

Taxation and accountability: how to improve the state-citizen social contract through taxation

Evert-jan Quak
Institute of Development Studies
30 September 2019

Question

- *What is known in the literature about responsiveness and accountability outcomes delivered through taxation?*
- *What lessons could be learned from taxation programmes that aim to achieve this?*

Contents

1. Summary
2. Framing the debate about taxation and improved governance
3. Evidence on the link between taxation and accountability
 - 3.1 Natural resources
 - 3.2 Foreign aid
 - 3.3 Tax bargaining and tax-compliance attitudes
 - 3.4 Decentralisation
4. The different contexts of the linkages between taxation and accountability
5. Lessons learned from taxation interventions
6. References

The K4D helpdesk service provides brief summaries of current research, evidence, and lessons learned. Helpdesk reports are not rigorous or systematic reviews; they are intended to provide an introduction to the most important evidence related to a research question. They draw on a rapid desk-based review of published literature and consultation with subject specialists.

Helpdesk reports are commissioned by the UK Department for International Development and other Government departments, but the views and opinions expressed do not necessarily reflect those of DFID, the UK Government, K4D or any other contributing organisation. For further information, please contact helpdesk@k4d.info.

1. Summary

This rapid review synthesises the literature from academic, policy, and knowledge institution sources on how taxation can be effectively used as an instrument for accountability and responsiveness by governments in Low- and Middle-Income Countries (LMICs). The review concludes that there is sufficient evidence that links taxation with accountability. However, this does not mean that such outcomes are always guaranteed; **taxation does not automatically translate into higher government responsiveness and accountability** through tax bargaining processes in which citizens and business actors engage with state actors. For a positive outcome to happen, tax policy and donor-led interventions need to focus merely on building forums where tax bargaining can happen, civil society support, tax communication strategies towards citizens, strengthening taxpayers' rights, horizontal equity in tax collection, and strengthen direct taxes.

Prichard (2015) distinguishes three dimensions of tax bargaining. First, **direct tax bargaining** as explicit concessions to taxpayers from governments in the process of implementing tax reforms. Second, **tax resistance and changes in government** which means that taxpayers resist to pay taxes. Third, **expanding the political capabilities of taxpayers** to mobilise new civil society actors and business associations, which strengthen the voice of the taxpayers to push for responsiveness and accountability. Because the literature is clear that empirical evidence supports the theory that links taxation with accountability, this rapid review focuses on four dimensions, which explain in more details this link.

- In the presence of high natural resource rents, leaders lower the burden of taxation on citizens in order to reduce the demand for democratic accountability. Some research shows that oil wealth only became a hindrance to democratic transitions after the 1970s and that **an increase in resource dependence in an autocratic country has different outcomes on accountability than in a democratic country**.
- Over the years, foreign aid has been linked with limiting the urgency to tax citizens. However, research shows that foreign aid works for accountability when existing political institutions are already strong in the recipient country and that **a push for democratisation interventions (e.g. free press and democratic political parties) in combination with tax interventions can increase voice and accountability**.
- There is empirical evidence that tax bargaining happens prior and after tax reforms or tax increases, with cases from Somaliland, Kenya, Ghana and Sierra Leone mentioned in this rapid review. **Tax bargaining happens on the national and sub-national levels, mainly through civil society or business associations' involvement**.
- Tax-compliance attitudes are important levellers for accountability. Increasing citizens' trust in governments to achieve improvements in public services is key. Research shows that taxpayers react differently to their loss of income. For example, **psychological ownership over public money drives governance expectations. When citizens have higher expectations, they significantly increase their demands on leaders**. Furthermore, tax-compliance is weak when governments allow tax avoidance and many tax exemptions, citizens are involved in frequent payment to non-state actors in exchange for security, and when individual's perception is that the state is unfairly treating their own ethnic group.

The literature refers to two types of concern related to tax bargaining:

- **Tax bargaining can easily increase inequalities as most powerful taxpayers in LMICs are better educated, living in urban areas and with higher incomes.** Interventions that aim to increase accountability through processes of tax bargaining, therefore must take into account this risk. The literature is in favour of horizontal tax collection, which includes the poor, by creating tax bargaining forums and interactive communication channels to increase tax-compliance among the whole population.
- **On the sub-national level there are more barriers for effective tax bargaining.** Local governments often have very little capacity, and weak incentives to collect revenue. They can be more predatory, amidst low-income populations, weak controls and elite domination. And, opportunities for collective action in response to taxation at the local government level is often weaker.

At the end of this rapid review some lessons learned are shared from case studies and other evidence related to tax interventions and tax reforms that aim to increase accountability and responsiveness. It shows that **interventions should seek engagement with citizens and non-state actors (e.g. chiefs, religious leaders, civil society, business associations), achieve meaningful transparency on tax spending and revenues, and build effective forums where tax bargaining can take place.**

Most of the literature used in this rapid review comes from academic empirical research in LMICs, mainly in sub-Saharan Africa. Overall the literature shows that **to measure such improvements in accountability can be achieved by looking at changes in popular levels of political knowledge, political engagement and attitudes towards tax compliance.** Finally, the literature was not abundant in highlighting specific gender issues.

2. Framing the debate about taxation and improved governance

As Moore, Prichard and Fjeldstad (2018, p.182) mention in their book ‘Taxing Africa’ the once “controversial” idea that taxation could drive state building and improved governance, is now well accepted:

“It is assumed either that governments that are dependent only on taxes for revenue are likely to be more accountable to taxpayer, or that tax increases will generate more accountability and a stronger social contract.”

This assumption is mostly based on the history of state-building in Europe and the United States (e.g. captured in the American phrase “No taxation without representation”), but more recently it has been increasingly used in the context of Low- and Middle-Income Countries (LMICs). In the context of LMICs, governance and accountability levels have been linked with the reliance of governments on natural resources or foreign aid to increase revenues. Although debatable, there is a strong case that dependence on foreign aid and natural resources limits governments’ urgency for transparency and scrutiny on public spending (McGuirk, 2013; Asongu, 2015; Cuesta et al., 2018).

Prichard (2010, p.13) conceptualised three different ways in which governments’ needs to tax may drive improved governance:

- **Common interest processes:** If governments are dependent on taxes, they automatically depend on the prosperity of taxpayers and therefore on economic growth. This implies the assumption that the incentive to increase taxpayers' wealth requires improved governance.¹
- **State apparatus processes:** This is the process of complex tax collection, which assumes a strong tax agency that collaborates effectively with other government agencies. In this case, the tax agency can push (e.g. through demonstration, spillover, and information-sharing effects: Moore, Prichard & Fjeldstad, 2018) for improvements in public administration, such as justice, land rights and public service delivery.²
- **Accountability and responsiveness processes:** This is the process where governments feel the pressure from taxpayers to improve public services in reciprocity for raising taxes, also referred to as "tax bargaining" (Moore, 2008). As Cuesta et al. (2018, p.1) state: "feelings of ownership over public revenues significantly increase citizens' demands on leaders".

