

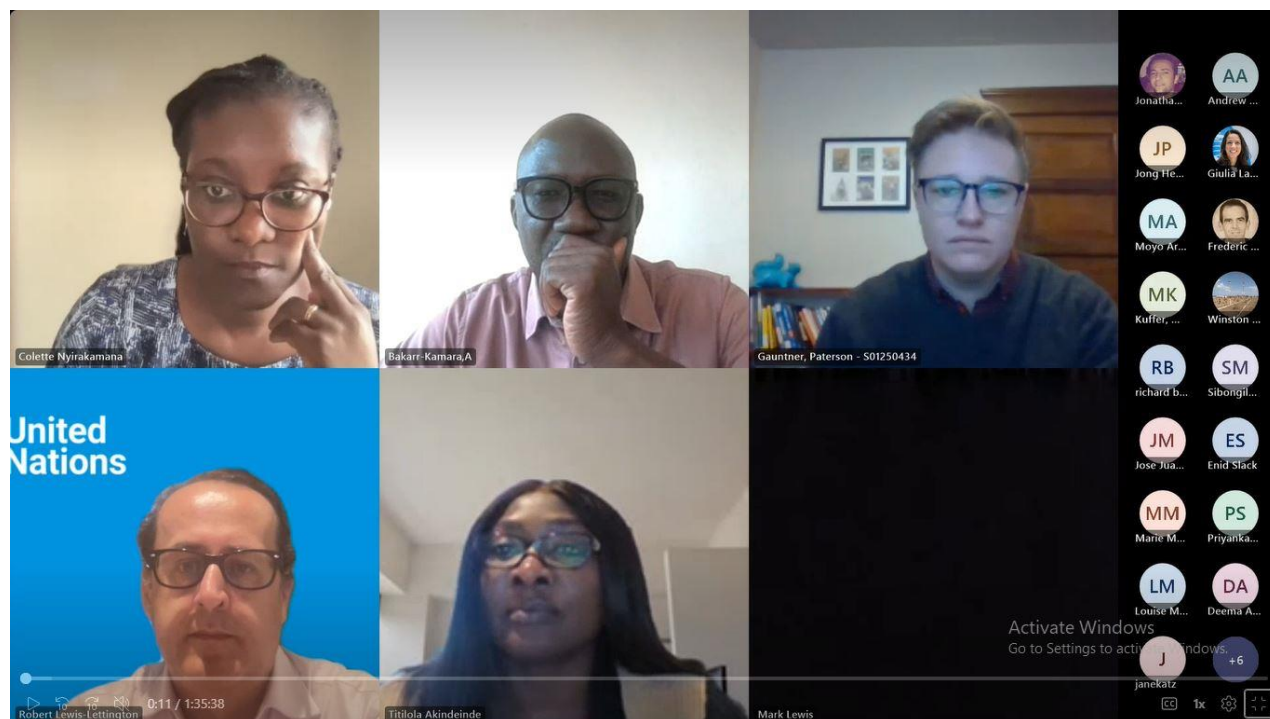
UN-HABITAT AND THE GLOBAL LAND TOOL NETWORK LAND-BASED FINANCE LEARNING SERIES 3

Theme: Leveraging Land for Delivery of services, Building
the Social Contract and Promoting Peace and Security

REPORT ON SESSION 4

Subject: Linking Property Tax Revenue with service
provision

6th November 2023



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Introduction and Welcoming Remarks (Robert Lewis-Lettington)

On 06 November 2023, the Land, Housing and Shelter Section of the United Nations Human Settlements Programme (UN-Habitat) and the Global Land Tool Network (GLTN) Secretariat, in partnership with the Local Government Revenue Initiative (LoGRI) of the International Centre for Tax and Development (ICTD) presented session four of its Land-based Finance Learning Series three, on the theme “Leveraging Land for Delivery of Services, Building the Social Contract and Promoting Peace and Security”. The session, titled “Linking Property Tax Revenue with Service Provision” consisted of two presentations and a facilitated discussion integrated by sidebar questions and comments, and concluded with closing observations by the discussants. The session registered 39 participants from 12 institutions. (see list of participants in Annex 1).

