tax collection has progressed extremely slowly (Bird, 2011). Beyond simply reducing available revenue for investment in public services, the weakness of sub-national revenue collection threatens the broader governance benefits promised by decentralisation. Without being able to raise local tax revenue effectively, the decision-making autonomy of sub-national governments is limited, while citizens are less likely to be engaged in holding sub-national governments to account (Bahl, 1999; Bahl & Bird, 2008; Bahl & Martinez-Vazquez, 2007; Bird & Vaillancourt, 1998; Lockwood, 2009; Shah, 1998).

The persistent weakness of fiscal decentralisation has been driven in part by well-known technical challenges. Central governments have retained control over the most lucrative tax bases, local governments lack skilled human resources, and many local governments have continued to rely on policy frameworks inherited from the colonial period that are poorly suited to low-income contexts (Bahl, 1999; Garman, Haggard, & Willis, 2001; Kelly, 2000; Kelly & Musunu, 2000; Rosengard, 1998). However, more recent research has placed greater emphasis on the political barriers to effective sub-national tax collection. The heavy reliance of sub-national governments on central government transfers weakens incentives for local tax collection, while local governments have proven very reluctant to levy taxes on local elites in particular (Bird, 2011; Bird & Vaillancourt, 1998; Fjeldstad & Hegstad, 2012; Jibao & Prichard, 2015; Mogues & Benin,

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2012; Smoke, 2014; Weingast, 2009;). These issues are particularly relevant to property taxation, which is widely recognised as the most sustainable and economically efficient potential source of sub-national tax revenue, and may equally offer unique opportunities for fostering governance-enhancing bargaining between taxpayers and sub-national governments (Bell & Bowman, 2002; Bird & Slack, 2004; Fischel, 2001; Hoffman & Gibson, 2005; Prichard, 2010; Sokoloff & Zolt, 2005).

While growing recognition of the political barriers to reform is welcome, proposed reforms have nonetheless tended to remain relatively technocratic – and frequently focused on macro questions of capacity and policy design. These have included calls to assign more important tax bases to local governments, to refine local policy design, to build greater local capacity and autonomy, to strengthen cooperation between central and local levels of government and to reform systems of intergovernmental transfers to strengthen incentives for collection (Bird, 2011; Bird & Vaillancourt, 1998; Fjeldstad & Heggstad, 2012; Kelly, 2014; Martinez-Vazquez, McLure, & Vaillancourt, 2006; von Haldenwang, 2010; Weingast, 2009). While these reform goals are now widely accepted, they offer only very limited insight into the fine-grained and ground level details that are critical to effective programme design and implementation. What are the practical dynamics of local level capacity building – and how can this task be more successful? How might programmes contribute to overcoming political resistance to reform – and to building political support to sustain reform over time? If the reform challenge is understood as depending centrally on overcoming local level capacity and political challenges, understanding the nuance of local level reform dynamics emerges as a critical, but often overlooked, question. To quote Smoke (2014): '[sub-national] revenue system design remains substantially based on a conceptually narrow normative framework that lacks a sense of pragmatic strategy and is often overwhelmed in practice by contextual factors it fails to or only weakly considers' (p. 287).

This research highlights key features of a comparatively successful property tax reform programme in post-conflict Sierra Leone, in order to understand how reform may be better designed to overcome these local barriers to improved property tax collection. The reform programme in Sierra Leone was fully implemented in three city councils – Makeni, Bo, and Kenema – following the 2004 Local Government Act. Despite an extremely challenging starting point, the programme generated significant revenue gains across all three city councils. These gains exceeded the expectations of government and donors, exceeded reform achievements in more developed neighbouring countries, and were not realised in a fourth city council, Koidu-New Sembahun, which did not have access to the reform programme.<sup>1</sup> However, these gains were not uniform over time or across locations, and this variation offers important analytical leverage in identifying the determinants of successful reform and key features of the reform intervention.

The research draws on in-depth qualitative interviews carried out with all major stakeholders over the course of three years, inspection of official documents and systems related to the reform programme, tax collection data collected from government authorities and a targeted survey of large taxpayers in the three city councils. These interviews have included continuous discussion with both foreign and local leaders of the reform programme over several years, multiple meetings with members of the Local Government Finance Department, interviews with local staff involved in implementing the programme, interviews with a wide range of government leaders in each of the city councils and several presentations of the research findings to government officials, the reform team and international donors, all of whom have both embraced and enriched our conclusions. Collectively, this has offered detailed insight into reform outcomes across locations, specific challenges and sources of opposition, and the strategies adopted by those supporting reform.

Drawing on this evidence, the argument proceeds in two parts. First, the paper provides evidence that foreign technical assistance has played an important role in generating substantial improvements in property tax collection. However, it equally makes clear that the scope of these gains has been heavily shaped by the extent of local political leadership. Second, the analysis highlights key lessons for the design of reform programmes that can overcome both technical *and* political barriers to improved performance, while building political support to sustain reform. It stresses the importance of long-term, hands-on, local partnerships, the development of simplified reform strategies that can be implemented within the limits of local capacity, and the importance of focusing attention on politically

contentious elements of reform related to transparency, public outreach, and enforcement among large property owners. The overall structure of the paper is relatively narrative, as the goal is not to test macro level hypotheses about the determinants of successful reform but rather to capture the often-overlooked details of local level reform, and to reveal the ways in which the finer details of programme design and implementation have been critical to successful reform.