This rapid literature review will mainly focus on the third point of accountability and responsiveness. Moore, Prichard and Fjeldstad (2018) mention that most attention in research, in particular for the context of LMICs, focuses on explaining the link between taxation and accountability through tax bargaining with citizens. However, tax bargaining is not a well-established roundtable dialogue between respective stakeholders, but rather a "messier, and more conflictual, reality of politics" (Moore, Prichard & Fjeldstad, 2018, p.187). Prichard (2015) distinguishes three dimensions of tax bargaining (see also figure 1):

- **Direct tax bargaining:** This is referred to as explicit concessions to taxpayers from governments in the process of implementing tax reforms. This can be prior to tax reforms or as a reaction against popular protests.
- **Tax resistance and changes in government:** In this case taxpayers resist to pay taxes, especially in the situation of non-transparent and unpopular governments, leading to conflict and reduced revenue in the short term, but with a chance of pushing for new elections to pressure a new government.
- **Expand the political capabilities of taxpayers:** This is when governments neglect the signals of public discontent on tax issues. This could provoke the mobilisation of new civil

¹ In Moore, Prichard and Fjeldstad (2018) mention that there is little research evidence for this common interest process. Some research from China shows that "when national tax policy changes made local governments more reliant on their own tax revenue, they responded by making more efforts to accelerate local economic growth" (Jin et al., 2005 – cited from: Moore, Prichard and Fjeldstad, 2018, p.188). They also mention Callen et al. (2014) who shows that some oil-producing countries are looking to diversify economic growth due to declining oil revenues (*ibid*). However, Moore, Prichard and Fjeldstad (2018) also mention that this need to tax does not necessarily relate to good governance, and mostly results in short-termism to increase revenue (*ibid*).

² Moore, Prichard and Fjeldstad (2018, p.189) refer to this process as "taxation and state building". They mention that this link was rooted in historical experience from Europe, but that less is known about this process in LMICs, in particular in Africa. They argue that for this process to happen, there must already be some basis for robust government institutions embedded in a culture of trust. Some studies confirm these processes in Rwanda (Moore, 2014), Uganda (Goodfellow & Owen), South Africa (Pieterse et al., 2016) and Sierra Leone (Saka, 2017) (all cited from: Moore, Prichard & Fjeldstad, 2018). However, the reality is often that success of revenue agencies is linked with their independent position from government, which has increased the distance with the rest of government (*ibid*).

society actors and business associations, which strengthen the voice of the taxpayers to push for responsiveness and accountability.

See: Figure 1: Strategic interaction and tax bargaining (source: Prichard, 2015, p.79),
<https://www.cambridge.org/core/books/taxation-responsiveness-and-accountability-in-subsaharan-africa/linking-taxation-responsiveness-and-accountability/7131D5FA5A17C617519A017F07F78DC6/core-reader#FIG-fig-5>

The theoretical literature also shows that tax bargaining will only work if there is some level of trust or common ground between citizens and the government. For example, the political legitimacy theory shows that taxpayers are only willing to pay more tax if there is to some extent trust or belief in the authorities, institutions and social arrangements (Ali, Fjeldstad, Sjursen, 2013). This trust is mainly related to the capability of governments to deliver improved public services to taxpayers.

3. Evidence on the link between taxation and accountability

Empirical research has been looking for evidence that can prove the theory of the link between taxation and an improved state-citizen social contract in LMICs. Overall, they confirm that processes of accountability and responsiveness are happening in LMICs instigated by taxation.

- Asongu's (2014) empirical study that includes data from African countries for the period 1996-2010, shows that the effect of taxation on political stability and governance is significantly consistent. In this study, combining taxation with press freedom improves political governance and accountability even further.
- Also Baskaran (2014) shows with data from 122 countries over the period 1981-2008 that dependence on tax revenues had on average a "mild positive effect" on democracy. Improvements in the state's capacity to tax citizens, therefore could result in more democracy in LMICs. Baskaran (2014) measures that an increase in government revenues by one percentage point increases the democracy score by about 0.4 points. This means that if Rwanda with an average government revenues to Gross Domestic Product (GDP) ratio of 18.6%, were to increase its level of revenues to that of Switzerland, (33.84%), it could improve its democracy score by around 6.1 points (*ibid*).
- Baskaran and Bigsten (2013) show that the state's ability to tax citizens eventually leads to more democratic and less corrupt governments for sub-Saharan African countries. They conducted the empirical analysis with data covering 23 African countries over the 1960-2008 period. The results suggest that investing in fiscal capacity, in particular by expanding direct taxation, could lead to more accountable governments. Therefore, Baskaran and Bigsten (2013) conclude that donors need to address governance and fiscal capacity simultaneously. The authors make an interesting point about eventual limitations on this link in sub-Saharan Africa because of the delink of the fiscal authorities from governments. The idea behind delinking the tax agencies from the finance ministry was to de-politicise tax administration and to make it more efficient, in particular by paying higher salaries than in other branches of the public sector. However, as Baskaran and Bigsten (2013, p.9) state: "While it is contentious whether these revenue authorities have indeed improved the quality of tax administration, the fact that they are only

indirectly accountable to the finance ministry and other political institutions may mean that their emergence may have weakened the link between fiscal capacity and accountability”.

In the next sections this rapid review digs more in details to this evidence in four different ways. First, by taking account of the influence of natural resources on the link between taxation and accountability Second, by doing the same for the influence of foreign aid. Third, it will look for the available evidence on the existence of tax bargaining and tax-compliance attitudes. Finally, it will have a close look at the evidence on the role of decentralisation processes to explain the link between taxation and accountability.

1. Natural resources

There is an abundance in empirical research that shows that a low tax to GDP rate in natural resource rich LMICs is an important determinant to explain the lack of democratic state building and accountability in these countries.

- Andersen and Ross (2014) show by comparing data from oil producing and non-oil producing LMICs that **oil wealth only became a hindrance to democratic transitions after the 1970s**. They conclude that after the 1970s independent governments in LMICs were able to capture the oil rents that were previously used by foreign-owned firms. The authors, therefore, show that studies that doubt the correlation between democratisation and dependency on natural resources only have a point from a historical perspective. This evidence that independent governments with access to oil rents lack the same democratic progress as non-oil producing countries’ governments, but only since they have access to these revenues, is an indication that taxation matters for accountability.
- McGuirk’s (2013) paper confirms this with data from 15 sub-Saharan African countries using micro-level data on natural resource rents. The evidence shows that **in the presence of high natural resource rents, leaders lower the burden of taxation on citizens in order to reduce the demand for democratic accountability**. Furthermore, the analysis shows that this effect becomes more acute before national elections, reducing tax enforcement as elections become more proximate. It concludes that: “Although the vital importance of democratic accountability as an accompaniment to electoral competition cannot be understated for any sub-Saharan African country, it should be noted that resource-rich countries are particularly prone to institutional deterioration as a result of citizen acquiescence purchased by a reduction in the tax burden—where checks and balances are most needed, they are perhaps at their most delicate” (McGuirk, 2013, p.310).
- Another study used meta-data from 166 countries to find a link between natural resource dependency for revenue and the level of democracy and accountability. It concludes that **an increase in resource dependence in an autocratic country has different outcomes than in a democratic country** (Wiens, Poast & Clark, 2014). The evidence presented in their paper shows that only in an autocratic country natural resource dependency tend to decrease the “democratic emergence”, while they do not find effects of “democratic survival” of countries with a well-established democracy. This means that the probability that autocracies move to a democratic transition is reduced with resource dependence. On the other hand, these outcomes show that countries with democratic institutional mechanisms in place, can remain accountable to their citizens while increasing their revenues through natural resources.