Robert Lewis-Lettington, Chief of the Land, Housing and Shelter Section of UN-Habitat, welcomed the participants. He said that the session was important, as it concerns the relationship between governments and its citizens and what governments owed to its citizens. In exchange for this relationship, the government possesses the distinctive sovereign power to levy taxes. However, this authority presupposes that the government is accountable to citizens, using the collected funds in accordance with citizens preferences and needs. Ensuring a fair relationship is crucial, especially concerning equity in the distribution of tax burdens between the affluent and less affluent, and the subsequent allocation of those funds. He then quoted Larry Walters, from an earlier version of these meetings, that “if we are just going to extract money from the poor and it is going to pay for the cars and offices of government officials, then maybe we are better off doing nothing at all.” Robert said that we need to make sure that the systems proposed and the way in which we introduce them create value for the people. To achieve this, governments need capital to build both the relationship side as well as the financial side. On land and property, there is quite a lot of wealth that could be used to support greater, more effective development in countries, and we must push that forward. He stated that these discussions were extremely important in advancing urban development. Making sure that we understand how to leverage this wealth within societies, integrating it into government systems, and maximizing benefits while minimizing potential drawbacks is crucial. Managing these aspects effectively is essential. Having more opportunities to share insights with stakeholders is incredibly valuable to UN-Habitat and GLTN. He mentioned that UN-Habitat and GLTN will continue trying to have these conversations and to expand them as well as applying what we learn. He thanked all the partners who have agreed to work in hosting these Communities of Practice meetings and making sure that the right people are on the table. Jonathan Yakutieli thanked Robert for the introductory remarks and welcomed Colette Nyirakamana for the first presentation.

Programme

SERIES 3 SESSION 4: PROGRAMME “Linking Property Tax Revenue with Service Provision” 06 November 2023, 17h00-18h25 (Nairobi time / EAT)		
Moderator: Jonathan Yakutiel (UN-Habitat)		
Time	Topic / Activity	Process, Roles
17h00	Welcome and opening remarks Purpose, agenda, and process	- Jonathan Yakutiel (UN-Habitat)
17h05	<u>Presentation 1:</u> Linking Revenues with Services through Earmarking	- Colette Nyirakamana (LoGRI) - <i>All: questions and comments in meeting chat during presentation</i>
17h25	<u>Presentation 2:</u> Participatory Budgeting in Sierra Leone	- Abou Bakarr Kamara (Country Economist, International Growth Center, Sierra Leone) - <i>All: questions and comments in meeting chat during presentation</i>
17h50	Key questions and reflections	Discussants - Andrew Mwinga (Local Government Finance and Audits, Ministry of Local Government and Rural Development, Zambia) - Abraham Rugo (Country Manager, International Budget Partnership, Kenya)
18h00	Facilitated discussion with participants	- Dr. Titilola Akindeinde (LoGRI)
18h25	Concluding observations	- Presenters and Discussants

Presentation 1: “Earmarking to strengthen the link between Revenue Mobilization and Service Delivery” (Colette Nyirakamana, LoGRI)

Colette Nyirakamana, Research Lead for LoGRI, thanked the organizers for the opportunity to present on revenue earmarking to strengthen the link between revenue mobilization and service delivery in four city Councils in Malawi, that are currently embarking on a proposed tax reform. She provided background information on the project, stating that a diagnostic assessment was conducted in 2022. The study aimed to comprehend the challenges and opportunities for tax reform in four city councils in Malawi: Lilongwe, Blantyre, Zomba, and Mzuzu. The findings highlighted a list of critical challenges that hindered effective taxation and needed to be addressed for the success of the tax reform.

A key recommendation from the diagnostic assessment was to put in place mechanisms to strengthen the link between revenue mobilization and service delivery. This is based on a strong demand mainly from taxpayers for revenue earmarking through clear legislation using a specific percentage of revenues for specific services. More importantly, the diagnostic assessment provided an understanding of the need to maximize public benefits, increase tax compliance levels and public support for reform. The recommendations from the assessment informed a second study that aimed at exploring the different approaches to linking revenues with services.

Colette mentioned that approaches to linking revenues with services not only vary and depend on how advanced governments are in providing services, but also depend on transparency and accountability in the use of public funds. In the study, three approaches were explored to linking revenues with services. The first approach involves councils relying on general budget processes with information about public revenues and expenditures made available to citizens by way of budget documents. This approach may be adequate where taxpayers have significant trust in government and where there is a proven track record of public service delivery. However, such an approach may be inadequate where there is little trust in the use of public funds. In the four city councils where the study was conducted, public service delivery is not only poor, but basic budget information is difficult to access and interpret for taxpayers. Besides, budget documents did not provide an adequate level of disaggregation of spending decisions to allow citizens to effectively understand and monitor service delivery efforts.