## 2 Decentralisation and Local Government Tax Reform

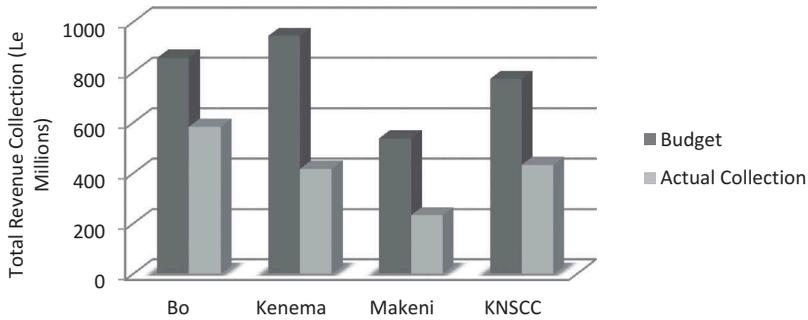
In many respects Sierra Leone represents a particularly challenging environment for successful sub-national revenue reform. The system of local government inherited at independence was abolished in 1972 amidst growing inefficiency, corruption, and politicisation, as the government of Siaka Stevens pursued an aggressive centralising agenda. Local service provision deteriorated further in subsequent years, leading many to view extreme centralisation as an important cause of the brutal civil war that lasted from 1991 to 2002 (Fanthorpe, 2006; Kanu, 2009; Sawyer, 2008). Reflecting this view, decentralisation was a priority following the war, with the Local Government Act of 2004 officially re-establishing five city councils, one municipal council, and 13 district councils (Robinson, 2008).<sup>2</sup>

Local taxes are from five primary sources: the local (poll) tax, market dues, property taxes, business licences, and assorted fines and levies. However, the newly created councils have remained heavily reliant on central government transfers owing to low incomes, weak capacity, and the limits of available tax bases. Part of this funding comes through earmarked, and formula based, transfers from the central government. In the four mid-sized city councils that are the focus here – Bo, Kenema, Makeni and Koidu-New Sembehun (KNSCC) – these transfers amounted to 78 per cent of local government revenue in 2011. In turn, this figure understates actual reliance on central government funding, as the central government also pays the majority of local government salaries, while central line ministries directly provide a significant share of local public services (LPSI, 2013). As such, locally generated funds are employed for a relatively limited set of purposes, including small-scale development projects, the hiring of casual staff, garbage collection, supporting local bus services, and cleaning and maintaining market facilities.

Reflecting the institutional weakness of the newly recreated councils, they immediately received extensive donor support, led by the World Bank-funded Institutional Reform and Capacity Building Project (IRCBP). The programme provided extensive financial support for specific capacity building initiatives, while also supporting the creation of the Local Government Finance Department (LGFD) within the Ministry of Finance and Economic Development. However, the IRCBP did not initially make revenue-raising a priority (Gaima, 2009; Srivastava & Larizza, 2011). Revenue collection efforts correspondingly remained very weak across the city councils in the years after decentralisation. Figures 1 and 2 present illustrative data revealing that as late as 2006 collection consistently fell far short of budgeted targets, while councils relied heavily on relatively easy-to-collect market dues, with harder-to-collect property taxes amounting to less than 10 per cent of internally generated revenue.

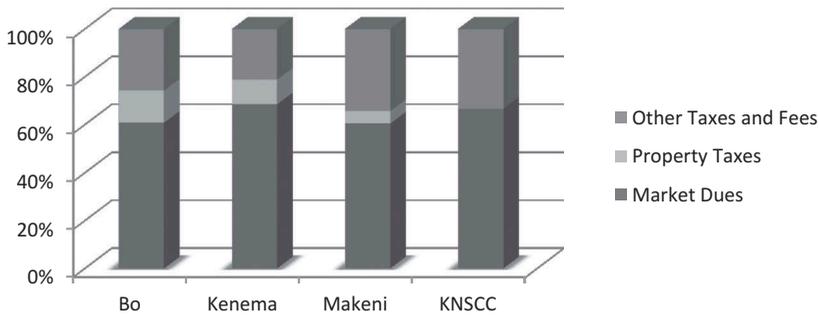
It was against this challenging background that a relatively standardised property tax reform programme began to be implemented in 2006. The programme was initially launched in Makeni City Council as a very modest and ad hoc local initiative supported by the United Nations Development Programme (UNDP). It was led by a Canadian chartered surveyor named Paul Fish, who had been recruited through an international volunteer position coordinated through Voluntary Service Overseas. While the initial recruitment was for only six months, the programme enjoyed significant immediate success, and was subsequently extended.<sup>3</sup> Following significant revenue gains in Makeni, the LGFD facilitated outreach to Kenema and Bo in 2007, with both councils initiating the reform programme with modest donor support in 2008.<sup>4</sup> The programme was never initiated in the fourth mid-sized city council, Koidu-New Sembehun, owing in large part to the absence of locally available donor support.<sup>5</sup>

The reform programme was based on five stages – discovery, assessment, billing, sensitisation, and collection<sup>6</sup> – and was designed with a focus on transparency, low implementation costs, and feasible



**Figure 1.** Actual revenue collection vs. budgeted targets 2006.

*Source:* Local Government Finance Department, Ministry of Finance, and Government of Sierra Leone. All data available on request from the authors.



**Figure 2.** Composition of city council own revenue 2005.

*Notes:* Other Taxes and Fees is composed of business registration, licences, local tax, and other fees and charges.

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

implementation by locally recruited staff. While this echoes a broader trend toward simplification in recent discussion of property taxation, the programme was notable for its unwavering adherence to these principles (for example Fjeldstad & Heggstad, 2012, pp. 28–29). The first two concurrent phases of the programme were discovery and assessment (that is valuation), calling for the assembly and maintenance of a database capturing the location and assessed value of all properties within the council area. This was to be carried out by a team of locally recruited and trained staff who would use GPS devices to map relevant properties, while all of the information was to be stored in a relatively simple and locally developed IT system. Assessment was to rely on readily observable characteristics of individual properties in order to make valuations easy to establish, transparent, and progressive.<sup>7</sup> Discovery and assessment within a single city council, with a population of about 150,000, was expected to be possible within three months when employing a team of about 10 enumerators. Because the maintenance of property registers has long been recognised as a major barrier to effective property taxation across low-income countries, emphasis was placed on developing a system that was simple enough to be regularly updated by local staff (Fjeldstad & Heggstad, 2012, p. 28; Kelly, 2000; Kelly & Musunu, 2000).

