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*Development Studies and Human Rights*

Report

# Taxation, aid and democracy

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## Table of content

INTRODUCTION .....	1
MAJOR FINDINGS .....	1
<i>The politics of taxation</i> .....	2
<i>Taxation and accountability</i> .....	2
<i>Reform of tax administration</i> .....	3
<i>Local government taxation</i> .....	3
<i>Foreign aid and fiscal reforms</i> .....	4
CONTINUATION OF TAX RESEARCH.....	4
PUBLICATIONS AND OTHER FORMS OF RESEARCH DISSEMINATION .....	6
<i>Articles in journals and book chapters</i> .....	6
<i>Reports, working papers and other publications</i> .....	8
<i>Papers presented at conferences, workshops and seminars</i> .....	10
<i>Other</i> .....	13
RESEARCH NETWORKS.....	15
FUNDING AND RESEARCH PARTNERS .....	16

## Introduction

Taxation, aid and democracy (TAD) are closely related in poor aid-dependent African countries. The way they tackle the issue of domestic revenue mobilisation significantly influences their potential for economic growth and democratic consolidation. This proposition is based on the reading of historical, political and economic literature, and it forms the general basis for this research programme that started in late 1999. Namibia, Tanzania and Uganda were the case countries. To our knowledge this is the first comparative study of revenue systems in African countries that explores the evolution and performance of the local and central government tax systems. The research aimed to understand and explain the performance of the tax systems in the three case countries. The concept of tax system performance was made explicit: Performance is not just about increasing revenues, but also about implementation efficiency, accountability and taxpayer perceptions. Constraints and options available for policy making and implementation on revenue mobilisation were explored in light of current political, economic and administrative reforms.

Further information on the outline of the research programme and the major areas of research, including findings and publications, can be found on the programme's web-site:

□ CMI : <http://www.cmi.no/research/tax/>

The CMI web-site also includes links to relevant web pages dealing with Namibia, Tanzania and Uganda, as well as internet links to research on taxation and governance in Africa.

## Major findings

Although the three countries included in this research programme – Namibia, Tanzania and Uganda – are quite different in terms of history, economic structure, economic wealth and political regime, they also share some common features from a taxation point of view. Thus, over the last 10-15 years, all three countries have:

- embarked upon a democratisation process;
- begun to change the size, functions and operational modalities of the public sector;
- started a reform of central government tax systems and tax administration;
- maintained status quo with respect to local government taxation despite substantial decentralisation reforms;
- placed increasing emphasis on raising the revenue-to-GDP ratio; and
- being put under increasing pressure by donors for raising taxes

The research, including methods and theoretical perspectives, was based primarily in the disciplines of economics and political science, but also involved public administration, law and economic history. The multidisciplinary project design helped us approach the research tasks from different angles, and contributed to generate new insights on taxation in poor countries relevant for future tax reforms. Among the key findings are: Coercion, conflicts and methods of tax collection - rather than politically negotiated contracts about services in exchange for taxes between citizens and rulers ('democracy') – are central for the size of revenue mobilisation in poor countries. Administrative problems and political interference in the actual implementation of tax policies are often bigger obstacles to increased revenue than lack of political will to change tax policy. While central government taxes in the poorest countries affect only relatively few people directly (perhaps less than 5 percent of the total population), local government taxation affect many more (perhaps 30 percent, largely men). To the extent that state-citizens

relations are influenced by taxation (which is the experience in Western countries), local government taxation is therefore central to a better understanding of state-citizen relations.

### **The politics of taxation**

Taxation is generally *not* high on the domestic political agenda in Namibia, Tanzania and Uganda. This contrasts remarkably with the situation in most rich countries, where taxation issues – especially around elections - are often central and important. The politics of taxation in our case countries are limited, involve a few specialised interest groups, and tend to take place in non-public arenas.

Typically, small lobby groups pressure for exemptions, for rate reductions on imports, or bargain with officials or ministers about tax liabilities. Moreover, in many heavily aid dependent countries such as Tanzania and Uganda donors, and especially the World Bank and IMF, are pushing hard to get aid recipients to meet specific revenue targets. They also provide technical assistance for that purpose. Major debates in Parliament about tax issues or about tax reforms are rare – as are statements by political parties (where they are allowed) about *their* tax policies. Central government taxation is therefore shaped by technical staff (from the Ministry of Finance, the revenue authorities and among donor advisors) rather than by Parliament.

Local government taxation is a major exception to this. Around election time, this form of taxation is often high on the political agenda of both national and local politicians. This politicisation of local government taxes does not increase tax compliance among citizens. To the contrary, it often undermines local government tax collection efforts.

