

## ***Taxation, coercion and donors: local government tax enforcement in Tanzania***

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### ABSTRACT

This paper presents three propositions about tax collection by local authorities in Tanzania. First, revenue performance depends on the degree of coercion involved in tax enforcement. Reciprocity does not seem to be an inherent component of the state–society relationship in connection with local government taxation. Second, the extent of coercion depends on the bargaining powers of the stakeholders involved in the tax enforcement process. In particular, coercive tax enforcement is facilitated when the ‘bargaining powers’ with respect to tax collection favour the council administration, and the elected councillors have no direct influence on collection. Third, the presence of donors in a local authority may be crucial by changing the ‘balance of power’ in favour of the council administration, with implications for accountability, responsiveness and democratic development. These results may explain why widespread differences in revenue performance between local authorities are observed.

### INTRODUCTION

In recent years there has been an increasing focus on the possible linkages between high levels of development aid and taxation in Africa. Without aid, governments would have to cut spending, raise taxes or borrow from other sources. Thus, it is argued, high levels of aid may diminish a government’s incentive to make full use of its domestic resources for revenue generation (Brautigam & Botchwey 1999; Moore 1998).<sup>1</sup>

Some development agencies have responded to the critique levelled against them by introducing various incentive schemes to reduce the

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assumed free riding problems by recipient governments, and thereby increasing domestic tax effort. Thus, in many aid dependent African countries, revenue targets have become a major component of aid conditionality.<sup>2</sup> For instance, the International Monetary Fund argues that African countries ‘have significant potential for raising tax receipts by broadening the tax base, improving tax administration, and rationalising the tax system’ (Hadjimichael *et al.* 1995: 44). Furthermore, some donors involved in district development programmes have adopted matching schemes, under which aid is supplied only on the basis of matching funds from the local government (Catterson & Lindahl 1998).

The rationale behind this policy is based on the perception that the current tax effort in most African countries is low.<sup>3</sup> Some observers, however, question the premise behind this policy. Collier (1997: 56), for instance, claims that tax levels in Africa are already high. He argues that high taxation retards the growth process and induces tax evasion. Thus, the build-up of the taxable base of the economy is delayed, and so is the time at which fiscal sustainability can be achieved. Accordingly, increasing tax effort would be ‘both ludicrous and self-defeating’ (*ibid.*: 54).

Recently, Moore (1998) has introduced a new element into the debate on taxation and aid. Moore focuses on the anti-democratic effects of aid dependency. He argues that the means used by donors to promote development in the poorest countries undermine the values of democracy and good governance that they are otherwise trying to promote through ‘general’ political conditionality and specific aid interventions.<sup>4</sup> Moore’s point of departure is the acknowledgement that bargaining over the budget and over tax policy is one of the primary ways in which different state and societal goals are reconciled in a democracy. For instance, in Europe over the past two centuries, taxation and disputes over the use of revenues stimulated the development of greater citizen rights and privileges, with democratic institutions enforcing accountability and greater transparency in expenditures (Tilly 1992).

Moore’s key proposition is that the more a state ‘earns’ its income through the operation of a bureaucratic apparatus for tax collection, the more it needs to enter into reciprocal arrangements with citizens about provision of services and representation in exchange for tax contributions.<sup>5</sup> Thus, the greater the share ‘earned’ incomes represent of total revenues, the more likely it is that state–society relations will be characterised by accountability, responsiveness and democracy. In

many cases, however, aid dependency may thwart these processes in Africa. African states have significant 'unearned' incomes in the form of foreign aid (Goldsmith 2000: 18). Aid alone now accounts for almost half the income of many governments of low-income countries. Therefore, many African governments seem currently to face more organised and effective pressures for accountability and transparency from the international donor agencies than from their own citizens and parliaments (Brautigam & Botchwey 1999).

The purpose of this paper is to explore the possible linkages between taxation and accountability in a poor aid dependent country. In particular, does the social contract argument that Moore uses appropriately specify the political and administrative problems of a poor country? Furthermore, who are the likely stakeholders involved in the domestic tax enforcement process, and how does the presence of donors influence their relative bargaining power? What impact does their presence have on domestic revenue generation? Local authorities interact more closely with the citizens than other organs of the state apparatus, and hence provide a good case for exploring these questions at a disaggregated level.