Following discovery and assessment, the reform programme called for the initiation of billing and sensitisation efforts. The billing process was to involve the automated production of Rate Demand Notices (RDNs), which generated specific tax liabilities for each property owner based on a formula, updated annually by the city councils, linking observable property characteristics to tax liabilities. While the broad parameters of the formula were common across locations, each city council enjoyed scope to determine the weighting of individual factors and the extent of the tax burden. The production and delivery of RDNs was to be accompanied by extensive sensitisation efforts designed to

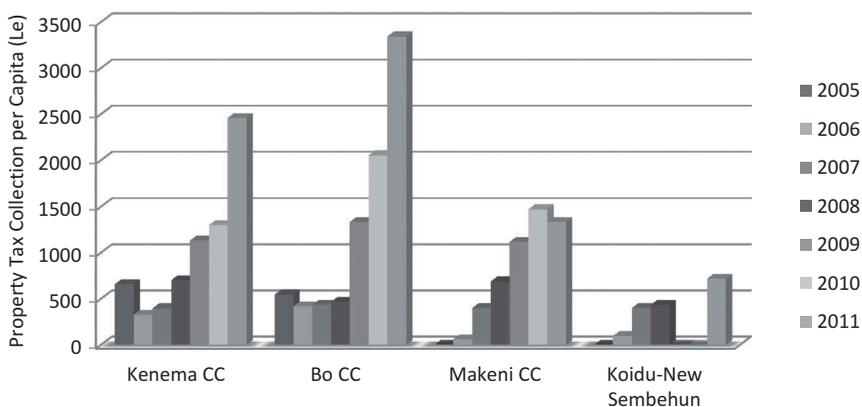
communicate to taxpayers the basis for their tax liabilities, the ultimate purpose of the taxes collected, procedures and timelines for tax payment, and available options for appealing tax assessments. These sensitisation events were to be carried out through a variety of methods, led by regular radio programming involving elected officials, tax officials, and, crucially, influential local individuals, including chiefs and religious leaders.

While the distribution of RDNs was designed to encourage voluntary tax compliance, the final phase of the reform – collection – was focused on pursuing and prosecuting non-compliant taxpayers. In principle, enforcement is straightforward: the government generally knows the location of property owners and has direct access to the property in case of non-compliance. However, in practice, effective enforcement has historically been extremely limited owing largely to the political power wielded by large property owners. This is consistent with experience elsewhere in low-income countries, where strong ties between large property owners and political elites have been widely cited as the primary explanation for weak property tax collection (for example, Bird, 1974, 1991).

### 3 External Support and Reform Successes

Despite relatively humble origins, the impacts of the reform programme were immediately impressive, and offer clear evidence that external support has the potential to spur significant improvements in local government revenue collection. As illustrated in Figure 3, each of the city councils that implemented the programme enjoyed dramatic improvements in property tax collection, with tax collection increasing at least threefold from 2007 to 2011 in nominal terms, or at least doubling in real terms (Figure 3).<sup>8</sup> While these gains occurred from a very low base, they nonetheless represent a striking achievement. The improvements in revenue collection easily exceeded the expectations of international donors and local government officials, and property taxation more than doubled its share of local government revenue over the course of five years.<sup>9</sup>

Similarly, comparison to performance elsewhere in the region points to the success of the reform programme. For example, the level of property tax collection in all three city councils significantly exceeds levels of collection in comparable local councils in more developed Ghana, which is by many measures the most successful country in the region (Prichard & van den Boogaard, *forthcoming*). Finally, the only city council not to have implemented the reform programme, Koidu-New Sembehun (KNSCC), did not experience the same improvements in revenue performance, despite starting from a similar base (Figure 3). While the absence of a reform programme in KNSCC itself may to some extent reflect a lack of local commitment to improving revenue performance, reform leaders argue that the exclusion of KNSCC from the reform programme reflects to a significant extent idiosyncratic



**Figure 3.** Property tax collection per capita 2005–2011.

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

variation in the availability of donor support. This quasi-random assignment of the reform intervention suggests that poor revenue performance can credibly be attributed at least in part to the absence of the reform intervention.

While the relative impact of the reform programme has been reflected in increased tax collection, it has equally been reflected in a broader set of quantitative and qualitative improvements in the local tax system. Virtually all properties in the three councils were successfully identified, mapped, and valued. All of that data was subsequently entered into locally administered IT systems and transparently communicated to taxpayers – a goal that has rarely been achieved so completely elsewhere on the continent (Fjeldstad & Heggstad, 2012; Kelly, 2000; Kelly & Musunu, 2000). While accurately measuring compliance is difficult – and comparative data is not available – it nonetheless appears that tax compliance has far exceeded norms on the continent, with a small survey of large taxpayers in Bo suggesting compliance as high as 90 per cent, as discussed below. Finally, in all of the city councils, significant public outreach efforts have been made, along with at least moderate levels of data transparency. Collectively, these results speak clearly to the potential impact of technical assistance programmes that are able to put in place relatively simple and robust assessment, monitoring, outreach, and enforcement processes.<sup>10</sup>

However, while there has been a measure of success in all three city councils, there has also been significant variation in overall outcomes. Looking first at aggregate revenue figures, displayed in Figure 3, the largest gains have been in Bo, where property tax revenue increased by four and a half times in real terms between 2007 and 2011. Gains have been somewhat more modest in Kenema, where revenue increased by 350 per cent in real terms, and much more limited in Makeni, where revenue roughly doubled in real terms over the same period. This broad pattern is confirmed by a compliance survey of large taxpayers conducted specifically for this research.<sup>11</sup> Key survey results are reported in Table 1, which shows that, consistent with total collection figures, tax compliance has been much higher in Bo than in the other two city councils.<sup>12</sup> A remarkable 93 per cent of surveyed large taxpayers in Bo were able and willing to produce a valid tax receipt, while the comparable numbers in Kenema and Makeni were 39 per cent and 42 per cent, respectively.

Greater compliance has in part reflected stronger enforcement, with our large taxpayer survey revealing much stronger enforcement in Bo, where large taxpayers are dramatically more likely to have been taken to court for non-payment, to know someone who has been taken to court, and to believe that elites can be effectively forced to comply with tax obligations. Meanwhile, qualitative interviews indicate that improved compliance has also reflected ‘softer’ measures to encourage quasi-voluntary compliance through the construction of a ‘fiscal social contract’. This has included more extensive efforts in Bo to extend public outreach, increase revenue and budgetary transparency, strengthen small scale services funded using local revenues, and ensure the equitable application of tax rules among elites, who have often avoided taxation elsewhere.