### **Taxation and accountability**

Western historical experience with taxation has been that a greater dependence of government on tax revenues may generate governance benefits, because it encourages the accountability of the state to its citizens. Explicit or implicit agreement about who should pay tax, at what rates and for what purposes was reached through bargaining between the ruler and the potential taxpayers. In the process, the effectiveness and legitimacy of the state increased: the consultations reduced the need for coercion to get people to pay taxes; the bargaining helped to create acceptance about national policies; and taxpayer status became a valid platform for claiming political influence.

Obviously, this is a highly schematic presentation of Western historical experience. It may not be generally valid for present day poor countries. Nevertheless, the experiences do provide a framework for asking questions about the link between revenue generation and governance in countries that are not only poor, but also aid dependent and in the process of democratisation.

Aid has certain similarities with oil (as a form of revenue) and there is clear empirical evidence that oil (and mineral rich) countries tend to be less democratic than states which depend on taxation of citizens for their fiscal base. Everything else equal this would imply that aid may undermine the accountability of the state to its citizens. Yet, revenues from aid have significantly different features from those of oil. From a taxation point of view, the main difference between oil and aid income is that donors are increasingly directly involved in recipient country tax policy making and administration. Typically, donors push for ambitious overall revenue targets. The research concludes that this may, in some contexts, have significant but unintended negative influences on (i) taxpayers' rights through coercive tax enforcement, and (ii) accountability by empowering the bureaucracy at the expense of elected politicians. Although it is quite complicated to sort out the specific effects of taxation and donor

interventions in concrete situations, it is clear from the research that fiscal relations between states, donors and citizens do affect accountability relations in direct and indirect ways. Thus, a better understanding of the fiscal relations in society is important when seeking to promote more democratic and accountable government.

### **Reform of tax administration**

Reforms of the tax administrations in Tanzania and Uganda in the 1990s, in the form of the establishment of semi-autonomous and well-funded revenue authorities, resulted in short term revenue increases. But these achievements have proved to be difficult to sustain in the long run. After the initial success, revenues in percent of GDP decrease and the level of fiscal corruption seems to increase. The research has explored factors that may explain this trend. Two factors are highlighted; the limits of autonomy and patterns of fiscal corruption.

Firstly, when the autonomy of a tax administration is compromised, revenue collection performance suffers. The establishment of a proclaimed autonomous revenue authority with comparatively generous remuneration packages and substantial budgets does not protect the authority from political interference. To the contrary, as observed in Uganda, it may make it a more attractive target because the authority offers both relatively well paid jobs and considerable rent-seeking opportunities. Consequently, such an authority is vulnerable to political interference, especially in personnel matters.

With relatively high wages and good working conditions, corruption may continue to thrive. In a situation where there is high demand for corrupt services, it is unrealistic to provide tax officers with pay rates that can compensate for the amount gained through bribery. Without extensive and effective monitoring, wage increases may produce a highly paid but also highly corrupt tax administration. Hiring and firing procedures may lead to more corruption. Corrupt tax officers often operate in networks, which also include external actors. These corruption networks seem to be strengthened because many of those fired are recruited to the private sector as 'tax experts'. In Tanzania, this partly explains why the positive process experienced in the initial phase of the new revenue authority later was reversed.

### **Local government taxation**

Despite recent and major central government tax reforms, local government tax systems have remained largely unchanged. Our research shows that the local tax systems often are distortive, costly to administer, and exacerbate inequity. In all three case countries little or no co-ordination with respect to taxation was observed between various levels of government. This has partly to do with lack of capacity at all levels. At the local level the serious shortage of qualified staff at the treasury and planning departments is particularly critical. But also at the ministerial level there are only few tax experts. This has led to double-taxation of the same revenue base, as well as inconsistencies between local and central government tax policies. In Tanzania, for instance, some local governments impose high taxes on export crops, inconsistent with the national government's policy to encourage export production. Also in Namibia there seems to be little co-ordination between the Ministry of Finance and the ministry responsible for regions and local governments with respect to taxation. While central government taxes affect only relatively few people directly (perhaps less than 5% of the total population), local government taxation affects many more (perhaps 30%, largely men). To the extent that state-citizens relations are influenced by taxation (which is the experience in Western countries), local government taxation is therefore central to a better understanding of state-citizen relations.

## **Foreign aid and fiscal reforms**

In 1997, aid represented 10 per cent or more of GDP in 21 African countries. Without aid, governments would have to cut spending, raise taxes, or borrow from other sources. The donors' recipe for reducing aid dependence is straightforward: increase domestic revenue generation in the recipient countries. The assumption is that the current tax effort is low. There is some statistical evidence in favour of this view. On average, the tax-to-GDP ratio in sub-Saharan Africa is around 16%, compared to the OECD average of about 32%. In Tanzania and Uganda the tax share is as low as 11%.

Such simple statistical comparisons ignore substantial differences in economic structure, degree of commercialisation and urbanisation, size of the peasant population and poverty. By adjusting for such structural differences and thereby estimating a more realistic revenue potential, Tanzania's tax share is above the average of sub-Saharan Africa. Furthermore, historical data show that the tax share of many European countries did not reach 15% of GDP until World War II - when incomes were substantially higher than they are in many African countries today.