The second approach suggested was to expand transparency in public spending by making information about the budget and public spending more easily accessible to citizens, through publishing, for instance, itemized list of all public spending projects in a way that allows citizens to identify planned projects, understand the objectives of those planned projects and see in a very explicit way, the services provided. Although expanding transparency through this approach would enable citizens to be informed about government activities, it could fall short by failing to back the process with specific regulations or rules regarding government spending.

The third approach explored was revenue earmarking, whereby a specific share of public revenues will be committed to specific public spending priorities. But again, earmarking has some advantages and drawbacks that are highlighted in the literature that also need to be considered when designing the model. Despite these potential drawbacks, earmarking seemed to be the ideal approach to be implemented in Malawi, especially in the context of a new reform where city councils need to put in place more efforts to improve service delivery, restore trust, public confidence and ensure strong support for reform.

Colette gave an overview of the current budget and service delivery situation in the four city councils. She mentioned that currently, property tax revenue contributed to about 50% of all local revenues and with the new reform, this was projected to increase two to three times. However, the share of revenues that goes to development projects and capital expenditure is extremely low compared to what goes, for instance, to current expenditure. Furthermore, expenditures are not disaggregated into specific categories. In budget reports, expenditures are reported without necessarily specifying what projects or services are covered and the specific cost of those projects. The absence of specific budget reporting and data ends up reducing the overall insight and the understanding from taxpayers on how and where funds are being allocated and spent. When tasked with advising councils on how to allocate government shares, they faced challenges due to limitations in budget data. This hindered their ability to comprehend current spending patterns and offer recommendations on the earmarking of revenues in the event of an increase in property tax revenue.

A list of recommendations was provided, with the knowledge that meaningful and effective earmarking is impossible in the absence of clear definitions.

- City councils could proceed to do an assessment of existing spending patterns and the quality of data used to monitor spending. Amending or designing legislation in ways that clearly define the specific types of spending that would count as earmarked spending commitment. Based on the legislation, list the eligible expenditures for those services. For instance, legislation would specify whether salaries for staff directly involved in frontline service delivery may be included as a definition of a service.
- Ensuring that the available data is enough to allow for effective monitoring, assess whether the revenues have been allocated for the prioritized service and the funds have been used effectively. This could be done in practice, not only by having disaggregated budgets with concrete and clear links between the revenues allocated for the services delivered, but also details on the services that have been delivered.

Colette mentioned that the source of revenues for earmarking is an important question to consider. In Uganda, for instance, the legislation instructs local governments to set aside 70% of property tax revenues for services while in Kenya, county governments are required to spend 30% of their revenue for development projects. Decisions about the sources of revenues earmarked are often political and depend on the oversight capacity to monitor revenue and expenditure increments. Given the context of the reform and its impact on property tax, there is potential to strengthen the connection between revenue mobilization and service provision. Therefore, it is recommended that the four city councils in Malawi allocate revenue from the property tax.

The study explored potential approaches to design earmarking of funds. The first approach is the general service fund. This involves setting aside a share of corporate tax revenues or all revenues, depending on what is decided for broad service delivery. The general service fund is more comprehensive and flexible in allowing local governments to decide what service to prioritize. However, it could be dependent on the types of services that are eligible and clearly defined in the legislation, limiting unexpected or any additional needed services. The implementation of this approach requires an improved expenditure reporting and a strong oversight to ensure the city councils comply with the requirements.

The second approach explored was to put in place a service specific earmarking fund. The city council could provide a subset of high-priority areas of services they want delivered. For example, street lighting, and earmark a specific share of revenues for that service. This would bring clarity to specific services and make it easier to track the revenues that are spent on those services. However, it can be at risk of budget fungibility as city councils may cut spending on other services to offset the increases in earmarked funding for the prioritized service. It can also create budget rigidities.

The third approach explored was participatory processes, whereby governments will earmark a share of total revenues to be allocated through public participation processes led by local elected officials. This approach was done in Freetown, Sierra Leone. Nevertheless, this approach is less comprehensive than the General Service Fund considering that not all decisions over what services to provide need to be adopted via participatory budgeting. For example, waste collection is a general service that does not need to be voted on through participatory budgeting.