**Table 1.** Taxpayer compliance and enforcement across councils

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

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

#### 4 Political Leadership and Divergent Reform Outcomes

In seeking to explain variation in reform performance across city councils, simple technical explanations prove inadequate, with the extent of political leadership instead proving decisive. As detailed in Table 2, the city councils are all of broadly similar size, have similarly developed economies, have access to similar tax bases and have been similarly reliant on external transfers, which follow a standardised formula. While they are aligned with different political parties, there is no simple pattern linking party alignment and revenue outcomes. Put simply, explanations based on size, economic development, the nature of the transfer system, or political alignment may have some bearing on outcomes, but are quite clearly insufficient on their own. Instead, the importance of politics is clearly reflected in the divergent willingness of different governments to implement politically challenging reform, and, most strikingly, in important changes in the success of the reform programme following local elections in 2008.<sup>13</sup>

Makeni City Council began from the weakest starting point, with reported collection in 2006 barely above zero, as most records had been destroyed in the war.<sup>14</sup> The Makeni City Council was nonetheless the first to implement the reform programme and initial results were encouraging, with impressive improvements in collection in 2007. Those involved with the reform attribute these gains to highly committed political leadership – despite an election on the horizon – which allowed for a successful discovery and assessment process, the full implementation of the IT software, and extensive public outreach. However, the government that led the initial reform programme was replaced following elections in 2008, and support for subsequent reform began to waver.

Revenue collection in nominal terms continued to grow until 2010, on the foundation of the reforms undertaken in 2007, but the rate of growth in real terms was rapidly declining, and three weaknesses in the reform programme became increasingly apparent. First, outreach efforts quickly declined after the elections, with both discussion with civil society and efforts to build support for reform largely coming to a halt. Second, the government began to resist improvements to the tax software that would have increased transparency and reduced the ability of political elites to control, and limit, enforcement efforts. Third, the post-election government proved increasingly unwilling to pursue enforcement actions against non-compliant taxpayers, as reflected in Table 1. The end result was that revenue gains plateaued by 2010, with revenue in nominal terms actually declining in 2011.

The opposite pattern is apparent in Bo City Council, where support for reform increased dramatically in early 2008, following the mayoral election of a former university lecturer, Wusu Sannoh. Prior to 2008, collection remained limited and based on a highly incomplete and out-of-date property register. With committed leadership from both the mayor and the chief administrator, the reform programme was subsequently implemented both rapidly and comprehensively, with financial support from the LGFD and IRCBP. The result has been consistent and rapid increases in revenue collection,

**Table 2.** Key characteristics of the city councils

	Bo city council	Makeni city council	Kenema city council
Population	149,957	82,840	128,402
Poverty Score <sup>a</sup>	53.88	52.20	55.23
Transfers as a share of total revenue (avg. 2005–2011) <sup>b</sup>	61%	72%	58%
Political Affiliation	SLPP	APC	SLPP

*Notes:* <sup>a</sup> No GDP figures are available at the city council level. The ‘Poverty Score’ was calculated by the Government of Sierra Leone based on the 2004 Census, with higher values implying less poverty. While not a precise proxy for economic activity, they highlight the modest economic differences between the city councils. <sup>b</sup> Excludes central government payments for staffing and direct local expenditure by central government line ministries.

*Sources:* Population data from 2004 Census. Poverty Score obtained from Government of Sierra Leone 2004 Population and Housing Survey Analytical Report on Poverty. Transfers data from the LGFD.

with performance significantly exceeding the other city councils. The discovery and assessment process was carried out successfully by locally recruited staff, while the IT system was substantially more transparent than that in Makeni. Meanwhile, there was sustained commitment to sensitisation, as the government not only established significant tax education programmes, but also took significant steps to transparently highlight the connections between local revenue collection and specific service delivery. Finally, and most notably, since 2008 Bo City Council has shown an unmatched willingness to adopt aggressive enforcement mechanisms, even in relation to the largest taxpayers.

Finally, Kenema City Council has followed a moderate course, showing consistent support for much of the reform programme, but a continued unwillingness to pursue aggressive enforcement amongst local elites. The reform programme was initiated in early 2008, as it had generated significant interest within the governments in power both before and after the elections. Whereas the reform programmes in Makeni and Bo were both implemented by teams led by Paul Fish, the reform programme in Kenema was more actively supported by the UNDP and LGFD and implemented by a local consulting firm without specific expertise in taxation, the Organisation for Environmental Development (OFED). The discovery and assessment processes were implemented successfully in 2008, along with the introduction of a basic IT system, though with some modest challenges and somewhat less local ownership of the process. As with the other councils, the gains from these relatively straightforward reforms were immediate, with large revenue increases in 2008 and continued gains in 2009. However, relative to the Bo City Council, the Kenema City Council never demonstrated the same level of commitment to outreach, transparency, and particularly enforcement, as reflected in lower levels of compliance reported in [Table 1](#). Consistent with these limitations, revenue increased significantly through 2011, though at a rate somewhat behind that achieved in Bo.

Ultimately, these experiences leave little doubt that political leadership has been pivotal in shaping reform outcomes. However, the reform pattern also holds a subtler, and less well understood, message: some aspects of reform have proven more politically contentious than others, and these elements have proven pivotal in explaining divergent outcomes across city councils. As detailed in [Table 3](#), all of the city councils were successful in implementing discovery, assessment, basic computerisation, and initial public education. The rationale for this universal success is readily apparent: these preliminary stages of reform on their own posed a minimal threat to powerful vested interests, while offering an externally funded means for local governments to achieve a still meaningful expansion of revenue collection. By contrast, local political leaders varied substantially in their willingness to implement reform goals that posed greater political risks: (a) the implementation of comparatively transparent IT software, (b) the creation of greater transparency around tax-expenditure linkages and of new spaces for dialogue with citizens, and most dramatically, (c) the pursuit of enforcement actions against

**Table 3.** Implementation of different components of the reform programme

	Bo city council	Makeni city council	Kenema city council
Discovery	Successfully implemented	Successfully implemented	Successfully implemented
Assessment	Successfully implemented	Successfully implemented	Successfully implemented
Billing	Successfully implemented, including transparent and tamper proof IT System	Basic system implemented, but with the least robust IT System	Basic system implemented, but with less robust IT System
Sensitisation	Significant public education and outreach to create increased transparency and new forums for engagement	Initially significant public education about the tax, but sharply curtailed from 2008 onward	Significant public education about the tax, but limited transparency around tax collection
Enforcement	Comparatively effective enforcement, even among elites	Initial enforcement efforts curtailed after 2007, with limited enforcement action taken against elites	Some enforcement among average taxpayers, but very limited enforcement among elite groups

*Source:* Information collected by the authors.

politically well-connected elites. Again the rationale is clear: these actions were more politically challenging, as they involved confronting strong vested interests and welcoming more active political engagement by taxpayers.