The research concludes that there is undoubtedly room for improved fiscal and financial management in the public sector in the case countries as well as improved co-ordination between the different levels of government. But, attempts to squeeze additional revenues from poorly designed taxes may exacerbate the negative effects of the tax system on the economy and the society in general. It is unlikely that a substantial widening of the tax base can be achieved without increasing the tax burden of the poorer segments of the population. Thus, the IMF's and donors' push for ambitious overall revenue targets (measured as the tax-to-GDP-ratio) may have negative impacts on income distribution.

Improved tax administration cannot compensate for bad tax design. Excessive and arbitrary taxation are major constraints for economic and social development. Export agriculture is an especially easy target for revenue collection by local governments. In Tanzania, overall tax burdens of 20-60% of the major traditional export crops are not unusual. This has led to disincentives for production and incentives for smuggling of agricultural products between countries, and in some cases also between districts within countries due to varying local government tax regimes. Thus, high taxation retards the growth process and induces tax evasion. The build-up of the taxable base and fiscal sustainability are also delayed. Thus, reforming the tax structure should precede the reform of tax administration, since there is not much merit in making a bad tax system work somewhat better. In redesigning the tax structure, the following options should be considered (1) abolition of unsatisfactory taxes; (2) improvements to remaining revenue bases; and (3) cost recovery through user charges.

## **Continuation of tax research**

Funding from the Research Council of Norway expired in 2003. Several articles are in the referee-process, and one edited book on taxation and development is being developed in collaboration with IDS-Sussex. In addition, several working papers will be developed into articles. Furthermore, at the last annual workshop of the TAD-programme (held in Windhoek, April 2002), there was broad agreement among the involved researchers to aim for a Phase II of the programme.

The proposed Phase II is titled *Taxing rich and poor: taxpayer-tax authority relations in Tanzania and Uganda*. A short summary of the proposal is as follows:

“How is taxation and poverty linked in the political, social, institutional and economic contexts of poor African countries? In-depth knowledge and conceptualisation of those who actually are caught and escape the tax net - and how relations between taxpayers and tax authorities are affected by revenue mobilisation efforts - is limited. This is surprising, given the fact that taxation practices affect all three dimensions of the concept of poverty espoused by the international community: (i) deprivation of income; (ii) vulnerability to natural and man-made changes; and (iii) powerlessness arising from ignorance and political marginalisation. By focusing on selected central and local government taxes, the research will seek to identify how and why taxation affects the poor along these three dimensions of poverty. The main proposition is that tax administration decisions and practices - as much as declared tax policies and legislation - shape how taxation affects different groups of taxpayers. Such knowledge is relevant for a better theoretical understanding of the political, social and economic dimensions of taxation in poor countries. It is also relevant for poverty oriented aid policy.”

## Publications and other forms of research dissemination

Table 1 summarises the written outputs of the programme by December 2003. It also indicates the number of papers under preparation, including those which are in the referee process in international journals. A detailed account of publications, conference papers and work-in-progress is presented in the following sections.

**Table 1: Types and number of publications of the TAD-programme (by December 2003)**

<i>Type of publication</i>	<i>Number</i>
Articles published or forthcoming in international journals and edited books	21
Articles published in journals and books in Denmark, Norway and Tanzania	8
Articles submitted for publication in international journals	5
Working papers (DIIS, CMI, NEPRU)	12
Papers presented at international conferences, workshops and seminars	30
Popularised feature and debate articles in newspapers and newsletters	10
Papers under preparation (including working and conference papers)	19
<b>Total</b>	<b>105</b>

### Articles in journals and book chapters

- Fjeldstad, Odd-Helge 2003. "Fighting fiscal corruption. Lessons from the Tanzania Revenue Authority." *Public Administration and Development*, Vol. 23, No. 2, pp. 165-175 (May).
- Fjeldstad, Odd-Helge 2003. "Fiscal decentralisation in Tanzania. For better or for worse?" *Journal of Public Administration*, Vol. 38, No. 2 (June), pp. 133-149.
- Fjeldstad, Odd-Helge & Bertil Tungodden 2003. "Fiscal corruption: A vice or a virtue?" *World Development*, Vol. 31, No. 8, pp. 1459-1467 (August).
- Fjeldstad, Odd-Helge & Bertil Tungodden 2003. "Fiscal corruption: A vice or a virtue – A reply?" *World Development*, Vol. 31, No. 8, pp. 1473-1475 (August).
- Fjeldstad, Odd-Helge 2002. "Collectors, councillors and donors: Local government taxation and state-society relations in Tanzania." *IDS Bulletin*, Vol. 33, No. 3 (July), pp. 21-29.
- Fjeldstad, Odd-Helge 2001. "Intergovernmental fiscal relations in the developing world: A review of issues." In Norman Levy & Chris Tapscott (eds.) *Intergovernmental relations in South Africa: The challenges of co-operative government*. (Cape Town: IDASA and School of Government, University of the Western Cape), pp. 143-162 (chapter 8).
- Fjeldstad, Odd-Helge 2001. "La décentralisation fiscale en Tanzanie: pour le meilleur ou pour le pire?" *Afrique Contemporaine* No. 199 (July-September), pp. 128-142.
- Fjeldstad, Odd-Helge 2001. "Taxation, coercion and donors. Local government tax enforcement in Tanzania." *The Journal of Modern African Studies*, Vol. 39, No. 2, pp. 289-306.