The decision about the types of earmarking approaches to adopt depends on how easy revenues and expenditure data can be available to ensure effective tracking and oversight. Considering the advantages and disadvantages, the study's key recommendation was to create a General Service Fund if data and oversights were strong, a Service Specific Earmarking Fund if data and oversight were weak, and a Participatory Process at the lowest level of governance by the city council. In designing earmarking mechanisms, governments often grapple with how much revenue to set aside. The decision depends on an assessment of how newly earmarked funds align with the council's financial capacity, assessment of existing spending on services and determining the level of earmarking required. To understand how revenues are currently allocated and whether adjustments are needed to better meet the needs of citizens, an assessment of the extent of necessary current expenditure, which includes cost associated with running the city councils, can help determine the share of revenues city councils can earmark without constraining the ability to operate efficiently. Oversight of these processes are critical, and several countries that have earmarking systems often fail to meet the objectives, especially given the absence of strong oversight.

Taking the example of Malawi, city councils are required by legislation to spend 25% of revenues from market fees on relevant services for market traders. But because of a weak oversight to ensure compliance with these provisions, they have failed to meet this requirement and ended up using these revenues for other pressing needs. In the case of Kenya, reports from the Office of the Controller of Budgets show that counties allocate, on average, 29% of revenues for development. The percentage of revenues spent is often less than 20% of the 29% of allocated revenues.

Different oversight models exist mainly dominated by monitoring from central government agencies. At the local level, weak citizens' involvement has made oversight weaker. The study provides different approaches to ensure that oversight will be successful in the case of Malawi. A two-level oversight, with control by the local government level through elected officials or committees in charge of oversight, budget, and finance decisions and supported by additional oversight from central government agencies in charge of monitoring. In addition, another two-level oversight whereby, at the city council level there would be specialized committees, including local government actors, members of the community and CSOs. They would track figures to ensure that earmarking and service provision is done effectively considering situations where funds for a specific service could be diverted towards alternative uses. The earmarked revenues could be put into a separate bank account. The city of Lilongwe provides a good

example of that having implemented a ring fencing of revenues, where they set aside in a bank account 10% of the revenues to be used for ward development.

To conclude, strengthening the link between revenues and services may appear straightforward in theory, but designing and implementing an effective and sustainable strategy is more challenging in practice. Implementing the right approach obviously depends on the availability of quality data in terms of revenues and expenditures, strong budget reporting, monitoring, oversight capacity and political will. The decision to earmark and put in place an earmarking system should be taken in consideration of the benefits and limitations of this approach. From the interaction with Malawi city councils, it was evident that the upcoming reform in Malawi will provide an excellent opportunity to test these recommendations and assess the conditions under which effective approaches to linking revenues with services can be successful.

Presentation 2: “Strengthening fiscal contracts through digital townhall in Freetown” (Abou Kamar Bakarr)

Abou Kamar Bakarr, country economist for the International Growth Center (IGC) in Sierra Leone, began by expressing his gratitude for the opportunity to present. He mentioned that the work he is presenting today began in 2019 and was still a work in progress. He further explained that the report on strengthening fiscal contracts through digital transformation was jointly worked on by the Freetown City council and colleagues from UCLA, University of Toronto and IGC.

The work on Strengthening Fiscal Contracts through digital town halls in Freetown is part of a bigger property tax reform that was undertaken by the Freetown City Council when the then Mayor took over in 2018. The mayor commissioned a couple of experts to help develop a strategy to transform Freetown. As part of the transformation, it clearly came out that revenue mobilization was primitive, and that there was a huge revenue potential in Freetown. Following this, the mayor then asked how best to improve revenue generation as fiscal capacity is generally known to be very low. Since then, Freetown City Council has taken steps to improve tax revenue. A new system (automated, fair and progressive) of assessing properties for tax purposes was developed and adopted which resulted to a 5-fold increase revenue potential. Recognizing that potential does not necessarily mean actual revenue, a research was commissioned to explore the possibility of expanding participatory institutions to help build fiscal capacity. The research studied the impact of a participatory budgeting program in Freetown on voluntary tax compliance and attitudes towards government. An attempt was then made to see how participatory budgeting processes could improve trust and attitudes towards governments in general and therefore increase voluntary tax compliance.

The intervention consisted of three components. The first was conducting Digital Townhalls property owners in randomly selected wards, whereby participants discussed preferred service improvements amongst themselves. This was followed by participants articulating shared preferences with political representatives and interactions where councilors responded by video to voiced preferences and revealed a list of service projects. During the first deliberations, political leaders are not represented. It is strictly for the property owners so that they are not influenced by the priorities of the politicians. The property owners would discuss amongst themselves and give a list of what their preferences are. The councilor then responded via video and voted for their preferred services. It is expected that with the provision of services, property owners will voluntarily pay taxes and by extension, attitudes towards the

government would significantly improve. When property owners continue to pay their taxes, the government continues to provide their services and then compliance increases.