The paper draws on findings from research carried out in local authorities in Tanzania during the late 1990s.<sup>6</sup> The field studies were conducted in Kibaha District Council, Coastal Region, and Kilosa DC, Morogoro Region. The studies covered all three council levels: the district headquarters, the wards and the village levels. Information was collected from a variety of sources, including staff members of the council administrations, local politicians and taxpayers. These studies aimed at providing primary data and analyses of the capacities and constraints of the local government administrations, especially in relation to revenue collection, incentive problems and service delivery. In addition, data on tax revenues for about fifty councils were collected from the Ministry of Regional Administration and Local Government.

The remaining part of the article is divided into five sections. In the first section the empirical background for the analysis is briefly presented. The second section explores why different levels of revenue raising effort may be observed in local authorities which have very similar socioeconomic characteristics. The institutional set-up for tax collection is examined in the third section, emphasising the roles of tax collectors and elected councillors in the tax enforcement process. Thereafter, a fourth section discusses possible impacts of donors. Finally, section five concludes.

## THE CASES

Four main revenue sources are available to almost all district councils in Tanzania. These are 'development levy' (a head tax), crop and livestock cess (agricultural cess), business licences and market fees. In 1997 these sources averaged two-thirds (66 per cent) of the reported tax revenues in a sample of 42 district councils studied. Development levy dominated (30 per cent of total own revenues), followed by agricultural cess (22 per cent), business licences (about 9 per cent) and market fees (5 per cent).<sup>7</sup>

Total tax revenues per capita reveal substantial differences between councils. In 1995, in a sample of twenty councils, reported revenues per person above the age of 18 ranged from TSh 344 in Lindi DC, to TSh 1,541 in Mbinga DC. Some of these differences may be explained by different economic structures, revenue bases, population densities, incomes per capita, and the level and quality of public services. However, we also observe variations in revenue performance between councils that apparently have fairly similar socioeconomic characteristics, such as Kibaha DC and Kilosa DC.<sup>8</sup> How do we explain these observations?

The experiences with the head tax will be used as a frame of reference. Development levy is, as noted above, the single most important local government tax base in Tanzania. The levy is, in principle, levied on every person above the age of 18 years and ordinarily a resident in the area. Women are exempted in many councils. In district councils the tax is in general levied on a flat basis. In contrast to most other local tax bases that are based on agricultural outputs and, thus, may fluctuate according to annual rainfall (e.g., market fees and crop cesses), development levy is in principle a fairly stable revenue base. Therefore, it is an attractive tax base for local authorities.

The ratio between development levy revenues reported to the district treasury and projected revenues (based on population statistics) differs significantly between the two councils. For instance, in 1996 the collection ratio, referring to the percentage of the estimated tax potential collected, was 26.7 per cent in Kibaha DC, compared to 45.6 per cent in Kilosa. Thus, although the statutory tax rate per head was the same in the two councils in 1996 (TSh 1,000), the effective rate, measured as revenues per eligible taxpayer, was more than 60 per cent higher in Kilosa than in Kibaha (Table 1).

TABLE I  
Effective development levy rate (in TSh per eligible taxpayer)

Council	1994	1995	1996
Kibaha DC	120	137	267
Kilosa DC	321	288	456

*Source:* Computed from data collected from the District Revenue Offices in Kibaha DC and Kilosa DC.

#### COERCION

How do we explain the different tax collection ratios between the councils? I suggest the following proposition:

*Proposition 1: Differences in revenue performance between local authorities are due to variations in the degree of coercion involved in tax enforcement.*

Coercive methods yield higher taxes per capita, but the need for coercion reflects higher levels of distrust in the governmental system and dissatisfaction with service delivery. The evidence supporting this proposition emphasises the importance of different tax enforcement regimes, and, thus, the relationship between the state apparatus and the citizens. Analytically, the relationship between a taxpayer and the (local) government contains at least two elements (Cowell 1990; Levi 1988):

- *The coercive element:* This refers to the bureaucratic apparatus that the local authority deploys to collect revenues. It is represented by the enforcement activities of collectors and the penalties imposed on those detected for non-compliance, i.e. the organisational effort.
- *The element of fiscal exchange:* This has to do with reciprocity, i.e. how far citizens are obtaining some reciprocal services in return for their tax contributions. Thus, taxation and the provision of public goods and services may be interpreted as a contractual relationship between taxpayers and the (local) government.