- Fjeldstad, Odd-Helge & Joseph Semboja 2001. "Why people pay taxes: The case of the development levy in Tanzania." *World Development*, Vol. 29, No. 12, pp. 2059-2074.
- Fjeldstad, Odd-Helge & Bertil Tungodden 2001. "Korrupsjon og skatteunndragelse i Tanzania." *Den Ny Verden*, Vol. 34, No. 3, pp. 55-78 (in Norwegian).
- Fjeldstad, Odd-Helge 2000. "Hvorfor folk betaler skatt: En studie av skatteadferd i Tanzania". *Den Ny Verden*, Vol. 33, No. 4, pp. 45-61.
- Fjeldstad, Odd-Helge & Joseph Semboja 2000. "Dilemmas of fiscal decentralisation. A study of local government taxation in Tanzania." *Forum for Development Studies*, Vol. 27, No. 1, pp. 7-41.
- Hansohm, D., Schade, K. & Nepembe, M. 2002. "Taxation, expenditure, and accountability. Lessons from Namibia." *IDS Bulletin*, Vol. 33, No. 3, 58-66 (July).
- Luoga, Francis 2002. "Taxpayers' rights in the context of democratic governance: Tanzania." *IDS Bulletin*, Vol. 33, No. 3, pp. 50-57 (July).
- Mushi, Deo 2003. "Compliance with tax at household level: The case of the development levy in Tanzania." *The African Journal of Finance and Management*, Vol. 11, No. 2, pp. 48-58 (January).
- Olsen, Gorm Rye 2001 "Hvad mener Verdensbanken og IMF?" *Den Ny Verden*, Vol. 34, No. 3, pp. 94-106 (in Danish).
- Olsen, Gorm Rye 2001. "The World Bank and the IMF: Tax, democracy and shrinking aid in Sub-Saharan Africa." *Forum for Development Studies*, Vol. 28, No. 1, pp. 147-172.
- Olsen, Gorm Rye & Ole Therkildsen 2001. "Skat: forbandet upopulært men vigtigt." *Den Ny Verden*, Vol. 34, No. 3, pp. 5-12 (in Danish).
- Rakner, Lise & Siri Gloppen 2003. "Taxation and accountability in sub-Saharan Africa Chapter 3 (pp. 77-100) in Nicolas van de Walle, Nicole Ball & Vijaya Ramachandran (eds.) *Beyond Structural Adjustment: The Institutional Context of African Development*. Palgrave-Macmillan.
- Rakner, Lise & Siri Gloppen 2002. "Accountability through tax reform. Reflections from Sub-Saharan Africa." *IDS Bulletin*, Vol. 33, No. 3, pp. 30-40 (July).
- Rakner, Lise & Mick Moore 2002. "Introduction: The new politics of taxation and accountability in developing countries." *IDS Bulletin*, Vol. 33, No. 3, pp. 1-9 (editorial, July).
- Rakner, Lise 2001. "Skattepolitikk i Tanzania på 1990-tallet. Samspillet mellom staten, interessegrupper og bistandsaktørene." *Den Ny Verden*, Vol. 34, No. 3, pp. 79-93 (in Norwegian)
- Rakner, Lise 2001. "The politics of revenue mobilisation. Explaining continuity in Namibian tax policies." *Forum for Development Studies*, Vol. 28, No. 1, pp. 125-145.

- Rakner, Lise 2000. "Namibia. Landprofil" In *Fellesrådets Afrika Årbok 2000/01* (pp. 303-304, in Norwegian). Oslo.
- Sindzingre, Alice 2001. "Etat et intégration internationale des Etats d'Afrique subsaharienne: l'exemple de la fiscalité." *Afrique Contemporaine*, No. 199 (July-September), pp. 63-77.
- Therkildsen, Ole 2002. "Keeping the state accountable: Is aid no better than oil?" *IDS Bulletin*, Vol. 33, No. 3, pp. 41-49 (July).
- Therkildsen, Ole 2001. "Tre påstande om skat, demokrati og bistand." *Den Ny Verden*, Vol. 34, No. 3, pp. 13-26 (in Danish).
- Therkildsen, Ole 2000. "Understanding taxation in poor African countries: A critical review of selected perspectives." *Forum for Development Studies*, Vol. 28, No. 1, pp. 99-123.