- Devarajan, Raballand and Le (2011, p.2) show that it are indeed mainly natural resource rich LMICs that are trapped in a vicious circle of “low taxation on citizens, which implies less accountability and public scrutiny of public spending and low efficiency and poor service delivery, which further limits possibilities to tax citizens”. Their evidence not only confirms the theory that higher citizens’ scrutiny and demand for good governance is associated with taxation, **the study also calculates a threshold at which levels of taxation are resulting in voice and accountability improvements related to public spending of about 49% of GDP**. Devarajan, Raballand and Le (2011, p.15-16) state that because the public spending to GDP ratio in most LMICs is far below this level, one can assume that “most of them are situated on the rising part of the relationship where increases in the level of taxation are associated with more accountability”. However, because natural resource dependence is a constraint to follow this path, the authors propose a scheme of redistributing a share of oil revenues and then taxing citizens to be able to break the vicious circle prevalent in oil-rich economies and lead to better public spending outcomes.
- The previous proposal of Devarajan, Raballand and Le (2011) is in line with a proposal of Cuesta et al. (2018) to increase citizens’ psychological ownership over non-earned revenues like aid and oil, and that this induces untaxed subjects to demand accountability similar to that of taxed subjects.

Overall, there is a common sense in the literature that there is enough evidence to support the theory that natural resource dependence is a constraint for democratisation and accountability due to a lack in urgency for a fiscal contract between the state and the citizens.

2. Foreign aid

There is much more debate about how foreign aid affects the link between taxation and accountability. Eubank (2012) looks at the case of Somaliland. This state is an interesting case, because Somaliland is seen as a secessionist state and therefore was not eligible for foreign assistance. Furthermore, Somaliland has few natural resources revenues, which resulted in a tax bargaining process between state and non-state actors. Eubank (2012), therefore, concludes that **the urgency of Somaliland’s new government after independence to include a system of both fiscal and political decentralisation measures was critical to establish peace and cooperation**. In forcing the development of institutions, tax bargaining provided citizens with an ongoing mechanism for enforcing arrangements.

Tax bargaining in Somaliland was based on two levels (Eubank, 2012):

- The government had to negotiate with rival groups to take a share in the control of the important port of Berbera and its potential revenues through trade.
- Eubank (2012) highlights the importance of the cooperative management of grazing lands and water resources in Somaliland, which has a strong impetus for cooperation between local communities and which is more difficult to control by the government in comparison with an economy based on natural resources.

In an exercise to show the importance the lack of alternative revenue sources for the government of Somaliland had on tax bargaining, Eubank (2012) measures that if the country was eligible to receive foreign aid after independence, the government would have received a substantial amount of foreign assistance, which Eubank estimates at US\$70.5 million till 2001 (10 years after

independence). A significant amount of revenue which, according to Eubank, could have changed the prospect of the state's need for seeking bargaining with local communities and factions within the society.

Asongu's (2014) empirical study on Africa concludes that **foreign aid is instrumental only when existing political institutions are already strong in the recipient country**. Only in that case LMIC governments are using foreign aid to improve public services, while combining it with taxation. This result suggests that institutions need to mature (time) and be strong (level) through processes of tax bargaining before the beneficial effects of foreign aid in transforming political institutions could be achieved (Asongu, 2014). In countries with less strong institutions, the evidence shows that the abundance of foreign aid will not translate in accountability and state building as it will affect taxation efforts with the probability of establishing tax bargaining processes.

Bermeo (2011) shows another distinction as he concludes (by using data for the period from 1992 to 2007 for LMICs) that **only aid from democratic donors is found to be associated with an increase in the likelihood of a democratic transition as they emphasise voice and accountability**. This suggests that the efforts by democratic donors to combine governance with fiscal capacities for example with the aim to broaden the tax base could be a tool to establish a fiscal contract and tax bargaining. That is indeed the conclusion of Baskaran (2014). The study includes 122 countries and finds that there is a link between taxation and accountability. By looking at how foreign aid affects these outcomes Baskaran shows that **donors can push for more democracy in combination with tax revenues, which together has a significant positive effect on accountability**. Therefore, investing in tax capacity not only increases the amount of revenues, but may also result in more accountable governments. A check on different regions shows that these results are particularly strong for sub-Saharan African countries (Baskaran, 2014).

3. Tax bargaining and tax-compliance attitudes

The above-mentioned academic studies all tend towards more fine-grained testing of the relationship between taxation and accountability itself. However, there are also studies that dig deeper in questions like how to foster preferable outcomes. Empirical studies that focus on explaining the processes of tax bargaining and how these processes come to different outcomes are sparse. One of the most important studies in this area is from Prichard (2015). For example, Prichard (2015) case study on Ghana shows empirical evidence for the emergence of tax bargaining processes after the government of Ghana became more reliant on taxation for revenue since the 1990s. Prichard (2015, p.) states:

"Most notably, the case highlights the importance of taxpayer capacity for collective action and the existence of institutions for tax bargaining in shaping outcomes. During the 1980s tax bargaining was essentially non-existent, owing to a combination of a repressive government, weak civil society and divided elites. As new political space opened, civil society grew stronger, opposition elites became more unified, and tax bargaining became more common and meaningful from the 1990s onward. Meanwhile, the creation of new democratic and consultative institutions – that is, institutions for tax bargaining – from 1996 onwards saw tax bargaining shift away from highly confrontational protests towards more institutionalized forms of bargaining."

Since the early 1980s, Ghana's government was desperately in need to expand the fiscal capacity of the state after revenues from the export of cocoa fell short. As part of the structural economic reforms the government pushed for tax reforms and higher taxation, resulting in higher tax collection; however, without any concern for any potential political consequences. **The higher tax collection resulted in tax protests and demands for democratisation** in the early 1990s (Prichard, 2015). The protests were initially a response to the introduction of VAT, but quickly developed to demand for political liberalisation. The government withheld the introduction of VAT, but as Prichard (2015) illustrate in further details, the role of civil society and opposition parties in organising the protests was a clear message to any future government to facilitate bargaining and dialogue efforts in new tax policies. New governments indeed engaged with the Parliament and used other forms of tax bargaining with civil society and business associations, which has created more transparency and accountability on tax revenue and public spending. In particular, **governments used tax earmarking and government responsiveness (pre-emptive forms of tax bargaining) to ensure implementation of tax reforms** (Prichard, 2015). For example, a percentage of revenues are being earmarked for a particular purpose, like for youth employment, road infrastructure improvements or for recruiting more teachers.

Although this form of tax bargaining increased voice and responsiveness of government, there are some concerns on how effective it was for accountability. Prichard (2015) refers to the risk that the government may announce that funds are being earmarked for a particular purpose, but fail to follow through on that promise in practice. This was the case for the Communications Tax, as the public was led to believe that revenues would be earmarked for the Youth Employment Scheme, but in practice only a small share of revenue was allocated to that programme. Another concern is that earmarking is benefitting popular programmes, while other less catchy but important programmes will suffer from less attention.