It should be noted that there is always a coercive element in taxation (Andreoni *et al.* 1998). However, to minimise the costs of enforcement and to maximise the output that can be taxed, the government has to create some kind of voluntary compliance.<sup>9</sup> First, the government must create confidence in its ability and its capacity to deliver promised returns for taxes. Second, to reduce the problems of free-riding, it must

TABLE 2  
Perceptions on the quality of public services (in percentage of total number (N) of respondents)

Perception	Kibaha (N = 128)	Kilosa (N = 44)
Good	6	0
Average	26	25
Bad	66	75
Don't know	2	0

*Source:* Fjeldstad & Semboja (1998).

coordinate the actions of taxpayers so that each perceives that others are paying their share (Levi 1988: 53).

Most taxpayers are of course unable to assess the exact value of what they receive in return from the government for taxes paid. However, it can be argued that the taxpayer has general impressions and attitudes concerning his own and others' terms of trade with the government (Levi 1988). If this is the case, then it is reasonable to assume that a taxpayer's behaviour is affected by his satisfaction or lack of satisfaction with his terms of trade with the government. Thus, if the system of taxes is perceived to be unjust, tax resistance may, at least partly, be considered as an attempt by the taxpayer to adjust his terms of trade with the government.<sup>10</sup>

Taxpayers in local authorities in Tanzania see few tangible benefits in return for the taxes they pay. Virtually no development activities are undertaken through councils' financial sponsorship, and even the existing capacities do not produce the expected services, due to lack of operation and maintenance funds (Semboja & Therkildsen 1992, 1995). The deterioration and in some cases non-existence of public services raises taxpayers' perceptions of exploitation from an unequal contract with government, and promotes tax resistance.<sup>11</sup>

Taxpayers' perceptions of the quality of public services in Kilosa and Kibaha are presented in Table 2. Dissatisfaction seems to be most widespread in Kilosa, where 75 per cent of the respondents considered the quality to be bad (compared with 66 per cent in Kibaha). None of the respondents in Kilosa considered the public services to be good (6 per cent in Kibaha); 77 per cent of the respondents in Kilosa said that the quality of the services today was worse than three years ago (the corresponding figure for Kibaha was 66 per cent).<sup>12</sup> Furthermore,

83 per cent of the respondents in Kibaha DC answered that in their view taxes were 'only partly' or 'not at all' used to provide public services. The corresponding figure for Kilosa was 88 per cent (of whom 70 per cent answered 'not at all'). Taxpayers' perceptions were supported by the tax collectors interviewed.

Widespread tax resistance is observed in the study areas. People may take to the extreme to evade taxes, for instance, by literally hiding in the bush when tax collectors are approaching. In particular, the revenue administration in Kilosa DC relies heavily on simple physical coercion to obtain the resources they need from their subjects and to ensure compliance. Roadblocks, manned by the local militia or police, are frequently used as tools of tax enforcement. Taxpayers reciprocate sometimes in the form of violent 'counter-attacks' on collectors, burning tax offices, etc. In 1996, for instance, the ward office in Chanzuru was destroyed during the night, and the Tax Register Books were burnt. Tax collectors avoid certain villages in Kilosa due to the high personal risk involved in tax collection. Other villages are only visited by collectors accompanied by the local militia.<sup>13</sup> In contrast, tax collection in Kibaha is characterised by greater laxity.

The argument that tax resistance is correlated with deteriorating public services is supported by other studies. Bukurura (1991: 91) refers to an investigation from 1987 by the *Tanzania News Agency* in Kigoma Town Council, which reported that 'many people were defaulting apparently because they thought the council was not doing its best to serve the residents'. Tripp (1997: 154) describes non-payment of development levy as a form of popular opposition towards state policies. She argues (p. 8) that tax evasion may be understood as one of many 'quiet strategies of resistance in the form of economic non-compliance'.

Thus, in circumstances where taxes are perceived to be unfair and people receive few tangible benefits in return for taxes paid, we may expect that only coercive methods of tax enforcement will generate tax revenues. The reciprocity or contractual relationship between taxpayers and the local government seems to be absent. Moreover, harsh tax enforcement combined with poor service delivery contribute to undermine the legitimacy of the local government and increase tax resistance.