## Reports, working papers and other publications

- Anena, Catherine & Zie Gariyo 2002. "The rights of taxpayers in Uganda." *UDN Working Paper* (draft). Kampala.
- Bebi, Hoster 2001. "Value Added Tax in SADC: Potential impact. Case studies of Namibia and South Africa." *NEPRU Research Report R:22*, Windhoek (June).
- Bebi, Hoster 2000. "Sustainability of budget deficits: A case study of Namibia (1991-1999)." *NEPRU Working Paper* No. 73. Windhoek.
- Bebi, Hoster 2000. "The impact of fiscal deficits and public debt on real interest rate and investment in Namibia." *NEPRU Working Paper* No. 74. Windhoek.
- Fjeldstad, Odd-Helge & Lise Rakner 2003. "Taxation and tax reforms in developing countries. Illustrations from sub-Saharan Africa." *CMI Report* 6: 2003.
- Fjeldstad, Odd-Helge 2002. "Fighting fiscal corruption: The case of the Tanzania Revenue Authority." *CMI Working Paper* WP 3:2002.
- Fjeldstad, Odd-Helge 2001. "Why taxes matter for development." Feature article published in *Republikein*, Windhoek, Namibia (15 November 2001).
- Fjeldstad, Odd-Helge 2001. "Donors turn blind eye to extortion in tax collection in Africa", *Development Today*, Vol. XI, No. 8, p. 11 (feature article).
- Fjeldstad, Odd-Helge 2001. "Who levies what taxes?" In Alta Folscher & Joachim Wehner (eds.) *Budget Watch* (September), pp. 4-5. Cape Town: Institute for Democracy in South Africa (IDASA).
- Fjeldstad, Odd-Helge 2001. "Fiscal decentralisation in Tanzania: For better or for worse?" *CMI Working Paper* WP 10:2001. Bergen: Chr. Michelsen Institute.
- Fjeldstad, Odd-Helge 2001. "Intergovernmental fiscal relations in developing countries. A review of issues", *CMI Working Paper* WP 11:2001. Bergen: Chr. Michelsen Institute.

- Fjeldstad, Odd-Helge 2000. "Taxation, coercion and donors. Local government tax enforcement in Tanzania", *CMI Working Paper* WP 6:2000. Bergen.
- Fjeldstad, Odd-Helge & Bertil Tungodden, 2001. "Fiscal corruption: A vice or a virtue?" *CMI Working Paper* WP 13:2001. Bergen: Chr. Michelsen Institute.
- Fjeldstad, Odd-Helge & Ole Therkildsen, with Lise Rakner and Joseph Semboja, 2000. "Taxation, aid and democracy", *CDR Working Paper* 5:2000. Copenhagen (also published as *CMI Working Paper* WP 4:2000).
- Gariyo, Zie 2002. "The politics of the introduction and implementation of VAT." *UDN Working Paper* (under preparation). Kampala.
- Hansohm, Dirk & Ben H. Harris 2003. "Fiscal policy and income distribution." *NEPRU Working Paper* (forthcoming). Windhoek.
- Hansohm, Dirk, Benjamin Harris, Rosa Endjala & Klaus Schade 2003. "The impacts of trade liberalisation on Namibia's tax system." Paper submitted to *Development Southern Africa* for review.
- Hansohm, Dirk 2003. "The balance of private and public sector in Namibia." Paper submitted to the *African Development Perspectives Yearbook*, Vol. 10, 2003, Unit 6: Public and private sectors: Towards a balance.
- Hansohm, Dirk, Benjamin Harris, Rosa Endjala & Klaus Schade 2001. "The impacts of trade liberalisation on Namibia's tax system." *NEPRU Research Report*. Windhoek.
- Kabelwa, George 2002. "Empirical analysis of tax revenue performance in Tanzania, 1973 – 1999." *REPOA* (draft). Dar es Salaam.
- Kasimbazi, Emmanuel 2003. "Taxpayers' rights and obligations: Analysis of implementation and enforcement mechanisms in Uganda." *Development Research Working Paper* (submitted for review). Danish Institute for International Studies (DIIS), Copenhagen.
- Luoga, Francis 2002. "Taxpayers' rights and obligations: a survey of the legal situation in Tanzania." *Development Research Working Paper* (draft). Danish Institute for International Studies (DIIS), Copenhagen.
- Mugume, Adam & Chekwoti, Caiphias 2002. "Subterranean sector and tax evasion in Uganda's small firms." *Institute of Economics, Makerere University*, Kampala.
- Mugume, Adam & Chekwoti, Caiphias 2002. "Local authorities dismal local financing under decentralisation: dependence on Graduated tax and its compliance implication in Uganda." *Institute of Economics, Makerere University* (draft), Kampala.
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- Mushi, Deo 2002. "Household compliance with tax in Tanzania: A micro level analysis." Submitted to *Journal of Finance* (IFM, Dar es Salaam) for review.