In the case study on Kenya, Prichard (2015) shows a different form of tax bargaining. There has been little evidence of direct tax bargaining historically in Kenya. However, Prichard (2015) explains Kenya's history of indirect tax bargaining, in particular **the ability of taxpayers to resist taxation by unpopular governments, which has created pressure on governments for increased responsiveness and accountability as tax revenues plummeted**. This was particularly the case in the early 2000s during the Moi government. After the elections in 2002, the new government reacted by introducing a clearer link between taxes and expenditures in order to secure improved tax compliance and collection (Prichard, 2015). Later in 2007 during the outbreak of violence following the elections it were business associations who pushed the government for a peaceful settlement as they used their status as taxpayers by explicitly threatening to withhold tax revenue if the government failed to make peace (Prichard, 2015). Prichard (2015, p.) states: "While there were diverse factors that contributed to the resolution of the post-election crisis, many observers feel that the role of the business community was significant, and that the need to sustain tax revenue played an important part in pushing the government towards peace."

In Kenya the role of civil society in tax bargaining is also evident in the establishment of the National Taxpayers' Association, an initiative of the Centre for Governance and Development, and the Kenya Alliance of Resident Associations (KARA). The first is working to strengthen public understanding of existing tax burdens and of the connection between taxes and public spending, while the latter tries to connect and support residents' associations in their demands that tax payment provides residents with a basis for demanding improved performance from government (Prichard, 2015). It is used as a strategy for mobilising public advocacy and brings

an official body to the voice of taxpayers that they can use in tax bargaining with the Kenyan government.

The evidence from Prichard (2015) is in line with literature on tax bargaining in exchange for accountability in Latin America. Mahon (2018) shows that in Latin America there was some form of tax bargaining after tax reforms, which increased accountability, however, this agenda was effectively pushed by the IMF as an external actor in the 1980s and 1990s instead of internal actors. Mahon (2018) also shows that Latin America's governments continued to serve mainly the elites over tax policy. The elite pursued individualistic strategies, such as tax evasion or the pursuit of exemptions, rather than looking for broader, universal and institutional reforms. This is in contrast with collective tax bargaining. On the other hand, **the redistribution policies in large part of Latin America since the 2000s can be seen as politicians seeking election by responding to the demands (often through protests) of a growing urban population, facing uncertainties, violence and income volatility** (Mahon, 2018). Mahon (2018) shows that this latest response is in line with the fiscal-contract logic while this was less the case in the 1990s. However, he also shows that the growth of tax revenues in Latin America, which has created fiscal space for new social spending, has been based largely on non-progressive indirect taxation, which theoretically could have limited the demands for tax bargaining.

To add to the complexity of tax bargaining, an emerging topic in the literature on taxation and accountability focuses on citizens' tax-compliance attitude: what drives citizens to pay tax and under what conditions. Ali, Fjeldstad and Sjursen (2014) show in their paper that **citizens' tax-compliance attitude in Kenya, Tanzania, Uganda, and South Africa is positively correlated with provision of public services**. The results show that:

- When taxpayers' perception is that evading taxes has become more difficult, they are more likely to increase tax-compliance attitude, but they are more likely to do this if they can press for a fiscal contract to demand transparency and accountability on tax spending.
- Tax knowledge and awareness are found to be positively correlated with tax-compliance attitude.
- When citizens are involved in frequent payment to non-state actors in exchange for security and when individual's perception is that the state is unfairly treating their own ethnic group, this correlates negatively with tax-compliance attitudes.

Ali, Fjeldstad and Sjursen (2014) also show that the outcomes are different depending on the specific demand for services in countries:

- In Tanzania and Uganda, they show that individuals who are satisfied with the government's provision of basic health services and educational needs are more likely to have a tax compliant attitude.
- In Kenya, individuals who are more satisfied with government provision of infrastructure, such as roads and electricity, are more likely to have tax compliant attitude.
- In addition to basic health services and education, satisfaction with government's handling of security is found to increase the likelihood of having a compliant attitude in Uganda.
- In South Africa, individuals who are more satisfied with the ease of getting various services from the government, such as issuing of identity cards and obtaining household and police services are more likely to have a tax-compliant attitude.

This shows that governments can increase compliance by providing goods and services that citizens demand in a more efficient and accessible manner. This is important for policy-makers in their attempts to broaden the tax base and improve tax enforcement.

The study of Cuesta et al. (2014) also looks at the causal dynamics that drive citizen demands for services from different revenue sources. Their results show that psychological ownership over public money drives governance expectations. The study demonstrates that **high feelings of ownership over public revenues significantly increase citizens' demands on leaders**. This relates to Gottlieb (2016) who explains that citizens' willingness to take costly political action in pursuit of better services are mainly related to the expectations of government performance and less to absolute performance: citizens are most likely to sanction when their expectations are high but not being met (Gottlieb, 2016).

To bring this in perspective of LMICs where expectations are "extremely low" this explains why citizens are less likely to complain as they face poor services and corruption scandals. However, on a positive note, Gottlieb (2016) also shows that improving citizens' perception of government capacity can increase citizens' expectations and therefore increase the likelihood of action. Or in the case of Cuesta et al. (2018, p.1), psychological ownership drives governance expectations: "when individuals have legal or psychological ownership over a good, they expect to benefit more from it and are more willing to punish allocations that they perceive as unfair". **These results are important to shape policy that creates more feeling of ownership on tax interventions as citizens with high psychological ownership over the government budget will have higher expectations for how much they should benefit from government spending.** Poor government performance generates negative emotions in citizens with high expectations, and these negative emotions are then alleviated through demanding accountability from those responsible.

This is in line with Martin (2016, p.1), although he argues that citizens' action to punish governments for taxation increases is driven mainly by loss aversion mechanisms. He states: "By taking away earned income, taxation pushes loss-averse citizens below their reference point, increasing the utility citizens lose from non-accountable government behaviour and making them more likely to enact costly sanctions against officials". Martin (2016) has evidence from Uganda, where he demonstrates that taxation increases politically-active Ugandans' willingness to punish corruption. As few accountability-building interventions have been successful, even in the short term this paper showed that taxation can increase citizens' willingness to punish governance failures, improving leader's incentives to provide citizens' preferred policies and services. By changing expectations, taxation makes citizens less tolerant of corruption or poor service provision and increases the benefit of punishment relative to the cost.

4. Decentralisation

There is also robust evidence that shows the link between taxation, accountability and responsiveness on decentralised government levels. The theoretical literature mentions that governments on sub-national levels are providing more visible public services to the citizens in education, drinking water and health on which to build tax compliance related to improved services. On the other hand, the literature also mentions the barriers of collective action on the local level (Moore, Prichard & Fjeldstad, 2018). The literature is divided how much benefit revenue autonomy on sub-national levels has on accountability and the provision of public services. Although local governments are more visibly in providing public services and therefore

more likely to seek forms of tax bargaining, such success would depend on various outstanding issues (Prichard, 2016):

- **Local governments often have very little capacity, and weak incentives to collect revenue.** Not only do local government often lack technical capacity, but because they rely very heavily on financial transfers from central government they generally have limited incentives to collect revenue locally. Indeed, some observers have suggested that central governments have sometimes designed local fiscal systems precisely to limit local fiscal autonomy and engagement between citizens and governments.
- **Local government taxation can be “predatory”, amidst low-income populations and elite domination.** Where taxation systematically targets those who are most vulnerable, and application of tax rules – particularly to elites – is inconsistent, this undermines the potential for productive bargaining over taxation. Extensive systems of informal taxation at the local government level may complicate the potential for bargaining and state-building even more.
- **There are significant barriers to collective action in response to taxation at the local government level.** The weakness, fragmentation and politicisation of potential taxpayer representatives – including local business associations or market associations – as well as the lack of institutional spaces for taxpayers to engage with governments, may make it difficult for taxpayers to make collective demands for reciprocity from governments.