On the key findings respondent's perceptions mentioned that (a) they have opportunities to voice their opinions about government matters to government officials; and (b) it is easy to directly engage in political activities. There was a strong perception before the intervention that property owners were not sure whether Freetown City Council would be responsive or whether services would be provided as required. The digital town halls created an opportunity for them to at least air their preferences.

On voluntary tax compliance, the project tried to assess how this intervention affected tax compliance. The average effect on voluntary tax compliance was not statistically significant. The takeaway for policy implication, starting from a low baseline level of trust, positive shift in attitudes/preferences is important to increase compliance in the medium/longer term, which might encourage increased voluntary compliance in the longer term, meaning that effects do not happen instantaneously.

Open Discussion with the discussants and presenters (Andrew Mwinga and Abraham Rugo in conversation with Abou Kamar Bakarr and Colette Nyirakamana)

Jonathan Yakutieli opened the floor for the discussants to reflect and raise questions on the presentations and questions.

The discussant Andrew delved into the discussion by posing a question to Colette's presentation on Malawi. He found the concept of earmarking for service provision intriguing and drew a connection to similar attempts in Zambia. In his initial query, Andrew sought insight into how Colette addressed the challenges associated with linking a revenue source to a specific municipal service. Acknowledging the widespread issue of budgetary inadequacy in Africa, he raised a concern: If a revenue source is earmarked for a particular service, what happens when the municipality is unable to meet citizens' expectations due to financial constraints? Andrew pondered whether municipalities would be required to seek additional funding to bridge the gap and questioned the practicalities of such a scenario.

In his second question, Andrew inquired about the handling of variations, referencing Colette's mention of locking some revenue sources through legislation. He sought clarification on the specific form this legislation might take—whether it would be in the form of a statutory instrument (SI), a percentage, or an act. Andrew highlighted Zambia's exploration of a similar concept but noted the hesitation to formalize it in legislation due to the time-consuming nature of legislative modifications and the complexities associated with parliamentary processes.

Moving to his third question, Andrew addressed the issue of variations, recognizing their significance in budgeting, especially concerning changes in prices or shifts in priority areas. He posed a critical query: "How do you propose to manage variations when revenues are legislatively locked? What strategies do you envision to address these challenges?"

Reflecting on Abou Bakarr's presentation, Andrew raised a crucial concern about the challenge of prioritizing services exclusively through public involvement. He questioned how a middle ground could

be established in this process, especially considering the inherently political nature of dealing with diverse public demands. Balancing government aspirations against political realities at the local level poses a complex challenge. Andrew acknowledged the inherent political nature of these policies but emphasized the need to navigate the local political landscape and find a rational balance among competing service priorities within budgetary constraints.

The second discussant, Abraham Rugo began by expressing that it was important for a distinction to be made on what parts of the conversation on fiscal capacity were technical and what parts were political. His observation was that the process is mostly political with interests from both the service providers and the service consumers. The interest of the service providers was market domination. Weighing up on the political interests is a key determiner. He noted that from the discussion on Freetown, “Despite all the efforts to improve the response rate to voluntary tax payment, the answer could lie in the political space. Looking at the actors, do the people feel that the services are being provided by the right person or entity?”

Abraham’s second question was related to Andrew’s comment on the “Crowding out effect” whereby the council can provide all the services that citizens would require at the local level based on the taxes that are being collected. With this, there is a risk of crowding out certain services or completely signing them off because there are no resources to provide them. With different priority areas, property owners could be paying the same type of tax, however the interest and the services they require, even within the same jurisdiction, could be different. It could be within the same town, with some places being insecure hence the service needed mostly would be lighting, while another area might not have water.

On the issue of rates, Abraham highlighted the disadvantages of this processes to only be of transactional nature whereby if one doesn’t pay their taxes, then they don’t get to receive services. This is particularly true for the poor within localities who are unable to pay the rates. How are these people differentiated? Are they also entitled to the social contracts to receive services in a context where they are either unable or unwilling to pay?

The floor was handed back to Jonathan who then welcomed Abou to give his remarks on the questions raised. Abou began by addressing the last question concerning political dynamics. He underscored the importance of political considerations, particularly in tax reforms at the local level. Abou noted instances where the political party in power at the central level differs from that at the local level, impacting tax reforms. Despite the potential developmental benefits, central governments might be reluctant to allow local governments to excel in service delivery, fearing a loss of votes during elections.