- Obwona, M. & A. Muwonge 2002. "The efficiency and effectiveness of the revenue administration in Uganda." *Development Research Working Paper* (draft). Danish Institute for International Studies (DIIS), Copenhagen.
- Obwona, M & A. Muwonge 2002. "Macroeconomic environment and tax policy in Uganda." *Development Research Working Paper* (draft). Danish Institute for International Studies (DIIS), Copenhagen.
- Rakner, Lise 2002. "The politics of revenue mobilisation. Explaining continuity in Namibian tax policies." NEPRU Working Paper No. 86 (October).
- Schade, Klaus 2001. "The National Budget 2001/02". *NEPRU Viewpoint* No. 36.
- Schade, Klaus 2001. "Auditor General's Report for 1998/1999." *NEPRU Viewpoint* No. 40.
- Schade, Klaus 2001. "The Revised Budget 2001/02." *NEPRU Viewpoint* No. 41
- Schade, Klaus 2000. "Taxpayer Charter launched." *Quarterly Economic Review*, No. 31 (September). Windhoek: NEPRU.
- Schade, Klaus 2000. "VAT launched." *Quarterly Economic Review* No. 33 (December). Windhoek: NEPRU.
- Therkildsen, Ole 2003. "Islam, demokrati og skat." Feature article in *Weekendavisen*, Copenhagen (January 2003).
- Therkildsen, Ole 2000. "Afrika med og uden bistand." *Politiken Debat*, Copenhagen (12 July).
- Therkildsen, Ole et al. 2000. "Local revenue enhancement study." Vol I and Vol II, *Local Government Finance Commission*, Kampala (November 30 2000). Ole Therkildsen participated in the study on a short-term assignment.

## **Papers presented at conferences, workshops and seminars**

- Anena, Catherine & Zie Gariyo 2001. "The rights of taxpayers vis-à-vis tax authorities." Paper presented at the *Annual Conference of the Research Programme 'Taxation, aid and democracy'*, Kampala (7-8 April 2001).
- Chekwoti, Caiphas 2002. "Tax compliance analyses: households and firms in Uganda." Paper presented at the *Annual Conference of the Research Programme 'Taxation, aid and democracy'*, Windhoek (4-5 April 2002).
- Chekwoti, Caiphas, Odd-Helge Fjeldstad, Adam Mugume, Deo Mushi & Joseph Semboja 2001. "Tax compliance in Tanzania and Uganda. Preliminary findings from two surveys." Paper presented at the *Annual Conference of the Research Programme 'Taxation, aid and democracy'*, Kampala (7-8 April 2001).

- Fjeldstad, Odd-Helge & Lise Rakner 2003. "Taxation and tax reforms in developing countries." Paper presented at the seminar *Taxation and Development*, NORAD, Oslo (24 April 2003).
- Fjeldstad, Odd-Helge 2002. "Fighting fiscal corruption. Lessons from the Tanzania Revenue Authority." Paper presented at the conference *Taxation Perspectives: A Democratic Approach to Public Finance in Developing Countries*, Institute of Development (IDS), Sussex (28 – 29 October 2002).
- Fjeldstad, Odd-Helge 2002. "Fighting fiscal corruption. Lessons from the Tanzania Revenue Authority." Paper presented at the conference *Taxation, Accountability and the Poor*, Institute of Development (IDS), Sussex (31 October-1 November 2002).
- Fjeldstad, Odd-Helge 2002. "Comments on 'Getting ideas right: Public management, corruption and development', by Martin Minogue." Discussant paper presented at workshop on *New Public Management: Challenges for improved accountability and corruption control*. ABCDE-Europe, World Bank, Oslo (25 June 2002).  
<http://wbln0018.worldbank.org/EURVP/web.nsf/Pages/ABCDE+2002-Papers>.
- Fjeldstad, Odd-Helge 2002. "The fight against corruption and the role of parliamentarians." Paper presented at *The Third Annual Conference of the Parliamentary Network on the World Bank* (PnoWB), Bern, Switzerland (10 May 2002). Printed as *CMI Working Paper WP 6:2002*. Bergen: Chr. Michelsen Institute.
- Fjeldstad, Odd-Helge 2002. "Controlling fiscal corruption: The case of the Tanzania Revenue Authority." Paper presented at the *Annual Conference of the Research Programme 'Taxation, aid and democracy'*, Windhoek (4-5 April 2002).
- Fjeldstad, Odd-Helge & Ole Therkildsen 2002. "User fee financed local government in Namibia." Paper presented at the *Annual Conference of the Research Programme 'Taxation, aid and democracy'*, Windhoek (4-5 April 2002).
- Fjeldstad, Odd-Helge 2001. "Fiscal decentralisation: Experiences from Eastern and Southern Africa." Paper presented at research seminar *Institute for Democracy in South Africa* (IDASA), Cape Town (December 2001).
- Fjeldstad, Odd-Helge 2001. "Tax compliance. Theory and findings from Tanzania." Presented at a research seminar at NEPRU, Windhoek, Namibia (October 2001).
- Fjeldstad, Odd-Helge 2001. "Controlling fiscal corruption: The trouble with incentive schemes in Africa." Presented at the conference *Globalization and Marginalization*, Norwegian School of Economics and Business Administration, Bergen (8-10 June 2001).
- Fjeldstad, Odd-Helge & Bertil Tungodden, 2000. "Fiscal corruption: A vice or a virtue?" Paper presented at the Annual Conference of the *Norwegian Association of Development Research*, Bergen (5-6 October 2000).
- Garyio, Zie & Catherine Anena 2001. "The politics of the introduction and implementation of VAT." Paper presented at the *Annual Conference of the Research Programme 'Taxation, aid and democracy'*, Kampala (7-8 April 2001).