Critically, the willingness of political leaders to implement these politically contentious reforms has been pivotal to reform success and sustainability. The Bo City Council is the only council to have consistently pursued these objectives, with the result that revenue collection has been significantly higher, compliance significantly more complete, and revenue gains more sustainable. Meanwhile, while Kenema has been reluctant to pursue enforcement amongst elites it has nonetheless been more active than Makeni in sustaining outreach activities and upgrading the local IT system, as reflected in significantly larger revenue gains over time. To summarise: political leadership has not only been a crucial variable in shaping reform success, but has affected different aspects of the reform programme in very different ways. The absence of political leadership has undermined certain goals, while allowing other reform elements to advance rapidly. As is discussed below, this insight has potentially important implications for thinking about the design of property tax reform programmes.

## 5 Elements of Successful Reform Programmes

The account so far provides a picture both of the relatively positive impact of foreign technical assistance and of the importance of local political leadership in shaping outcomes. It thus raises two important questions. The first is whether it is possible to explain variation in political commitment to tax reform across the city councils. While it has become commonplace in the literature to assert that ‘political will’ is essential to successful reform, the breadth of this concept makes it of little value in the absence of a more precise understanding of *why* certain political leaders may be more committed to reform than others. In parallel work we have argued that variation in political commitment to reform in Sierra Leone has been driven in significant part by differences in political alignment, elite cohesion, ethnic diversity, local political competition, and the extent to which reformers have succeeded in constructing a popular base of support for reform through expanded reciprocity (Jibao & Prichard, 2015).

However, while explaining the sources of variation in political commitment to reform is undoubtedly interesting, it leaves unaddressed an equally important, but more often overlooked, question, which is the focus here: how to design reform programmes that can help to overcome both technical and *political* barriers to reform, while also avoiding launching reform initiatives where no local level political support exists. Because many of the political factors shaping divergent outcomes across locations are beyond the immediate control of reform leaders, pragmatic questions about how to design reform programmes within a challenging political context become centrally important. However, it is these micro-level details of reform experience that have most often been overlooked in existing scholarship.

The discussion to follow suggests that experience in Sierra Leone offers three broad lessons for reform initiatives. The first is the importance of long-term, hands-on, local partnerships, as they are most able to simultaneously address technical and political barriers to reform. Such partnerships are better able to overcome apparent capacity constraints, generate an internal constituency for reform and, most critically, contribute to the development of a ‘fiscal contract’ between the government and taxpayers. The second, and related, message is the importance of emphasising the ‘politically contentious’ elements of reform noted earlier: transparency, outreach, and enforcement. These reform elements have proven pivotal to reform success, in significant part because addressing them successfully can contribute to the long-term political sustainability of reform. The final message is that the progress of local governments in implementing these ‘politically contentious’ elements of reform can act as a litmus test for local political commitment, and thus guide donors and central governments in targeting support more effectively.

### 5.1 Long-Term, Hands-On, Local Partnerships

While there is clear evidence that the presence or absence of political leadership has been an important determinant of reform success, equally striking is that the reform programme achieved at least partial success across all of the city councils. While there remain important challenges in further increasing administrative performance and revenue collection, these successes in Sierra Leone stand in contrast to what have generally been much more limited achievements of property tax reform programmes elsewhere in low-income countries. This relative success in Sierra Leone is attributable in significant part to the establishment of hands-on, long-term and locally owned reform strategies, which have been critical to addressing *both* technical capacity needs and the need to confront political resistance to reform.

*5.1.1 Building and sustaining local capacity.* Standard accounts of the difficulties of property tax reform in low-income countries generally begin with reference to stark capacity limitations, and particularly to the cost and complexity of maintaining up-to-date property registers. However, these seemingly insurmountable capacity challenges have, to a significant extent, reflected property tax systems poorly suited to local constraints: many countries have continued to rely on small teams of valuation experts, employing relatively complex and subjective valuation methods, resulting in property registers that are often costly, contested, and tremendously out of date. By contrast, the reform programme in Sierra Leone has been focused on implementing simplified valuation methods, coupled with hands-on and continuous training, thus allowing locally recruited staff to develop the necessary skills to continuously identify and value properties, and to operate simplified IT software.

The importance of such simplified systems has been increasingly recognised within the literature on property tax reform (for example, Fjeldstad & Heggstad, 2012). However, the embrace of simplification has also remained tentative in practice: many reform programmes continue to rely on comparatively complex valuation methods, unnecessarily sophisticated, often imported, IT systems, and high cost, but short term, training programmes. Meanwhile, there has been significant support in many quarters for transferring part or all of the responsibility for valuation and property tax collection to central tax agencies, out of an implicit scepticism about the potential for developing local capacity. By contrast, experience in Sierra Leone suggests quite clearly that simplified local methods, paired with systematic and long-term local capacity development, can work.

In both Bo and Makeni locally recruited employees were trained to undertake all of the key roles in the programme from the outset, under the direct and continuous supervision of the reform team. While it is possible for discovery and assessment to be presented as relatively complex processes requiring external staffing, this was overcome through a simplified process and hands-on training. The hands-on training allowed for abstract concepts to be translated into concrete, frequently repeated skills, as local staff spent several months engaged in the supervised implementation of discovery and assessment. These local staff members generally had no more than high school educations and received standard entry level local salaries, but were nonetheless very successful in managing the system, with more senior staff also trained to manage the IT system.

While intuitive, this type of approach is far from assured even in the context of simplified local laws: those involved in the programme note that there is often pressure to rely on short-term external staff to quickly implement the initial discovery and assessment phase, with those staff subsequently handing data over to local officials.<sup>15</sup> However, doing so implies both high costs and a significant risk that local staff will not be able to keep the property registry up to date – or that they may simply not be committed to doing so. In similar fashion donors and central governments are often tempted to resort to short term, supply driven, technical assistance, but this appears to be a deeply inadequate substitute for longer-term and hands-on ‘on the job’ training – even if the latter requires reliance on less experienced (and thus lower cost) reform staff (Smoke, 2014, p. 313). Building local capacity from the outset in Sierra Leone required more careful preparation early on, and the long-term presence of external reform staff, but allowed for building a stronger foundation for continued improvement. Moreover, the combination of local ownership and relative simplicity has made the

valuation process more transparent, while simplifying the resolution of disputes. Beyond the testimonials of those involved with the reform, the importance of hands-on and long-term local capacity building is revealed by experiences in Kenema, which was somewhat more heavily reliant on external consultants during the assessment phase. The result was, consistent with the discussion so far, initial disagreement over imperfections with the data, and occasional difficulties with the local management and updating of the property register and IT system thereafter.