As Sagono (2019) shows, there is evidence that citizens' demand for better accountability and improved services are more likely to happen in local democracies that already function effectively and local authorities that already have substantial revenue autonomy and power in allocating resources. This section of the rapid literature review, suggests that there is indeed evidence from Indonesia, Brazil and Colombia to show more positive accountability effects on tax autonomy on the local level than from sub-Saharan Africa.

However, as Sagono's (2017) evidence from Cote d'Ivoir shows, revenue autonomy for municipalities have increased access to education, although the effect was less for health, water and sanitation services. The results also show that this positive link between taxation and public services is more likely to happen in densely urban areas than in rural municipalities. Also, the effect is less in ethnically diverse localities. Gadenne (2017) shows the same relationship for Brazilian municipalities. **Municipalities that raise local tax revenues as a result of capacity building programmes not only increase their tax revenues but also are able to improve both the quantity and quality of the municipal education infrastructure.** However, in cases where instead grants were given no impact was measured. Neither tax nor transfer revenues have a significantly positive impact on municipal health infrastructure. Both studies do not look at tax bargaining as the main contributor for public services improvement.

The study of Paler (2013) on Indonesia gives more such evidence on the existence of tax bargaining. The results of her study show that citizens in areas of high taxation were more willing to monitor the budget and take action against the district governments than citizens in areas where revenues came mainly from other sources. Paler (2013) concludes that citizens have greater incentives to take action when government depends on their taxes rather than on windfalls. The study furthermore shows that citizens in high taxation districts, but in a low information environment were also more likely than those in the windfall treatment areas to pressure district governments for better performance. This supports the idea that taxation

enhances the demand for information. This shows **the willingness of citizens to ask for transparency when they feel more ownership of tax revenues**. However, there is a limit, according to Paler (2013, p.): “Interestingly, the fact that the tax treatment had a positive effect on monitoring but not on more overt types of political mobilization suggests a variation in how individuals assess the costs and benefits of different types of political engagement.”

In line with these findings from Indonesia, a study from Colombia shows that municipalities that rely on taxation instead of natural resources (royalties from oil extraction) to provide for public services are more accountable and responsive and less corrupt (Martinez, 2016). Martinez (2016) find that **an increase in property tax revenue has had a positive effect on several basic public services in the areas of education, health and water**. These effects are at least ten times larger than the effects of an equivalent increase in oil royalties. Despite oil royalties earmarked for improvements in public services, this study does find no evidence of such improvements. Martinez (2016) also shows that additional oil royalties increase the probability that the mayor and other local public officials are prosecuted, found guilty, and removed from office due to corruption or wrong doing (mainly related to irregularities in investment and procurement and of processes related to natural resource royalties). The author, therefore, provides suggestive evidence that there is a positive effect of taxation on citizen demands regarding public services as the cause of this relation. The study concludes that accountability is crucial for the responsible management of public funds and that taxation is an effective way of achieving the necessary citizen involvement in public affairs.

Although far less evidence seems to come from sub-Saharan Africa, some studies specific on property taxes show the existence of tax bargaining mechanisms. Goodfellow and Owen (2018) show, for example, that a local commercial property tax in Nigeria’s Lagos sparked a fierce response from the private sector, which resulted in a radical reducing in the tax rates for commercial properties. The consequence was that the tax was capturing far more properties. However, there were also bottom-up responses that resulted in the willingness to comply to pay the tax. **In low-income communities, the study found a clear link between paying the tax and the increase in moral pressure on the authorities to deliver on its promises of a more secure and better-serviced future**. Taxation resulted in building property rights demands for the poor communities. As Goodwell and Owen mention, because legal frameworks concerning land rights and tenure are inadequate and ambiguous, property tax itself can come to form one of the elements in demanding, building and maintaining such right.

These conclusions are in line with the forthcoming publication of Prichard, Jibao and Orgeira on the impact of local property tax reforms on tax bargaining in Sierra Leone. There is enough evidence to support that tax bargaining can be linked with expanded responsiveness and accountability on the local level. This is not only related to link higher revenues from property taxation with better service outcomes, but the data shows that this is underpinned with interactions between taxpayers and governments, which suggest the existence of tax bargaining.

With respect to the “tax resistance” pathway, Prichard, Jibao and Orgeira (forthcoming) find consistent evidence that tax morale declines in aggregate among taxpayers in treatment districts, putting pressure on governments to improve performance. The results, show that support for tax compliance becomes far more conditional on whether the government provides public benefits in return. On the “mobilisation” pathway, as another route for tax bargaining, the researchers find **consistent evidence of very large effects of the treatment on levels of political knowledge among respondents as a form of expanded political engagement and mobilisation**, and a potential precursor to other forms of political action (Prichard, Jibao & Orgeira, forthcoming).

In the debate about tax autonomy for local authorities, there are two issues relevant to increase local tax revenues through accountability and responsiveness:

- **In the tax debate there is still not enough insights how much tax pressure there is on citizens, as they often pay informal taxes on top of official taxes.** Jibao, Prichard and Van den Boogaard (2017) show for Sierra Leone that taxpayers were more likely to perceive the rate of taxation to be too high for taxes levied by the local government, while respondents were more likely to find levies by chiefs or non-state actors to be reasonable, because they feel that receive a specific good or service in exchange for paying these informal taxes and levies. Furthermore, informal non-state levies are perceived by taxpayers to be the most transparent of taxes, with informal chiefdom taxes viewed more positively than formal state taxes.
- **Local authorities are key to find effective ways to formalise taxation on the informal micro and micro enterprises** (Joshi et al., 2014). Associations of enterprises in the informal sector are able to tax bargain to pay local taxes in return for specific improvements, as Prichard (2015) shows for the case in Ghana. Although the debate is mainly focussing on the high cost of tax collection, or the limited tax revenues, the mechanism of tax bargaining could be instrumental to increase responsiveness of local governments on demands from informal sector actors.

4. The different contexts of the linkages between taxation and accountability

Although there is enough evidence of positive linkages between taxation and accountability (good governance) in LMICs, this does not mean that such outcomes are always guaranteed; taxation does not automatically translate into tax bargaining and higher government responsiveness and accountability to all citizens and business actors. This has already been highlighted in some of the studies mentioned in section 3 of this rapid review (e.g. feeling of ownership, level of expectations on quality of public services, awareness and capacities of citizens, access to information). This can result in inequalities in reciprocity in exchange for paying tax. To cite from Moore, Prichard and Fjeldstad (2018, p.192):

"The realities of taxation in much of contemporary Africa – particularly at the subnational level – frequently appear more conducive to extended periods of coercion rather than to the construction of stronger social contracts. In some areas at least, the formal tax burdens borne by small firms – often through an array of small levies and fees – are larger than those borne by larger firms. ... [C]ritically, existing evidence suggests that relatively marginalised groups – migrants, ethnic minorities, women, the poor – frequently bear the heaviest relative tax burdens but have the most limited capacity to push for reciprocity."