- Hansohm, Dirk 2002. “Taxation, expenditure, and accountability: lessons from Namibia.” Paper presented at the *Annual Conference of the Research Programme ‘Taxation, aid and democracy’*, Windhoek (4-5 April 2002).
- Hansohm, Dirk, Benjamin Harris, Rosa Endjala & Klaus Schade 2001. “The impacts of trade liberalisation on Namibia’s tax system.” Paper presented at the *Annual Conference of the Research Programme ‘Taxation, aid and democracy’*, Kampala (7-8 April 2001).
- Mushi, Deo 2002. “Tax compliance in Tanzania: Why do firms evade tax?” Paper presented at the *Annual Conference of the Research Programme ‘Taxation, aid and democracy’*, Windhoek (4-5 April 2002).
- Olsen, Gorm Rye 2000. “Aid, taxation and democracy in Africa in an era of globalisation. The View from Washington”. Paper prepared for the Annual Conference of the *Norwegian Association for Development Research*, Bergen (5-6 October 2000).
- Rakner, Lise 2002. “Accountability though tax reforms? The case of sub-Saharan Africa.” Paper presented at the conference *Taxation Perspectives: A Democratic Approach to Public Finance in Developing Countries*, Institute of Development (IDS), Sussex (28-29 October 2002).
- Rakner, Lise 2002. “Accountability though tax reforms? The case of sub-Saharan Africa.” Paper presented at the conference *Taxation, Accountability and the Poor*, Institute of Development (IDS), Sussex (31 October – 1 November 2002).
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## Research networks

Publications from the programme and participation at workshops, seminars and conferences have contributed to help us build an extensive research network on taxation in developing countries during the project period. Researchers from 9 different research institutions in 6 countries have been directly involved in the research at different stages. The research collaboration with IDS-Sussex was strengthened during 2002 with joint publications and conferences. In October-November 2002, researchers from the TAD-programme participated with papers at two international conferences in Sussex. One conference gathered tax researchers from across the world, while the other targeted tax practitioners and officials from donor agencies. Representative from all the major bilateral donor agencies in Europe, the IMF and the World Bank participated. In addition, private tax consultants, senior officers from Ministries of Finance and revenue authorities in Europe and Africa took part. As a following up, NORAD invited us to present key findings from our research at a taxation seminar in Oslo in April 2003, which gathered senior officials from NORAD and SIDA, as well as officials from the Ministries of Finance and the Revenue Authorities in Norway and Sweden.

In October 2003, the programme organised a workshop entitled 'Taxation, accountability and poverty' at the *Annual Conference of the Norwegian Association for Development Research (NFU)*, which took place in Oslo. These events provided us with unique opportunities to discuss key findings from the research programme with colleagues, practitioners and decision-makers. The programme has received substantial attention from the media. In addition to the Norwegian, Danish and Namibian press, our research has been presented by the *BBC-London*, by the Paris-based *Indian Ocean Newsletter*, and by *The Economist Intelligence Unit*.

## **Funding and research partners**

Funding from the Research Council of Norway (a total of NOK 3.2 million) became available in October 1999, and the DANIDA funds (a total of DKK 1.72 million) were approved in March 2000. The DANIDA funding covered expenses for the participation of Tanzanian and Ugandan researchers in the programme. The Research Council of Norway funded inputs from Namibia and Norway. In addition, the involved institutions (DIIS- CDR, CMI and NEPRU) have put substantial resources into the research programme in the form of research assistance, library services etc. NEPRU also obtained funding from the African Capacity Building Foundation (ACBF).