## THE INSTITUTIONAL SET-UP FOR TAX COLLECTION

Why do the tax enforcement regimes differ between the two councils, leading to substantial differences in the use of coercion? I put forward the following proposition:

*Proposition 2: Coercive tax enforcement is facilitated when the 'bargaining powers' with respect to tax collection are in favour of the council administration, and the elected councillors have no direct influence on collection.*

The arguments and observations supporting this proposition focus on the stakeholders involved in tax collection, and their relative bargaining power. Local government tax collection is basically a council staff affair, and completely separate from the central government revenue authority (i.e. the Tanzania Revenue Authority). In district councils it is organised at three levels, namely the council headquarters, the ward and the village.<sup>14</sup>

At the district headquarters the responsibility rests with the council treasury, headed by the district treasurer (DT). At the ward level the responsibility for tax collection rests with the office of the ward executive officer (WEO), who also handles developmental and law and order functions at that level. For this purpose the local militia is at their disposal. In larger wards which may possess greater revenue potential, there will also be a ward revenue collector (WRC) to spearhead revenue collection in the ward. At the village level, the responsibility rests with the office of the village executive officer (VEO), who is also responsible for village developmental issues. Village executive officers are nominated to their position by the village councils, but appointed and employed by the district council. The system of nomination ensures that the VEO has to come from the village. At the sub-village level the *kitongoji* leader is expected to assist in mobilising taxpayers.

This institutional set-up encompasses at least three principals: (i) the administrative leadership (management team) of the local authority; (ii) local politicians; and (iii) the central government administration (i.e. the ministry responsible for local government). These stakeholders, sometimes independent of each other and sometimes through collusion, try to influence the revenue target and, thus, the actions of the tax collectors. Based on evidence from fieldwork, the various stakeholders' objectives can be summarised as follows:

(i) The objective of *the management of the local authority* (the administrative leadership) is to generate enough tax revenues to pay the wage bill and allowances of the staff. This target seems to be a

minimum performance requirement from the central government.<sup>15</sup> This argument is supported by observations from Kibaha and Kilosa. The performance of tax collectors at the ward and village levels is related to their capability to collect enough revenues to cover their wage bills. In recent years, several VEOs and some WRCs have been fired due to poor performance.

However, since both revenue estimates and reports on revenue collection are based on information from the administrative staff, there is room for manufacturing numbers. These observations are consistent with Migdal's (1988: 253) argument that political systems under pressure from the centre to produce certain development results are likely to exercise their own form of accommodation. The most common form is simply to pass false or inflated accounts of development results to superiors who are out of touch with local conditions. Thus, where supervision is lax, district leaders, including local bureaucrats, may use their budgetary discretion and the force at their disposal for personal gain.

(ii) One important objective of *local politicians* is to get re-elected (and thereby also to achieve sitting allowances when participating in council meetings). Politicians may say they want an efficient tax administration – but only to the point at which voters begin complaining that they are being harassed. Councillors are, in general, reluctant to raise local taxes and charges, not only due to concerns about their popularity, but also because they may be major local landowners or businesspeople who consider higher taxes to have a direct negative impact on them. As a result councillors try to intervene in revenue collection.

Indications of the impact of political intervention on tax collection can be found in the councils' financial statements. For instance, many councils experience revenue shortfalls in election years, particularly with respect to development levy. In a sample of forty-eight councils, thirty-one experienced a drop in revenues in the election year 1995.<sup>16</sup> This may be due to the influence of politicians (local as well as in central government). In both Kibaha and Kilosa, we were informed that CCM (ruling party) politicians tried to moderate the tax collectors' efforts to enforce taxes during election years, by issuing statements such as 'don't harass taxpayers' or 'relax on tax collection'. Politicians from the opposition parties, in contrast, approached taxpayers directly and advised them 'not to pay taxes', since taxes, according to their view, were used to 'finance the CCM government'. Such statements are said to be common in election years.