Research seem to have shifted recently to understand the different contexts in which these processes seem to occur. The different social contracts that underpin political power are important factors on the success of taxation on accountability. The case study of Prichard (2015) on Ghana shows a broad-based tax bargain that resulted in improvements of public services and accountability for a broad base of the society. However, the research of Jiboa, Prichard and Van den Boogaard (2017) on Sierra Leone, for example, shows the importance of informal chief relations as gatekeepers to the expansion of property taxes. This makes the redistribution gains of tax bargaining highly dependent on the individual chiefs. Prichard (2015), therefore, comes to

with five factors that seem to be particular important in explaining the tax bargaining contexts in different countries and regions (see also Table 1):

- **The level of revenue pressure facing governments:** Governments with high or urgent revenue pressure are more likely to compromise with taxpayers.
- **The potential and scope for tax resistance:** Different taxes receive a different response from citizens and businesses, depending on the nature of the tax or the political strength of the taxpayers.
- **Taxpayer capacity for collective action:** Countries that have political space for collective mobilisation and organisations to support it.
- **The nature of political institutions for bargaining:** What are the different forums for taxpayers to organise themselves and make their demands for reciprocity?
- **The political salience of taxation:** Awareness of citizens and businesses on paying tax and the political importance in combination with access to information creates an environment for tax bargaining.

Therefore, it can be concluded that different tax-compliance attitudes of taxpayers and the different contexts that shape tax bargaining, influences the results and explains who benefits more from reciprocity than others. Understanding the way in which taxation may contribute to shaping state building and accountability demands an openness to the variety of these processes, which ultimately could explain how effective interventions are in increasing the link between taxation and accountability.

See: Table 1: Contextual factors shaping the potential for tax bargaining (source: Prichard, 2015, p.71), <https://www.cambridge.org/core/books/taxation-responsiveness-and-accountability-in-subsaharan-africa/linking-taxation-responsiveness-and-accountability/7131D5FA5A17C617519A017F07F78DC6/core-reader#TBLm-tblw-7>

5. Lessons learned from taxation interventions

There is limited literature that reviews existing taxation interventions on how they effectively improve accountability. The most ambitious effort to address how to encourage positive links between tax and governance in tax policy and supportive development programmes comes again from Prichard (2015). As also highlighted in the ICTD Summary Brief (Prichard, 2016) interventions should focus on four broad areas for policy action:

- **Enhance the political salience of taxation – including via direct taxes:** There are two major ways to increase the political salience of taxation. First, strengthen direct taxes, including income taxes, property taxes, and presumptive taxes on smaller businesses.

Second, work with civil society, the media and other groups to actively raise awareness of existing taxes, and support public engagement.

- **Focus on horizontal equity in tax enforcement:** Measures like selective tax exemptions, or international methods for wealthy taxpayers to avoid taxes, may not only be economically damaging, but may also have significant political consequences as it harms collective tax bargaining in favour of seeking tax avoidance. Furthermore, transparency around taxation and budgeting, including earmarking to increase overall popular engagement, should be expanded. Taxpayers have been more willing to pay taxes when they have had clear information about the use of that money for popular public services.
- **Directly support popular engagement, including the creation of inclusive institutional spaces for tax bargaining:** Governments and donors can work directly to strengthen the scope for bargaining in two broad ways. First, direct support for the types of groups that can support broad popular engagement with tax issues, including the media, civil society and business associations. Second, the creation of specific institutional spaces in which such bargaining can happen. In both cases it is essential that these efforts be relatively inclusive, in the sense of involving a wide range of taxpayers, and not only larger taxpayers, as there is a significant risk of processes of tax bargaining being dominated by these larger taxpayers. If tax bargaining is to be a route to broad-based responsiveness and accountability, policy attention needs to be turned to how to ensure that such bargaining includes a broader group of taxpayers.

Flores-Macías (2016) empirical research in Mexico found that **provisions of public safety in the design of tax features could increase political support for taxation, especially among those with low trust in government**. The study also shows that features of taxes, such as allowing for civil society oversight, sunset provisions that make the duration of taxes finite, and earmark mechanisms that direct tax revenue for a specific purpose, affect political support positively. Among the low trust group, the effect of earmarks is large and significant, and the effect of sunsets is large and barely missing significance. The effect of monitoring by civil society is not significant in either group, but the estimate is twice as large in the low trust group. Civil society monitoring was only significant among the group with favourable perceptions of the public good. This suggests that the design features might be especially effective in reducing uncertainty among those who are most sceptical of the government.

A link can also be made with initiatives that seek transparency and accountability in government budgeting. Relevant examples are mechanisms for participatory budgeting, publishing citizens' guides to the budget, and conducting Public Expenditure Tracking Surveys (Carlitz, 2013). Citizen-led initiatives typically emanate from civil-society organisations or social movements, and may operate in concert with the state or in confrontation. **Transparency and participatory budgeting initiatives mostly focus on the expenditure side of the budget, giving taxpayers some spaces to influence budget priorities, in particular on the local level**. These include gender budgeting initiatives, children's budgets and other efforts by marginalised groups to develop 'alternative' budgets that highlight their priorities (Carlitz, 2013). Although most participatory budgeting initiatives are from Latin America, Carlitz (2013) mentions several budget monitoring initiatives from Africa. For example, Muslims for Human Rights in Kenya have engaged in participatory audits, while groups of citizens in South Africa and Tanzania have monitored and publicised the results of official government audits. In the short timescale for this rapid review, no evidence could be found how these initiatives effectively increased tax-compliance of citizens resulting in more revenues due to increased trust. All the evidence that is

mentioned, looks at spending efficiency and development outcomes related to changing budget directions. There is a growing body of evidence that suggests a positive impact on development outcomes and budget awareness due to these initiatives (Carlitz, 2013), which might suggest an improved tax-compliance as well.