*5.1.2 Confronting political resistance and building the fiscal contract.* While hands-on and continuous local support has been critical to overcoming capacity challenges, at least equally important has been the more often overlooked role of this strategy in supporting efforts to overcome *political* barriers to reform. First, close long-term partnerships have allowed the reform team to provide continuous support to, and pressure on, political leaders when they have inevitably confronted political resistance, while responding to the idiosyncratic features of local political contexts (Smoke, 2014). Second, the development of local technical capacity has fostered not only technical sustainability but also a long-term internal constituency supporting the reform programme. Finally, consistent engagement between the reform team and local officials has supported more extensive outreach and the gradual construction of broad-based political support for more effective taxation.

The importance of continuous engagement between the reform team and local leaders is best illustrated by experiences in Bo. From 2008 onward the new government immediately embraced the reform programme, but soon after confronted considerable resistance when it came time to pursue enforcement actions against non-compliant taxpayers. While the mayor personally supported reform efforts, growing resistance among others within and outside government posed a challenge to his resolve. During this process a close and consistent relationship with the reform team became an important asset. They were able to regularly produce data to support enforcement efforts and to persistently highlight failures. More importantly, but less tangibly, they were positioned to work side-by-side with reform leaders in government in reinforcing their resolve and developing strategies to address resistance. Of course, such close relationships are not a guarantee of success: in Makeni political resistance was more entrenched and the reform team was never able to fully implement the reform programme. However, interviews with key stakeholders within both the reform teams *and* government point clearly to the value of close partnerships between the reform team and political leadership in confronting inevitable political challenges.

Given the importance of these partnerships, a key risk is that they may not be sustainable: the departure of the external reform team following the early stages of reform could entail not only the loss of technical capacity, but also the loss of a key political constituency for reform. This possibility again points to the importance of investing heavily in developing local staff capacity and leadership from the outset, so that local staff can become a key internal constituency for sustained reform. In Bo in particular this has been the experience, with the roles initially played by external reform leaders increasingly taken on by locally trained reform staff, who are best positioned to provide timely data, identify non-compliance, highlight problems of implementation, and pressure leaders to sustain support for reform.<sup>16</sup>

While the reform team has thus played an important role in sustaining political support among political leaders, long-term reform partnerships have proven equally valuable in shaping the character of the reform programme in the direction of building positive political support for reform among taxpayers. It is increasingly understood that successful tax reform rests not only on effective enforcement, but also on the construction of a 'fiscal social contract' based on reciprocity and transparency between governments and taxpayers. Through effective outreach, transparency about how tax revenues are used, and the delivery of effective and visible public services, the government is able to both encourage 'quasi-voluntary compliance' and build popular support for sustaining reform.

However, in practice these 'soft' elements of reform often get pushed into the background of reform efforts. With this risk in mind, the long-term and hands-on relationship between the reform team and local governments in Sierra Leone has been critical to maintaining a focus on increasing transparency, linking

taxes and expenditures, offering opportunities for taxpayer engagement, and emphasising equity in enforcement. In both Makeni (pre-2008) and Bo the active presence of the reform team was particularly essential to supporting public outreach, including proactively engaging community leaders, chiefs, and religious authorities in publicising the new tax. Reform leaders in Bo, for example, did not initially view transparency and outreach as critical to the reform programme, and early implementation depended on constant engagement by the reform team. Over time, the local leadership came to view continued outreach as a useful strategy for building political support for reform – so much so that expanded tax collection featured prominently, and often positively, in the 2012 sub-national elections. Absent the constant engagement of the reform team, there is wide agreement that the construction of popular support for reform would not have enjoyed the same level of attention and success.

### *5.2 Prioritising Transparency, Outreach and Equitable Enforcement*

While experience in Sierra Leone highlights the importance of long-term, hands-on, and locally-owned partnerships, it equally highlights three elements of reform that have been particularly critical to the success of reform efforts: transparency, outreach, and enforcement. The key message is that these comparatively contentious elements of reform should figure more centrally in defining reform objectives and evaluating reform progress. Of course, the importance of prioritising transparency, outreach, and enforcement in the design of reform goals is both intuitive and widely accepted in principle. However, in practice such a focus has tended to be downplayed in the context of a more narrow operational focus on quantitative indicators of reform success – most notably, total revenue collection and the extent of property assessment – and a desire for ‘quick wins’ that can demonstrate project impact and which are intended to build reform momentum. The lesson from Sierra Leone is that while both goals are undoubtedly important, short-term progress against basic quantitative indicators can be misleading, while ‘quick wins’ can prove fleeting if not matched from the outset with measures designed to strengthen the sustainability of reform.

All of the city councils initially experienced similar improvements in revenue collection, driven by basic automation and the discovery and assessment of new properties. A simple focus on aggregate revenue collection during those early years would have revealed little about developments to follow. By contrast, a focus on the more politically contentious elements of reform – a transparent IT system, the extent of outreach, and the pursuit of enforcement action – would have made clear that reform was progressing significantly more successfully in Bo City Council, while it was beginning to stagnate in Makeni from 2008 onward. Over time the consequences have become apparent: where politically-contentious reform measures were confronted early on, revenue gains have been larger and more sustainable.

Those involved in the reform understood this connection, explaining to local governments that, despite short-term gains, progress in confronting vested interests would be critical to generating more sustainable long-term gains – as well as to increasing the equity of the reform programme and the quality of reciprocal services to taxpayers. The critical importance of confronting vested interests is intuitive, and reflected in the broader history of civil service reform: while governments are often able to make initial gains, over time interests opposed to reform are likely to become more organised and to chip away at reform goals. The lack of effective outreach to taxpayers, a lack of transparency and safeguards in the IT system, and an inability to tackle compliance by large taxpayers early on leaves multiple avenues for this resistance to gain traction over time. By contrast, investment in these areas can weaken potential opposition, create safeguards against reversals, and build a sustainable base of popular support for the reform measures.