(iii) The objective of the *central government administration* (i.e. the ministry responsible for local government) is vague with respect to taxation. However, a tax system is also a mechanism of political control. According to Moore (1998: 105), it comprises two main elements: (1) the sets of information on citizens that a government otherwise might not collect and maintain; and (2) a network of public collection agents who use this information, and become 'repositories of knowledge' about what is going on in remote areas where the state elites have little direct influence and knowledge. Thus, the revenue itself may not be the most valuable product of tax enforcement. But active revenue raising may be an important means of keeping a state machinery alive and active at the local level. An indicator used by the central level to assure that this machinery is alive, is that the local authority generates sufficient revenues to cover its wage bill.

By and large, however, the central government is not directly involved in matters of local government taxation. For instance, the tax by-law system gives local authorities in Tanzania quite a wide discretion to introduce new local taxes and to set tax rates, subject to ministerial approval. Due to lack of capacity and poor coordination between the central and local government, only limited restrictions are in practice imposed by the central level on local governments' tax design. Therefore, the local revenue systems have developed without much interference from the central level.<sup>17</sup>

*Social networks* further complicate the picture outlined above. Such networks may play important roles in how tax enforcement is carried out in practice. In societies where family and ethnic relations are strong and important, civil servants are expected to take them into account. Tax collectors at the village level, as mentioned above, are recruited from the villages. Traditional networks may thus impose heavy constraints on the collector's actions, including who is to be targeted for tax enforcement and who is to be exempted.

For instance, in a survey of taxpayers in Kibaha and Kilosa, respondents who had migrated to the study areas from other regions in Tanzania were found to be more compliant than people who were born in the area (Fjeldstad & Semboja 1998). Migrants seemed (not surprisingly) to be less integrated and had looser relations to local authorities, including tax collectors, than people born in the area. Furthermore, migrants, in general, were found to be relatively more wealthy than people from the area. Thus, we may expect that it is easier and probably more convenient for the tax collector at the village level (i.e. the village executive officer), who lives in the village and is

nominated to his position by the Village Council, to target migrants rather than people from the area who may be his relatives or friends, or have close links to local politicians and authorities.

In contrast to the ambiguous motivations of the village level collectors, tax collectors at the ward and district levels seem to be driven by motivations to maximise revenues. Thus, tax collectors can report sufficient revenues to cover the wage bill and pocket whatever is left, with or without collusion with their superiors.<sup>18</sup> The larger the amount collected, the larger the amount that can supplement their own meagre salaries.

To summarise, the various stakeholders involved in tax enforcement have divergent objectives with respect to tax collection. In particular, political pressure seems to be a major impediment to revenue collection. Political intervention sometimes results in conflicts between the revenue administration and local politicians. For instance, a general view expressed by the tax administrations in the study areas was that elected councillors obstructed tax collection and were talking 'cheap politics'. Such conflicts seem to be rooted partly in divergent objectives with respect to tax enforcement, and partly in lack of trust between administrators and politicians at the local level. Based on data from fourteen district councils Jacobsen (1999) finds that there is a 'trust deficit' in the political-administrative relations at the local level in Tanzania. Furthermore, lack of trust seems to reduce the flow of information between politicians and bureaucrats.<sup>19</sup>

The conflict between the tax administration, including collectors, and local politicians is particularly evident in Kilosa DC. Local politicians have little influence on the tax enforcement process. Collection is facilitated through extortive and violent approaches that are mainly advocated and implemented by council administrators, with minimum support from local politicians. Thus, in the absence of democratic forms of accountability, tax collection in Kilosa has turned into a licence for collectors on-the-ground to more or less freely augment the local treasury and supplement their own salaries through extortion from local residents.<sup>20</sup>

In accordance with Mamdani's (1996: 59) notion of 'decentralised despotism', financial autonomy has provided the framework in which lower-level officials resort to extra-legal enforcement and violence to extort money from the population. This argument can be illustrated by a few examples. For instance, the statutory voluntary period for paying development levy in Tanzania is from 1 January up to 30 September. All tax payments made after the deadline are subject to a penalty

equivalent to 50 per cent of the tax rate. From 1 October to 31 December development levy payment ‘campaigns’ are conducted, organised by the ward office and using state organs, such as the local militia and judiciary, to ensure compliance. Defaulters may be visited in their homes, or people may be required to show their tax receipts at roadblocks. Non-compliers who are caught are brought to court at the primary court or ward level. Due to widespread resistance, tax campaigns for development levy in Kilosa DC (involving the militia) start as early as in July, i.e. three months before the voluntary (and statutory) payment period expires. The district treasury staff argued that by waiting until the end of September, taxpayers would have spent their money and nothing would be left for taxation.