By December 2003, twenty-four researchers from six countries had been engaged in the research programme, although none on a full time basis and some only provided minor inputs. Names, discipline and institutional affiliation of participating researchers are presented in table 2. The programme has been co-ordinated by senior researchers Odd-Helge Fjeldstad (CMI) and Ole Therkildsen (DIIS). Several institutions have collaborated. By end 2003, they were:

- ❑ Chr. Michelsen Institute (CMI), Norway
- ❑ Danish Institute for International Studies (DIIS) – formerly CDR, Denmark
- ❑ Economic Policy Research Centre (EPRC), Uganda
- ❑ Faculty of Law, Makerere University, Uganda
- ❑ Faculty of Law, University of Dar es Salaam (UDSM), Tanzania
- ❑ Institute of Economics (IE), Makerere University, Uganda
- ❑ Namibia Economic Policy Research Unit (NEPRU), Namibia
- ❑ Norwegian School of Economics and Business Administration (NHH), Norway
- ❑ Research on Poverty Alleviation (REPOA), Tanzania
- ❑ Uganda Debt Network (UDN), Uganda

Individuals from Uganda Prison Services and Uganda Parliament have also been involved in the research. In addition, close co-operation with three other institutions took off in 2001. Namely IDS Sussex (The Development Research Centre on the Future State headed by professor Mick Moore); Centre National de la Recherche Scientifique (CNRS), Paris (Dr. Alice Sindzingre) and Centre for Policy Studies (CPS), South Africa (Dr. Steven Friedman). Recently, the collaboration with IDS-Sussex has been strengthened through joint conferences and publications, while that with CNRS has come to an end.

**Table 2: Researchers involved in the TAD-programme (2000-2003)**

<i>Name</i>	<i>Institution</i>	<i>Discipline</i>	<i>Job title</i>	<i>Country</i>
Anena, Christine	UDN	Dev.Studies	Researcher	Uganda
Bebi, Hoster+	NEPRU	Economics	Researcher	Namibia
Bwire-Mahande, Job++	Parliament of Uganda	Pol. Science	Assistant Clerk	Uganda
Chekwtoti, Caiphas	Makerere University	Economics	Researcher/lecturer	Uganda
Endjala, Rosa	NEPRU	Economics	Researcher	Namibia
Fjeldstad, Odd-Helge	CMI	Economics	Senior research fellow	Norway
Hansohm, Dirk	NEPRU	Economics	Director	Namibia
Kabelwa, George	REPOA/ESRF	Economics	Researcher	Tanzania
Kange, Adam	TRA	Accountant	Principal	Tanzania
Kazimbazi, Emmanuel	Makerere University	Law	Lecturer	Uganda
Luoga, Francis	REPOA/UDSM	Law	Senior lecturer	Tanzania
Mommsen, Signe	DIIS-CDR	Pol. Science	Ph.D. student	Denmark
Mugume, Adam	Makerere University	Economics	Researcher/lecturer	Uganda
Mushi, Deo	REPOA/ERB	Economics	Senior researcher	Tanzania
Muwonge, A.	EPRC	Economics	Researcher	Uganda
Obwona, Marios	EPRC	Economics	Senior researcher	Uganda
Rye Olsen, Gorm	DIIS-CDR	Pol. Science	Senior research fellow	Denmark
Rakner, Lise	CMI	Pol. Science	Senior research fellow	Norway
Schade, Klaus	NEPRU	Economics	Senior researcher	Namibia
Semboja, Joseph	REPOA/ERB	Economics	Director/professor	Tanzania
Sindzingre, Alice	CNRS/CMI	Economics	Senior researcher	France
Therkildsen, Ole	DIIS-CDR	Public adm.	Senior research fellow	Denmark
Tungodden, Bertil	NHH/CMI	Economics	Associate professor	Norway
Zie, Gariyo	UDN	Pol.science	Co-ordinator/director	Uganda

+ Died, December 2000.

++ Died, July 2001.



Chr. Michelsen Institute (CMI) is an independent, non-profit research institution and a major international centre in policy-oriented and applied development research. The geographical focus is Sub-Saharan Africa, Southern and Central Asia, the Middle East, the Balkans and South America.

CMI is committed to a balance between applied and theoretical research. Focus is on development and human rights issues and on international conditions that affect such issues. CMI research intends to assist policy formulation, improve the basis for decision-making and promote public debate on international development issues.

## Summary

Taxation, aid and democracy are closely related in poor aid-dependent African countries. The way they tackle the issue of domestic revenue mobilisation significantly influences their potential for economic growth and democratic consolidation. This proposition represents the general basis for a research programme that started in late 1999. The programme studied the evolution of tax systems in three African countries; Namibia, Tanzania and Uganda. Constraints and options available for policy making and implementation on revenue mobilisation were explored in light of current political, economic and administrative reforms. This note summarises key findings and provides an overview of publications and other forms of research dissemination between 2000-2003. The researchers and institutions as well as the research network participating in this elaborate research programme are presented.