As Fjeldstad (2013) states, donors and tax practitioners acknowledge the importance of increasing tax-compliance through tax bargaining processes as reciprocity for paying taxes. However, they have yet to be translated into a clear-cut governance focused tax reform agenda in practice. From a state-building perspective broadening the revenue base (e.g. to poorer citizens, direct taxes and informal sector) is vital to building the social fiscal contract. It is also central to creating an equitable tax regime. Fjeldstad (2013) comes with several ways how this could be achieved, which overlap partly with the previous points made by Prichard (2016):

- **Strengthening taxpayers' rights:** An important element of administrative accountability is the rights of taxpayers vis-à-vis the tax authority. Though still in their infancy in many LMICs, tax appeal boards and tax tribunals are important institutions to secure taxpayers' rights and to establish fair and transparent procedures to address tax disputes. To make these institutions accessible for a wider segment of taxpayers, there is a need to simplify the procedures for instituting appeals, and to disseminate more accessible information to the general public on the roles and functions of the appeal board.
- **Fighting corruption in tax collection:** Institutional mechanisms are often established to prevent, reveal and curb corruption. However, the critical tasks are to ensure that the systems, policies, regulations and procedures are not only established, but also filter down throughout the organisation. There also seem to be an endemic tax avoidance culture in many tax administrations, and some tax officers seem to encourage or fall victim to this culture. Therefore, continuous vigilance on the part of revenue administrations' leadership will be crucial to minimising corruption in tax collection.
- **Engaging with taxpayers to increase taxpayer culture:** Many revenue authorities in Africa have undertaken vigorous taxpayer education interventions, but they have had a limited outreach since most of them have been concentrated in the urban centres. Some elites are not interested in tax issues as they regard taxation as a form of coercion and one that will erode their privileges. They therefore turn a deaf ear to the taxpayer education campaigns of tax administrations. There is no clear answer in the literature how to establish a constructive dialogue with elites on taxation and accountability.
- **Securing better links between taxes paid and public service provision:** As people are more likely to pay taxes if they felt that the government was providing services equitably, collecting revenue fairly and using the revenue to provide services, this should be the starting point to increase tax compliance. Still, there is a tendency for the revenue and expenditure sides of the public finance equation to be treated as separate silos. The links between tax payment and public service delivery is generally weak in many LMICs, which is reflected in widespread resistance to pay taxes. There may be a strong case for the use of tax earmarking in LMICs. From a governance perspective, tax earmarking could be a useful strategy to build trust between the state and citizens, achieve important revenue and spending objectives, improve monitoring of tax and expenditures, and encourage public engagement.
- **Strengthening parliaments' capacity:** The question is whether legislators in poorer countries really understand tax policies and the implications of tax reforms for their constituents. Through co-ordinated efforts donors should consider providing advice,

training and research support to improve the technical capacity and basic skills of Members of Parliament in public finance and tax policy. There is also a need to increase the time available for scrutiny of the budget proposals.

- **Encouraging civil society engagement:** Civil society actors are likely to be crucial intermediaries in fostering state-society bargaining around taxation. An important opportunity for building political support for reform lies in more emphasis on the ‘demand side’, i.e. in building broader citizen engagement around taxation. Through co-ordinated efforts, donors should consider to enhance their support to domestic civil society organizations engaged on tax issues. There is also demand for technical assistance to building tax capacity/knowledge in the business communities, especially for small and medium enterprises.

From the literature on property taxes on local level, the results point toward two sets of important messages for policy makers (Prichard, Jibao & Orgeira, forthcoming).

- **Governments have nothing to fear from tax reform if it is paired with improved transparency and public services:** Local governments frequently express reservations about pursuing property tax reform precisely because it may spark taxpayer mobilisation, tax resistance or declining trust in government. The evidence shows the opposite, while there is an expansion of political knowledge, and the emergence of more conditional attitudes toward tax compliance, there is less large-scale political mobilisation nor a broad loss of trust in government.
- **Combining tax reforms with communication efforts:** Research shows that there are good reasons to believe that increased political knowledge, and increasingly conditional views of tax compliance may be linked in part to the strong emphasis on taxpayer education, and tax expenditure linkages, in the roll out of property tax reform programmes. Communications efforts would be expected to contribute directly to the political knowledge, and expanded expectations of reciprocity.

Another forthcoming study on Ghana and Sierra Leone (Prichard et al., forthcoming) is in line with these lessons. It shows that **achieving meaningful transparency depends on a clear communication, which is timely, actionable and communicated in accessible native languages**. Furthermore, there are limits for official publications, while radio and interactive forms of information are more important. Also, efforts should go to the forums where tax bargaining can happen, often shaped with support from civil society and grassroot organisations. Prichard et al (forthcoming) shows that instead of seeking to identify the ‘best’ type of forum it is more important to build effective forums for engagement, which include three elements:

- Effective forums need to be perceived as safe and secure spaces for engagement;
- Effective forums need to be viewed as sincere and open spaces for genuine discussion;
- Effective forums can often be enhanced by engagement with non-state authorities, including chiefs, religious leaders or other community leaders.

Overall the literature shows that to measure such improvements in accountability can be achieved by looking at changes in popular levels of political knowledge, political engagement and attitudes towards tax compliance.

6. References

- Ali, Merima, Odd-Helge Fjeldstad, and Ingrid Hoem Sjursen. 2014. 'To Pay or Not to Pay? Citizens' Attitudes Toward Taxation in Kenya, Tanzania, Uganda, and South Africa'. *World Development* 64 (December): 828–42.
<https://doi.org/10.1016/j.worlddev.2014.07.006>
- Andersen, Jørgen J., and Michael L. Ross. 2014. 'The Big Oil Change: A Closer Look at the Haber–Menaldo Analysis'. *Comparative Political Studies* 47 (7): 993–1021.
<https://doi.org/10.1177/0010414013488557>
- Asongu, Simplice. 2015. 'On Taxation, Political Accountability and Foreign Aid: Empirics to a Celebrated Literature'. *South African Journal of Economics* 83 (2): 180–98.
<https://doi.org/10.1111/saje.12064>
- Baskaran, Thushyanthan. 2014. 'Taxation and Democratization'. *World Development* 56 (April): 287–301. <https://doi.org/10.1016/j.worlddev.2013.11.011>
- Baskaran, Thushyanthan, and Arne Bigsten. 2011. 'Fiscal Capacity and Government Accountability in Sub-Saharan Africa'. University of Gothenburg, Dept of Economics.
<https://gupea.ub.gu.se/handle/2077/25676>
- Bermeo, Sarah Blodgett. 2011. 'Foreign Aid and Regime Change: A Role for Donor Intent'. *World Development* 39 (11): 2021–31. <https://doi.org/10.1016/j.worlddev.2011.07.019>
- Carlitz, Ruth. 2013. 'Improving Transparency and Accountability in the Budget Process: An Assessment of Recent Initiatives'. *Development Policy Review* 31 (s1): s49–67.
<https://doi.org/10.1111/dpr.12019>
- Cuesta, Brandon de la, Lucy Martin, Helen V. Milner, and Daniel L Nielson. 2018. 'Owning It: Accountability and Citizens' Ownership over Oil, Aid, and Taxes'. Working Paper.
https://scholar.princeton.edu/sites/default/files/hvmilner/files/ownership_paper.pdf
- Devarajan, Shantayanan, Gaël Raballand, and Tuan Minh Le. 2011. 'Direct Redistribution, Taxation, and Accountability in Oil-Rich Economies: A Proposal'. SSRN Scholarly Paper ID 2009385. Rochester, NY: Social Science Research Network.
<https://papers.ssrn.com/abstract=2009385>
- Eubank, Nicholas. 2012. 'Taxation, Political Accountability and Foreign Aid: Lessons from Somaliland'. *The Journal of Development Studies* 48 (4): 465–80.
<https://doi.org/10.1080/00220388.2011.598510>
- Fjeldstad, Odd-Helge. 2013. 'Taxation and Development: A Review of Donor Support to Strengthen Tax Systems in Developing Countries'. Working Paper 2013/010. WIDER Working Paper. <https://www.econstor.eu/handle/10419/80886>
- Flores-Macias, G.A. 2016. 'Building Support for Taxation in Developing Countries: Experimental Evidence from Mexico'. ICTD Working Paper 51. Brighton: Institute of Development Studies. <https://www.ictd.ac/publication/building-support-for-taxation-in-developing-countries-experimental-evidence-from-mexico/>
- Gadenne, Lucie. 2017. 'Tax Me, but Spend Wisely? Sources of Public Finance and Government Accountability'. *American Economic Journal: Applied Economics* 9 (1): 274–314.
<https://doi.org/10.1257/app.20150509>
- Goodfellow, Tom, and Olly Owen. 2018. 'Taxation, Property Rights and the Social Contract in Lagos'. ICTD Working Paper 73.