Abou shared a relevant example from Freetown, emphasizing the challenges faced during the tax reform process that began in 2019. Despite completing data collection and gearing up for implementation in 2020, the onset of the COVID-19 pandemic led the centralized government to halt the reforms. This incident highlighted the limited independence of local governments, as the central government retained the power to regulate them. While the reform was affected, ongoing efforts are still in progress, and the results are currently under evaluation.

In response to Andrew's inquiry about finding a middle ground, one significant challenge encountered during the Freetown reform was the limited funds allocated for implementation—just \$1500 for each ward. This amount was deemed insufficient, more akin to a drop in the ocean, as the intention was to

test the waters and prove a concept. The property owners were initially unaware of these funds, as they were primarily earmarked for a market survey conducted with the assistance of an independent consultant. The constrained budget naturally restricted the participants' proposals, recognizing the practical limitations of working with \$1500. To guide the discussion and prevent unrealistic budget proposals, the team shared pertinent information and asked property owners to identify the priorities for their wards. This approach aimed to moderate and focus the discussion, ensuring that proposed preferences aligned with the budgetary constraints.

In responding to Andrew's comments, Colette emphasized that the reform was an ongoing process, particularly highlighting the early stage of designing what they term a Service Fund. With many aspects still in implementation, there are considerations being made for future recommendations. Colette proceeded to caution against excessive ambition in earmarking funds. Drawing from interviews and fieldwork, she noted instances where councils expressed eagerness to allocate as much as 60% of revenue for services. To address this, project review processes are essential for understanding current expenditures and determining realistic aspirations. Colette stressed the importance of caution, given the dynamic nature of circumstances, as overcommitting may lead to unfulfilled spending and a potential loss of credibility with taxpayers.

Colette suggested the adoption of a flexible strategy. For instance, if there is a decision to earmark a specific percentage of revenues, it could be implemented on a trial basis for a year. After assessing its effectiveness and feasibility, adjustments can be made, including potential increases or reductions in the earmarked percentage. She highlighted the importance of aligning the model with the prevailing financial constraints, recognizing that an overly ambitious strategy may create fragility, making it challenging to divert earmarked funds to address urgent needs. She underscored the significance of striking a balance between earmarking and maintaining financial adaptability.

Colette addressed the legislative aspect, mentioning various approaches suggested for dealing with earmarking in the local government act. She noted that the act already outlines services to be provided for councils and includes a provision for allocating 25% of revenues for market fees. Similar provisions exist in Uganda and elsewhere. However, due to limited revenue and a lack of oversight to ensure the designated percentage is used for market services, Colette proposed amendments to the local government act, specifically for earmarking property tax revenue. The suggested approach involved adopting a resolution at the council level, allowing local councilors and administrators to assess feasibility and make realistic decisions. Colette advocated for a flexible legislative framework controlled by local councils, emphasizing the importance of adaptability and the ability to amend the legislation over time to suit changing circumstances.

In response to a question about earmarked funds and competing priorities, Colette outlined various approaches. She highlighted the need for different strategies in earmarking. Colette acknowledged that certain services, like waste collection, might not require earmarking as they may already be adequately funded. However, for discretionary services like streetlights, where neighborhoods vary in needs, a less rigid fund could be established. This approach allows for flexibility, enabling funds to be set aside for specific services, such as streetlights, while also catering to general needs.

Colette delved into the political dimension, acknowledging that the process is inherently political. She discussed concerns that local councilors might feel a loss of budgetary control if city councilors establish

earmarking funds that cannot be easily modified based on evolving political priorities. Colette highlighted a potential solution—the "ring-fencing strategy"—where a percentage of revenues is pooled into bank accounts, with the funds subsequently distributed among different wards. This strategy aims to give local councillors control over a portion of the budget, appeasing concerns about loss of influence. Ultimately, Colette advocated for different levels and methods of earmarking funds, emphasizing the importance of granting City Council discretion in allocating resources for services. This approach, she believes, allows for adaptability to local needs and political dynamics. This discretion is what then can enable them to come up with fairness in providing services. Collecting taxes from the biggest payers and then distributing those benefits to those who are unable to pay a higher share of tax.

Abou added on earmarking saying that as part of the Freetown project, they got the mayor to get a council resolution that gave them the power to earmark a percentage of the funds. Whatever is generated by the ward, 20% would be spent in the ward and then the participatory budget approach would be used. This is yet to be followed through because we are still in the election period with the mayor having just taken office after being re-elected. We are looking to see how this will unfold.