With these considerations in mind, the reform teams in Makeni and Bo insisted from the outset that directly confronting vested political interests through improved transparency and enforcement was a necessary component of reform – and they were unrelenting in this position as the political leadership wavered. By making it clear that transparency, outreach, and enforcement were integral to continuing with the reform programme, the reform team gained leverage in pushing for more thoroughgoing reform. In turn, each element was prioritised by the city councils from the outset of the reform

programme. By contrast, the reform team in Kenema did not prioritise outreach, transparency, and enforcement to the same extent, thus contributing to these issues being side-lined – and, in turn, to slower reform progress and more limited popular support.

Of course, there is no guarantee that the Kenema City Council would have adopted a more ambitious reform agenda had the reform team prioritised enforcement more clearly. The Makeni City Council after 2008 offers clear evidence that a reluctant government can undermine enforcement and transparency despite active engagement by the reform team. However, the assembled evidence leaves little doubt that progress in confronting politically contentious elements of reform is pivotal to maximising reform gains, while early prioritisation of these goals by external reform actors can make their adoption more likely.

### 5.3 Assessing Political Commitment to Reform

Experience in Sierra Leone thus offers important insights into how reform can be designed to be more effective. Long-term and hands-on partnerships can help to overcome local capacity constraints, confront political opposition, and strengthen popular support for reform. Meanwhile, a greater emphasis on transparency, outreach, and enforcement in programme design and evaluation can improve the impact and sustainability of reform by confronting and limiting entrenched opposition while constructing a base of popular support for sustained reform. However, well-designed reform interventions are not a guarantee of success. Some local leaders will invariably resist reform efforts, or seek to implement reform only incompletely, in response to local political resistance. This is the lesson of Makeni in particular, where a change in leadership undermined the full implementation of reform despite the best efforts of the reform team.

The implication for external actors, be they donors or central governments, is the need not only to design reform effectively, but to identify the extent of political commitment to tax reform within individual local governments, and to adjust their support accordingly – including cutting off support where local leadership is particularly lacking. However, this has often proven very difficult in practice: the extent of political leadership often becomes apparent only retrospectively when observing outcomes, when significant funds have already been disbursed. With this challenge in mind, experience in Sierra Leone suggests that comparatively contentious elements of reform – transparent IT systems, public outreach, and enforcement among elites – can act as a relatively easily observable litmus test for political commitment. This ability to more accurately ‘observe’ the extent of political commitment can significantly improve decisions about external support.

As has already been noted, all of the local governments in the sample implemented discovery, assessment, and basic IT systems relatively effectively, as they promised meaningful revenue gains without posing a major threat to powerful vested interests. By contrast, the extent of transparency, outreach, and enforcement varied significantly in response to levels of political commitment, and were key predictors of long-term success. Critically, the costs of transparency, outreach, and enforcement are primarily political rather than financial, making them particularly valuable in gauging political commitment to reform. That is, whereas implementing a discovery and assessment process is financially costly and often requires external support, the choice to then adopt a more transparent IT system, to hold public forums for taxpayers, or to pursue enforcement against elites has modest financial implications, but is politically challenging.<sup>17</sup> Thus, for example, the decision by the Makeni City Council after 2008 not to pursue enforcement actions, or to expand outreach efforts, could not be explained by financial costs (which were low) or capacity constraints (as the reforms were not technically complex). It could *only* be fully explained by politics and a reluctance to confront vested interests and potential opposition. Similarly, when the Bo City Council agreed to adopt a more transparent IT system and to expand enforcement efforts, this provided a compelling indication of political commitment to continuing reform.

By employing progress on these politically contentious elements of reform as an indicator of political commitment, external actors may be able to markedly improve the targeting of external support. Where there is clear evidence of political commitment, support can be continued or scaled up.

By contrast, where there is a lack of political commitment, external actors can cut back their support. This is not a panacea, as there is always the risk that a formerly committed council may reverse course, as was the case in Makeni. However, if external support and reform are focused on building robust and transparent systems, and on fostering popular engagement and support, the potential for sustainability appears to be significantly improved.

At a minimum, improved targeting can minimise the resources being dedicated to reform programmes that lack the support needed to succeed. However, it may also prevent misguided support unintentionally doing harm. Supporting a tax reform programme that expands the coercive power of government, but which does not simultaneously support expanded transparency and equity, may be counter to the public interest. More broadly, within poorly funded local governments, large financial transfers for a reform programme may, in the worst instances, feed patronage networks, fuel the politicisation of tax agencies, or undermine incentives to increase revenue collection. This possibility is not only consistent with international research on the potentially corrosive governance implications of poorly utilised aid (for example, Bräutigam & Knack, 2004), but was raised repeatedly by informants involved with the reform programme in Sierra Leone.<sup>18</sup>

Such improved targeting is consistent with a broader shift over the past decade toward an emphasis on ‘selectivity’ in aid provision – that is, efforts to direct aid to governments most committed to using it productively (Dollar & Levin, 2006; Hout, 2002). The danger of such approaches lies in directing aid to councils that are already most successful, while denying aid to councils that are more dysfunctional, but also most in need. This may, for example, imply failing to supply aid to councils in which highly targeted support to achieve small scale gains in strengthening tax collection could, potentially, open up future reform opportunities. However, the reform teams in Sierra Leone were adamant that targeting aid where real political commitment exists – and cutting it when evidence emerges that it truly does not – was generally the best option. This was the direction pursued in Makeni as political support declined following the 2008 elections. This judgment reflects the potential harm done by poorly managed aid flows, but as importantly, a belief that over time reform progress in the most successful councils, like Bo, would put pressure on other councils to recommit themselves in order to attract funding and ‘keep up’ with their neighbours. With this in mind, the reform team worked with the national Local Government Finance Department to organise periodic meetings of officials from all of the city councils in order to highlight who was succeeding, and who was failing, and to thus generate competitive pressure for improved performance. While this process remains in its infancy, returns have been positive, as reform has recently been expanded to several additional city and district councils seeking to match the achievements of their neighbours.<sup>19</sup>

None of this, of course, implies the elimination of risk: initial allocations of aid will to some extent always reflect best guesses about potential local political leadership, while some possibility of reform reversals is inescapable amidst often rapidly changing political conditions. Even in Bo, where local reform has advanced particularly successfully, there remains a risk that future political changes could jeopardise reform gains. Ultimately the goal is thus to minimise these risks, and the account here has correspondingly highlighted strategies for assessing local political commitment more quickly and effectively, and for strengthening the resiliency and sustainability of reform even in the face of future political shifts.