https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/13535/ICTD_WP73.pdf

- Gottlieb, Jessica. 2016. 'Greater Expectations: A Field Experiment to Improve Accountability in Mali'. *American Journal of Political Science* 60 (1): 143–57. <https://onlinelibrary-wiley-com.ezproxy.sussex.ac.uk/doi/full/10.1111/ajps.12186>
- Jibao, Samuel, Wilson Prichard, and Vanessa van den Boogaard. 2017. 'Informal Taxation in Post-Conflict Sierra Leone: Taxpayers' Experiences and Perceptions'. ICTD Working Paper 66. Brighton: Institute of Development Studies.
<https://www.ictd.ac/publication/informal-taxation-in-post-conflict-sierra-leone-taxpayers-experiences-and-perceptions/>
- Joshi, A., Wilson Prichard, and C. Heady. 2014. 'Taxing the Informal Economy: The Current State of Knowledge and Agendas for Future Research'. *Journal of Development Studies* 50 (10): 1325–47. <https://www.ids.ac.uk/publications/taxing-the-informal-economy-the-current-state-of-knowledge-and-agendas-for-future-research/>
- Mahon, James E. 2018. 'Taxation, Redistribution, and Models of Fiscal Politics in Latin America'. *Japanese Journal of Political Science* 19 (3): 353–75. <https://www.cambridge-org.ezproxy.sussex.ac.uk/core/journals/japanese-journal-of-political-science/article/taxation-redistribution-and-models-of-fiscal-politics-in-latin-america/A0A643C8EFE15CCE1E73E1152C41FC8D>
- Martin, Lucy. n.d. 'Taxation, Loss Aversion, and Accountability: Theory and Experimental Evidence for Taxation's Effect on Citizen Behavior'. Working Paper: 81.
<https://www.poverty-action.org/publication/taxation-loss-aversion-and-accountability-theory-and-experimental-evidence-taxation%E2%80%99s>
- Martinez, Luis. 2016. 'Sources of Revenue and Government Performance: Evidence from Colombia'. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3273001>
- McGuirk, Eoin F. 2013. 'The Illusory Leader: Natural Resources, Taxation and Accountability'. *Public Choice* 154 (3): 285–313. <https://doi.org/10.1007/s11127-011-9820-0>
- Moore, Mick, Wilson Prichard, and Odd-Helge Fjeldstad. 2018. *Taxation Africa. Coercion, Reform and Development*. London: ZED Books. <https://www.ictd.ac/publication/taxing-africa-coercion-reform-and-development/>
- Paler, Laura. 2013. 'Keeping the Public Purse: An Experiment in Windfalls, Taxes, and the Incentives to Restrain Government'. *The American Political Science Review* 107 (4): 706–25. <http://www.jstor.org/stable/43654030>
- Prichard, Wilson. 2010. 'Taxation and State Building: Towards a Governance-Focused Tax Reform Agenda'. IDS Working Paper 341. Brighton: Institute of Development Studies.
<https://www.ids.ac.uk/publications/taxation-and-state-building-towards-a-governance-focused-tax-reform-agenda/>
- . 2015. *Taxation, Responsiveness and Accountability in Sub-Saharan Africa: The Dynamics of Tax Bargaining*. Cambridge University Press.
<https://www.ictd.ac/publication/taxation-responsiveness-and-accountability-in-sub-saharan-africa-the-dynamics-of-tax-bargaining/>
- . 2016. 'What Have We Learned About Taxation, Statebuilding and Accountability?' ICTD Summary Brief 4. <https://www.ictd.ac/publication/ictd-sb4/>

Prichard, Wilson, Rachel Beach, Vanessa van den Boogaard, Fariya Mohiuddin, and Ane Foged. Forthcoming. 'The Micro-Links between Taxation & Accountability Initiatives'. Brighton: Institute of Development Studies.

Prichard, Wilson, Samuel Jibao, and Nicolas Orgeira. Forthcoming. 'Sub-National Property Tax Reform and Tax Bargaining: A Quasi-Randomized Evaluation from Sierra Leone'.

Sanogo, Tiangboho. 2019. 'Does Fiscal Decentralization Enhance Citizens' Access to Public Services and Reduce Poverty? Evidence from Côte d'Ivoire Municipalities in a Conflict Setting'. *World Development* 113: 204–21. <https://www.ictd.ac/publication/does-fiscal-decentralization-enhance-citizens-access-to-public-services-and-reduce-poverty-evidence-from-cote-divoire-municipalities-in-a-conflict-setting/>

Wiens, David, Paul Poast, and William R. Clark. 2014. 'The Political Resource Curse: An Empirical Re-Evaluation'. *Political Research Quarterly* 67 (4): 783–794.
<https://doi.org/10.1177/1065912914543836>

Acknowledgements

I would like to thank the following experts who voluntarily provided suggestions for relevant literature or other advice to the author to support the preparation of this report. The content of the report does not necessarily reflect the opinions of any of the experts consulted.

- **Jalia Kangave** - Research Fellow and Capacity Building Manager & Gender and Tax Programme Lead at the International Centre for Tax and Development (ICTD) at the Institute of Development Studies.
- **Mick Moore** - Chief Executive Officer at the International Centre for Tax and Development and Professorial Fellow at the Institute of Development Studies.
- **Wilson Prichard** – Joint Research Director of the International Centre for Tax and Development (ICTD) and Research Fellow at the Institute of Development Studies.

Interesting website

For further information on the subject of taxation and accountability, the International Centre for Tax and Development (ICTD) website provides a large amount of sources, like journal articles, policy briefs and summary reports: <https://www.ictd.ac/>

Suggested citation

Quak, E. (2019). *Taxation and accountability: how to improve the state-citizen social contract through*. K4D Helpdesk Report No 663. Brighton, UK: Institute of Development Studies.

About this report

This report is based on seven days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

K4D services are provided by a consortium of leading organisations working in international development, led by the Institute of Development Studies (IDS), with Education Development Trust, Itad, University of Leeds Nuffield Centre for International Health and Development, Liverpool School of Tropical Medicine (LSTM), University of Birmingham International Development Department (IDD) and the University of Manchester Humanitarian and Conflict Response Institute (HCRI).

This report was prepared for the UK Government's Department for International Development (DFID) and its partners in support of pro-poor programmes. It is licensed for non-commercial purposes only. K4D cannot be held responsible for errors or any consequences arising from the use of information contained in this report. Any views and opinions expressed do not necessarily reflect those of DFID, K4D or any other contributing organisation. © DFID - Crown copyright 2019.