Furthermore, in Kilosa the village level has been excluded from collection, and tax enforcement has been taken over by the ward level. According to the district treasury staff, this was due to incentive problems connected with tax collection at the village level. One problem arises from the presence of two principals for the VEOs, that is, the village council as the nominating authority and the district council as the appointing and employing authority, leading to divided loyalty. Another problem arises from VEOs operating within their areas of domicile. Thus, personal relationships between collectors and taxpayers may be expected to play an important role in village tax collection. In many villages the sub-village (*kitongoji*) leaders also resist mobilising people to pay taxes due to the unpopularity of taxation.<sup>21</sup>

In Kibaha DC, too, tensions between the administration and councillors are observed, although much less pronounced than in Kilosa. In general, tax collection in Kibaha is characterised by greater laxity than in Kilosa, due to the intervention of politicians. In some wards in Kibaha local politicians partly act as executives. A general view expressed by the tax collecting staff, reflecting their frustration at this intervention, was that councillors obstructed tax collection. The expected consequence of this intervention is reduced tax effort. Thus, this simple analysis suggests that tax effort depends on the relative ‘bargaining power’ between the elected councillors and the management of the council.

#### DONORS

Why does the relative influence of the council administration and local politicians on tax enforcement vary between councils? I suggest the following proposition to explain these observed differences:

*Proposition 3: Donor presence empowers the managerial level in local authorities at the expense of elected councillors.*

Through district development programmes, donors often exert strong influence on the behaviour, decisions and actions of local authority administrators and politicians. Generally, donors cooperate with council administrators and staff to implement their activities, usually through the creation of parallel structures. This intervention increases the influence and power of the bureaucracy, at the expense of the political system.<sup>22</sup> In Kilosa District Council, which has a long history of donor support, indications were found that this was indeed the case.<sup>23</sup>

Since donors, as noted above, increasingly use revenue generation as an indicator of the performance of the councils they are involved in, this may further empower the management level.<sup>24</sup> One strategy donors have used to reduce the problems of free riding by local councils has been to adopt a matching scheme, which supplies aid only on the basis of matching funds from the local government. According to Catterson & Lindahl (1998: 20), this has ‘created strong incentives for revenue collection’ in Tanzania. Furthermore, donor support may cushion council administrators against possible taxpayers’ opposition. Service provision through donor supported activities provides a free riding opportunity to council administrators who often claim to be the providers of such services.<sup>25</sup>

Kibaha, in contrast, has experienced limited donor support. As noted above, local politicians there play an important role in tax enforcement, and tax collection is characterised by greater laxity. The level of corruption (both absolute and relative) also seems to be lower in Kibaha than in Kilosa. This might be because local politicians in Kibaha to some extent carry out informal monitoring of the collectors. In general, the formal monitoring and auditing devices do not function at the local level in Tanzania.



This paper has explored the reasons why revenue-raising performance may differ between local authorities in Tanzania. The analysis shows that coercion is likely to be an integral part of the tax collection methods. Furthermore, the study demonstrates that the involvement of donors at the local level may have at least two impacts on tax

enforcement: (i) donors' presence may induce increased tax effort, however, (ii) at the expense of accountability and democratic consolidation.

Thus, Moore's (1998) proposition that the more a state (in this case a local government) 'earns' its income through bureaucratic tax collection, the more likely are state–society relations to be characterised by accountability and democracy, is not supported. In contrast, increased tax effort is achieved through coercive methods, often characterised by violent and extortive forms of enforcement. The reciprocal element between the state and citizens seems to be absent in connection with local government taxation in Tanzania.

However, the analysis does support Moore's argument that donors, by the means they use to promote development, may undermine democracy and good governance. For instance, arrangements which supply development aid on the basis of matching funds from the local government may lead to increased extortion, and empower the administration at the expense of the elected councillors. Harsh tax enforcement in situations with poor service delivery may thus contribute to further undermining the legitimacy of the government and increase tax resistance.

The results presented in this paper emphasise the importance of knowing how local government institutions work as a prerequisite for good policy decisions. In certain contexts external interventions may have impacts that are contrary to those intended. Such interventions may contribute to undermine the legitimacy of the local government and hamper democratic development by disempowering the political organs of local authorities.