## 6 Conclusions

This paper has aimed to provide a fine-grained account of the challenges of sub-national property tax reform in Sierra Leone in order to offer insights into successful reform strategies. Critically, the emphasis has been on strategies that can address both technical *and* political barriers to reform. The reform experience in Sierra Leone is particularly illuminating for two reasons. First, it is an example of relatively successful reform in a context in which reform appeared particularly unlikely. Second, it offers a particularly strong context for comparison, as the city councils were not only subject to a

common reform programme, but also shared a common starting point after the re-establishment of city councils in 2004.

Against this background, the paper makes several novel contributions. At a macro level, the detailed account of the reform experience in Sierra Leone provides clear evidence that political leadership has been critical in shaping reform outcomes, but also that well-designed external support can contribute to rapid improvements in sub-national revenue collection. While neither message is entirely novel, the comparative approach adopted here offers particularly clear evidence of these relationships. However, the most important contribution of the paper lies at the micro level, as it has sought to shed light on the ways in which the local level design and implementation of reform can be critical to overcoming both the technical and political barriers to reform success.

More specifically, the paper highlights three key lessons about the design and implementation of successful reform. First, the particular importance of long-term, hands-on partnerships in order to build local capacity, confront political resistance, and construct a constituency for sustainable reform. Second, the importance of stressing transparency, outreach, and enforcement as key aspects of programme design and evaluation, as they have proven particularly critical to the sustainability and expansion of initial reform gains. And finally, the potential for progress with respect to these politically contentious elements of reform to act as a litmus test for genuine political commitment to the reform programme, and thus to allow donors and governments to better target external support.

### **Disclosure statement**

No potential conflict of interest was reported by the authors.

### **Notes**

1. A similar reform programme was also implemented in the capital, Freetown but is excluded from the discussion here because of its much greater size and wealth.
2. Below the local councils lie 149 chiefdoms, governed by chiefdom councils. Chiefdom authorities play an important tax collection role in the district councils, but play a more modest role in the city councils discussed here (Fanthorpe, 2004, 2006).
3. Beyond the contributions of human resources from the UNDP, the initial costs of the programme were met almost entirely by in-kind contributions from the city council, with additional funding limited to Le 7.6 million (approximately US\$2500) raised from a local NGO.
4. The IRCBP had begun to look more closely at revenue-raising issues following an April 2006 report, but had yet to initiate any significant revenue related initiatives.
5. Initial funding for the programme in each of Makeni, Bo and Kenema was through small, targeted grants secured from agencies operating locally, thus making the uptake of the programme partially dependent on the idiosyncratic priorities of donors.
6. The framework was loosely based on the earlier work of Dillinger (1991).
7. In seeking to ensure progressivity and fairness, the valuation system considered not only the property type (commercial or residential), land area, and the number of rooms, but also additional data including the dimensions of the structure, the construction type, location, access to services, and the facilities in the property.
8. Data on changes in the consumer price index (CPI) are only available at the national level, where the CPI increased by 70 per cent from 2007 to 2011.
9. A World Bank local government project running from 2004 to 2009 included the target that total per capita revenue collection in the city councils reach at least Le 3000 (US\$0.95) by 2009. In practice, levels in 2009 were much higher, at approximately Le 6500 (US\$2.41) in Bo, Le 5400 (US\$2.00) in Kenema, and Le 5,300 (US\$1.97) in Makeni. Meanwhile, the share of local government revenue from property taxes increased from 8.5 per cent to 23 per cent from 2006 to 2011.
10. And, indeed, the success of the programme has garnered significant attention from the World Bank and other donors, who have been exploring the possibility of expanding similar programmes to other countries in sub-Saharan Africa, including Ghana.
11. The survey targeted 40 randomly selected large taxpayers in each city council area. Additional methodological details are available in Jibao and Prichard (2013).
12. While self-reported tax compliance is widely understood to be an unreliable measure of actual compliance behaviour, the survey verified self-reported compliance by asking respondents to produce tax receipts – a much more reliable indicator.
13. Mayors in Sierra Leone are limited to a single term in office, meaning that while the same parties remained in power, new mayors were elected in each city council in 2008.

14. The discussion here is drawn from interviews with stakeholders, as well as the written reflections of the consultant, Paul Fish, who became involved in the reform programme (<[http://paulsierraleone.blogspot.com/2007\\_05\\_01\\_archive.html](http://paulsierraleone.blogspot.com/2007_05_01_archive.html)>). On the state of record keeping in 2006 he writes, 'The old records of properties, registers, papers as well as any maps, lists of street names etc etc were all destroyed during the civil war. Even the old municipal building was totally ruined and is only now being rebuilt... there were some 2004 registers created by some local students but these were obviously poorly recorded, incomplete and inaccurate [sic].'
15. The logic underpinning such externally led strategies closely mirrors broader calls for the centralisation of responsibility for property tax collection, noted above.
16. Tellingly, some of these local staff subsequently worked as consultants supporting the implementation of similar tax reform initiatives in several district councils.
17. It is, in principle, possible that enforcement could result in costly court battles. However, where assessment is based on easily observable and unambiguous characteristics of properties, the scope for protracted litigation is sharply reduced and, indeed, evidence from the city councils suggests that where the government and courts have been willing to pursue enforcement it has been straightforward.
18. This concern is raised by some actors in relation to the reform programme in Kenema, as they argue that larger scale donor involvement led to the modest politicisation of the contracting process, though these claims are impossible to verify conclusively. Similar claims are more common in relation to a similar, but less successful, reform programme initiated in Freetown, which carried a much larger budget owing to the much larger scale of the project.
19. The original reform team has been involved with more recent reform programmes initiated in Koidu-New Sembehun city council and the Bo, Pujehun, Kenema, Kailahun and Koinadugu district councils.

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