Titola opened the floor to participants to ask their questions. Davis went first and inquired about the effectiveness of multi-year budgeting processes in tandem with potential earmarking and the concept of a participatory budget process. He specifically sought insights into how these approaches could be beneficial for larger schemes, emphasizing the potential for focused allocations in different geographical areas and priority spending domains. Davis demonstrated an awareness of the inherent limitations in such processes, acknowledging the existence of a natural constraint.

Titola asked Abou Bakar to respond to Davis's question and Jonathan's question about how trust is assessed and quantified. Abou began by addressing the question of quantifying trust. He described their efforts to assess trust by focusing on perceptions. The team examined how people perceived the council's responsiveness to citizens' demands and gathered data on satisfaction with services. They specifically measured the satisfaction of property owners with the county's service provision, employing a five-point Lacarte scale for evaluation. Additionally, they collected data on the perceived fairness of the tax system. The emphasis was on capturing Freetown residents' perceptions of the council, especially considering that prior to the reform, there was a significantly low perception of the council's responsiveness and fairness. The goal was to determine whether people's perceptions had changed post-reform or remained unchanged, serving as a method to quantify trust in the local government.

Abou provided insights into the council's planning and budgeting processes. He explained that the council follows a five-year Strategic Plan, representing a mid-to-long-term vision. Complementing this there is an annual budgeting process aligned with the Central government's guidelines. This yearly budget serves to implement the broader plan. Abou highlighted that Freetown is on the verge of introducing participatory budgeting, driven by a 20% earmark. However, this coincides with a new administration due to recent elections, adding an element of uncertainty to the process. Despite potential changes, Abou noted that most budget activities and plan components typically remain consistent, barring unforeseen circumstances like pandemics, which might necessitate budget reassessment.

Colette expanded on Abou's insights, shedding light on the prevalent long-term planning in low-income countries, where strategic plans spanning five to ten years outline developmental goals. She emphasized

the common reliance on external funding from donors or the central government to actualize these projects. Colette underscored the need for flexibility in budgeting, given the insufficiency of local revenue to cover operational costs and deliver essential services. The recommendation to city councils is to avoid rigid commitments, recognizing the dynamic nature of circumstances, while also acknowledging the imperative to act to effectively engage citizens.

Titilola noted the stability in the content of budgets from year to year and shifted the discussion to the protection of vulnerable populations during tax reforms. Titilola advocated for an equitable approach, suggesting a tax increase for those with the capacity to pay, while ensuring universal access to services. She introduced the concept of policies exempting specific groups from taxes while guaranteeing continued service provision, serving as a protective measure for vulnerable communities.

Concluding Observations

Jonathan Yakutiel gave the space to the presenters and discussants to share their concluding remarks.

Colette mentioned that tax reform was an important topic and she reckoned that similar conversations should be had so that we do not only focus on the taxation aspect of things or try to question why services are not being delivered as they should but really understand how processes work in practice. She welcomed everyone to reach out to her if they need further clarification on the Malawi case.

Abou emphasized the significance of the ongoing discussion, highlighting the critical role of fiscal capacity for local councils across all levels. As many lower-income countries transition to decentralized systems of government, he stressed the vital link between fiscal capacity and effective service delivery at the local level. Drawing from past experiences, Abou identified trust and compliance as persistent challenges. He proposed that a transformative tax reform should focus on unlocking the tax potential, citing examples such as participatory budgeting and digital townhalls. These approaches aim to foster a sense of inclusivity, making individuals feel part of the decision-making process, thereby promoting voluntary compliance. Abou recognized the high cost of enforcement and advocated for strategies that encourage citizens to willingly adhere to tax obligations.

Abraham expressed gratitude for the invitation. He emphasized that in whatever we do, we needed to remember that there were people who could not afford to pay taxes, but who still needed to be provided with services.

Titilola thanked everyone for taking the time to join the session. She welcomed everyone to reach out for further engagement on the topic.





Jonathan Yakutiel concluded the session by expressing his gratitude on behalf of UN-Habitat and GLTN to all the participants who had been joining the learning sessions this year. He expressed the anticipation of UN-Habitat and GLTN to continue these learning sessions in 2024.