Furthermore, the emphasis on revenue targets does not seem to acknowledge other major impacts of the tax system. Many local revenue bases in Tanzania perform poorly with respect to the basic principles of taxation: they are often distortive and costly to administer, and exacerbate both horizontal and vertical inequity (Fjeldstad & Semboja 2000). Attempts to squeeze additional revenues from poorly designed taxes may, therefore, have negative effects on the economy and society in general. However, these issues do not appear to be recognised by either local authorities or donors, whose main concern simply seems to be to increase tax revenues at any cost.

The paper provides us with some directions for further research. In particular, there is a need for a better understanding of (i) the impacts of development aid on revenue collection, and (ii) the relationship between taxation, accountability and processes of democratisation.

First, the role of donors in relation to local government tax systems in poor aid dependent countries is a fairly unexplored area of research. This is surprising, given that questions of revenue generation affect ordinary people in basic and sometimes very serious ways. A comparative study of tax collection in councils with varying degrees of donor involvement may shed light on this and other issues, including the possible impacts on revenue generation of the ongoing democratisation process. Second, many issues of accountability are unexplored. For instance, are citizens in poor countries likely to be able to hold bureaucrats (and politicians) accountable? Furthermore, can, and under what conditions, compliance be established in poor countries without an extensive and costly enforcement apparatus? These questions are important because it is likely that governments which seek power on the basis of popular consent will face restrictions in their use of coercion in tax collection.

## NOTES

1. The empirical evidence is, however, inconclusive on the actual impacts of aid on domestic revenue raising effort (White 1994; Devarajan *et al.* 1998).
2. In 1997, aid represented 10 per cent or more of GDP in twenty-one African countries (World Bank 1999).
3. For instance, Heller (1997: 39) calls the tax effort in most African countries 'disappointingly low'.
4. Democracy in this context is understood as a sub-species of a broader concept: the accountability of state to society (Therkildsen 2000). This political accountability is about those with authority being answerable for their actions to the citizens, whether directly or indirectly. Day & Klein (1987: 26–7) make an important distinction between political and managerial accountability, the latter being about making those with delegated authority answerable for carrying out agreed tasks according to agreed criteria of performance.
5. Moore (1998: 94) argues that the use of the concept 'earned' is a logical extension from the term 'rentier', since rentier is 'unearned' in the language of classical political economy.
6. Results of these studies are reported in Fjeldstad & Semboja (1998, 1999).
7. The four main sources of revenue have dominated district councils' revenue generation since local government was reintroduced in 1983 (URT, 1991). In 1987/88, from a sample of ten rural councils, development levy, crop cess and business licences contributed 77 per cent of the revenues. Thus, although there is a tendency for their contribution to decline, they still account for the major shares of the councils' own revenues.
8. According to the World Bank (1993: 29) the poverty profiles in Coastal Region (including Kibaha DC) and Morogoro Region (including Kilosa DC) are quite similar. This observation is based on a comparison of farming environments in different regions, since agriculture is the main economic activity in rural areas.
9. Levi (1988) uses the concept 'quasi-voluntary compliance'. It is 'voluntary' because taxpayers choose to pay. It is 'quasi-voluntary' because the non-compliant are subject to coercion – if they are caught.
10. Scott (1985) argues that one of the most important 'weapons of the weak' is the ability to withdraw compliance. This can take a passive form, such as shirking, or an active form, such as rebellion. Historically, unwillingness of the population to comply with a tax that is deemed unjust has been a catalyst for political action. The Boston tea party and the Thatcher poll tax are illustrative examples. Bates (1983) provides some examples from Africa.

11. Enemuo (2000: 181), reviewing the problems and prospects of local governance in Africa, supports this argument.

12. These results are consistent with the findings of a study of local government health services in Tanzania (Cooksey & Mmuya 1997): 65 per cent of the respondents in this study considered the poor quality of these services to be a major problem. Furthermore, 69 per cent of the respondents said they disagreed with the statement that the quality of public health services had improved in recent times.

13. Cases of tax revolts are also reported from councils in other regions, including Kilimanjaro Region and Coastal Region. *Daily News* (Dar es Salaam, 28.11.1997: 5) reports that 'over twenty Moshi Municipal Council workers who were on a special operation to net development levy defaulters were attacked by a mob at Mbuyuni Market on Wednesday afternoon and eight of them were injured, some seriously ...'. These revolts are in general spontaneous and disorganised. According to Bratton & van de Walle (1994: 462), such uprisings characterise the way political protest erupts in neo-patrimonial regimes. Because civil society is underdeveloped in such regimes, the foundation for anti-systemic change is weak.

14. District and urban councils are sub-divided into wards (*kata*). Currently there are about 2,400 wards in Tanzania, and more than 9,000 registered villages. Each village is supposed to have at least 250 households (*kayas*). Villages are sub-divided into *vitongoji*.

15. In *Africans: the history of a continent*, John Iliffe (1995: 196) discusses the priorities of the colonial administration. He quotes a veteran native commissioner in Southern Rhodesia who remembered his duties as follows: 'Get to know your district, and your people. Keep an eye on them, collect tax if possible, but for God's sake don't worry headquarters.' To some extent Iliffe's description from the colonial period reflects the present district official's approach in Tanzania: Don't worry headquarters, i.e. the central government. To achieve this it is necessary to collect enough revenues to pay the salaries of the local employees, otherwise complaints will be forwarded through the trade unions.

16. Based on data from the Ministry of Regional Administration and Local Government (see Fjeldstad & Semboja 1999).

17. Lack of coordination between the central and local levels has led to duplication of taxes and inconsistencies between taxes imposed by local authorities and the national government's development policies (e.g. with respect to export promotion). An illustrative example is the cess rate on cashew nuts, a major export crop, which in 1997 represented 20 per cent of the price paid to producers in Kibaha DC, creating huge disincentives for export production. In border areas, smuggling has become extensive due to relatively high local cess rates on some crops, for instance on coffee. Thus, peasants dodge and manoeuvre to avoid the deprivation inflicted upon them by public policy.

18. Corruption is often embedded in the hierarchical structure of the bureaucracy (Rose-Ackerman 1999: 49). Low-level officials collect bribes and pass a share to those at higher levels. Conversely, higher-ups may organise and rationalise the corrupt system to avoid wasteful competition between lower levels. This system has some similarities with sharecropping systems in agriculture. Sharecropping is a land-tenure system where the landlord gets a (percentage) share of agricultural output, and the tenant keeps the remaining output (Sah & Stiglitz 1992).

19. Conflicts between council employees and local politicians are not, however, a new phenomenon in Tanzania. Dryden (1968: 144-9), referring to the mid-1960s, describes some areas of conflict between these stakeholders.

20. Wunsch (1990: 54), based on Hyden (1983), argues that in circumstances where national leaders were dogmatic on implementing comprehensive programmes, as Tanzanian leaders were during the late 1970s regarding Ujamaa villagisation, bureaucrats have been reduced to authoritarian instruments for enforcing compliance.

21. According to the tax by-law, 20 per cent of the development levy collected at village level must go back to the village for developmental and operational purposes. A part of this money is to be given to the *kitongoji* leaders as an incentive for mobilising taxpayers to pay the levy. However, nothing was returned from the council treasury to the villages visited in Kilosa. The administration's argument for this was that since the villages did not contribute in tax collection they should receive nothing in return. This position, however, affects peoples' attitude toward the government and probably also promotes tax resistance.

22. This argument is supported by other studies. In a comprehensive study on the role of government in adjusting economies, Batley (1999) reports that public sector reform programmes pushed by donors and emphasising technocratic solutions, lead to increased managerial power without a strengthening of the accountability of the managers to politicians and the public.

23. The Irish funded 'Kilosa District Rural Development Programme' (KDRDP) was initiated in 1979. In 1994 it was one of the largest district development programmes in Tanzania (Mullen *et al.* 1995).

24. Changes in the performance of decentralised institutions have tended to be studied principally in terms of financial performance or revenue mobilisation (Crook & Manor 1998: 8). For instance, in a study exploring the determinants of success in African local governments, Smoke & Olowu (1992) define success mainly in terms of fiscal performance.

25. However, people in Kilosa seem to be well aware about who is providing the various services, and distinguish between 'council services' and 'donor provided services'. For instance, the main roads in Kilosa which have a fairly good standard due to donor funding, are locally referred to as 'Irish roads', while the almost non-passable feeder roads are named 'council roads'.

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