ANNEXES

ANNEX 1 ATTENDANCE LIST

Name	Organization
Nora Honkaniemi	GIZ
Enid Slack	University of Toronto
Jane Katz	Independent expert
Louise Muller, Mark Lewis	City of Cape Town
Abou Bakarr Kamara	International Growth Centre
Paterson Gauntner	Independent expert
Peadar Davis	Ulster University
Richard Baldwin	Iland
Thomas Kanneh	Independent
Titilola Akindeinde, Wilson Prichard, Colette Nyirakamana, Moyo Arewa, Rosetta Wilson, Priyanka Shah	Local Government Revenue Initiative (LoGRI), ICTD
Andrew Mwinga	Ministry of Local Government and Rural Development in Zambia
Abraham	International Budget Partnership's
Robert Lewis-Lettington, Kevin Kihika, Meher Bhagia, Sophie Njenga, Jordi Sanchez, Evandro Holz, Kate Cotty, Jong Hee Paik, Yasmine Baamal, Merceline Okoth, Beza T. Desta.	UN-Habitat
Shiyanbola, Robert Ereola, Raidt Bert, Kuffer Monika, Mutuku Benson Mutinda, Oyeku Debbie, Annika Lenz, Deema Abuthiab	University of Twente - ITC
Clinton Omusula, Jonathan Yakutiel.	UN-Habitat (Learning Series Team and support staff)

ANNEX 2 PRESENTERS

SERIES 3 SESSION 4: PRESENTERS AND FACILITATORS		
Name and	Role and Topic	Brief Bio
<p>Dr. Colette Nyirakamana, LoGRI</p> 	<p>Presenter, Linking Revenues with Services through Earmarking</p>	<p>Dr. Colette Nyirakamana is the Research Lead for the LoGRI program and Senior Research Associate at the Munk School of Global Affairs and Public Policy at the University of Toronto. She holds a doctoral degree in Comparative Public Policy from McMaster University and her research focuses on local finances with particular emphasis on the administrative, institutional, and political factors that create favourable and unfavourable conditions for effective revenue mobilization.</p>
<p>Abou Bakarr Kamara, IGC, Sierra Leone</p> 	<p>Presenter, Participatory Budgeting in Sierra Leone</p>	<p>Abou Bakarr Kamara works as a Country Economist for the International Growth Center in Sierra Leone. He has diverse experience in the private and public sectors and held senior positions in government institutions in Sierra Leone. He was also involved in the property tax reform in Freetown, Sierra Leone.</p>
<p>Andrew Mwinga, Ministry of Local Government and Rural Development, Zambia</p> 	<p>Discussant</p>	<p>Andrew Mwinga an experience of over 20 years in the Local Government system. He is Assistant Director - Local Government Finance and Audits at the Ministry of Local Government and Rural Development in Zambia. He is also Secretary to the Rating Valuation Tribunal mainly in charge of managing the Tribunal and addressing all its administrative functions. He has worked in the development of training materials, manuals and guidelines in rating and public finance management for several countries including Zambia, Malawi, Mozambique</p>
<p>Dr. Abraham Rugo, International Budget Partnership, Kenya</p> 	<p>Discussant</p>	<p>Dr. Abraham Rugo is the International Budget Partnership's Country Manager for Kenya. Prior to joining IBP in July 2017, he worked at the Institute of Economic Affairs (2007-2013) and as a public sector consultant (2014-2016). He has a wealth of experience working in decentralization, participatory governance, and public finance management in Kenya. He holds Master's and Doctoral Degrees in Public</p>

		Management from the University of Potsdam, Germany.
<p>Jonathan Yakutiel</p> 	Moderator	Jonathan Yakutiel is a Land, Housing, and Shelter Specialist at UN-Habitat's Land, Housing, and Shelter Section. With a primary focus on Francophone Africa, Jonathan actively engages in bolstering land programmes. His expertise encompasses projects and programmes related to land policy development, institutional and legal reforms, effective land dispute resolution, and the establishment of Land Information Systems. Additionally, Jonathan plays a role in municipal governance projects, such as working on projects related to land and property taxation for the provision of urban services.
<p>Dr. Titilola Akindeinde, LoGRI</p> 	Commentator/Facilitator	Dr. Titilola Akindeinde is LoGRI's Executive Director. She has more than 20 years of experience in Economic Policy and Strategy, and a proven track record as a UK government economist, a consultant providing technical support to the Government of Nigeria, and as Team Leader/Programme Manager implementing FCDO funded Policy Development Facility (PDF) programmes, where she demonstrated success in leadership, programme management, strategic thinking and engagement, analytical decision making, economic analysis, and policy and strategy development.