

EGAP STORIES OF CHANGE

CAN INFORMATION ABOUT TAXATION AND IMPROVED PUBLIC SERVICES INCREASE TAX COMPLIANCE?

LESSONS FROM MALAWI

EDITED BY

JACLYN LEAVER, EGAP

PRINCIPAL INVESTIGATORS

JAKE BOWERS, UNIVERSITY OF ILLINOIS

NUOLE CHEN, UNIVERSITY OF ILLINOIS

CHRISTOPHER GRADY, UNIVERSITY OF
ILLINOIS

MATTHEW WINTERS, UNIVERSITY OF
ILLINOIS

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EVIDENCE
IN GOVERNANCE
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The Metaketa Initiative is a **collaborative research model** with a mission to improve knowledge about critical governance issues through **rigorous field experiments**. In each Metaketa "round," the initiative coordinates multiple studies on a specific topic or intervention in a variety of countries and contexts.

The second Metaketa round focused on **formalization, taxation, and public services**, with studies in six countries exploring if demand-side behavioral interventions, which reduced upfront transaction costs that prevent people interested in entering into a fiscal contract with their government from doing so, increase formalization, access to public goods, and tax payments. Here we share the story of an experiment in **Malawi** aimed at connecting tax compliance with city service delivery in the minds of citizens.

The Metaketa Initiative is led by Evidence in Governance and Politics (EGAP) at the University of California, Berkeley. It is partially funded by the UK's Department for International Development and involves a global network of researchers conducting studies in countries around the world.

PROJECT COUNTRY: MALAWI



PROJECT TIMELINE



BASELINE: NOVEMBER 2018
INTERVENTION: MARCH 2019
ENDLINES: APRIL 2019; JANUARY 2020



A gentleman sells various kinds of waste collection bins in Zomba, Malawi

THE CHALLENGE

Cities can fall into a detrimental cycle wherein citizens do not pay taxes and fees to the city and the city fails to provide government services to citizens. The lack of service provision justifies the evasion of taxes and the lack of tax revenue prevents governments from providing services. In short, when citizens don't pay taxes, governments can't provide services, which, in turn, provides citizens with a logic for not paying. For example, in the city of Zomba, Malawi, fees and charges for city services are the main form of municipal revenue generation. The city requires that every household pay a city fee, or "rate," in exchange for waste collection, street lighting, road maintenance, etc. Many households


do not pay these city rates despite their desire for these municipal services. This, along with a lack of capacity from the city such as an insufficient number of vehicles, results in whole wards lacking city services. In turn, this has effects on public health and quality of life in the city.

“CAN INFORMATION ABOUT THE CONNECTION BETWEEN TAX PAYMENT AND PUBLIC SERVICE DELIVERY PERSUADE CITIZENS TO PAY TAXES?”



The "skip" truck delivering a large waste collection bin to a Zomba neighborhood.

RESEARCH DESIGN



A research member from IPOR shares results from the intervention with community members.

AN INTERVENTION THAT INCLUDED EXPANDING WASTE COLLECTION SERVICES AND AN INFORMATION CAMPAIGN

This study was conducted in Zomba, in the context of continually expanding city boundaries that have resulted in citizens being newly incorporated and expected to pay property taxes to fund waste collection, among other public services.

Researchers Jake Bowers, Nuole Chen, Christopher Grady, and Matthew Winters (all from the University of Illinois at Urbana-Champaign) along with researchers at the Institute of Public Opinion and Research (IPOR) conducted this study to evaluate an intervention that expanded waste collection in order to encourage citizens to pay city taxes and thereby formalize their relationship with the city. The intervention consisted of two aspects:

1.) Expanding waste collection service in Zomba through a “skip” system that placed eight large waste containers in areas of the city that were not receiving waste services

2.) An information campaign that included information about the connection between city services and taxes, as well as information about electronic payment options and the existence of a forgiveness plan for overdue taxes

Everyone in treatment neighborhoods who paid taxes received 6 months of waste collection. The team then measured the effects of receiving information about the intervention, the spillover of that information to other households, and the waste collection itself.

RESULTS

This study focused on the impact of an information campaign about the linkages between tax compliance and city service delivery in the city of Zomba, Malawi. The information campaign occurred in the context of a positive shock to waste collection (i.e. increased trash pick-up by the city) reaching 804 households in 91 neighborhoods. While the information campaign succeeded in raising awareness of the obligation to pay local property taxes, it did not have effects on citizens' tax payment behavior, nor did it change broader attitudes toward the city government. In an observational data analysis, the researchers found that individuals who newly access the city service are more likely to pay their property taxes, but this relationship cannot be attributed to the information campaign.

This study's results are most similar to the Nigeria study that formed part of this Metaketa round. The Nigeria project focused on the formalization of market vendors in Lagos, which included in-person information sessions at the place of business as well as an offer to assist with the application forms and information about the location of the nearest Lagos IRS office.

While these two studies look at different programs, their results are similar. In both contexts, there was a weak latent demand and too many barriers to entry for formalization. In Nigeria, people who paid for their registration cards did not always go to pick them up from the IRS office. In Malawi, while people prefer formal trash collection in the abstract, they are not willing to pay for it.

Additionally, in both studies, citizens believe that there are better

alternatives to the state. In the case of Nigeria, market associations have a better record of getting things done for vendors. In Malawi, the simple act of dumping trash in pit latrines is free, and thus preferred.

804

Number of households that received the information campaign.

6

Citizens' awareness of their obligation to pay property taxes increased by 6 percentage points.

LESSONS + IMPACT

One of the most important lessons learned from this project is that alternatives to formalization matter. That is, for interventions to work, the choice to formalize has to be preferable to the status quo. In the case of Malawi, throwing trash away in pit latrines is free, which makes it difficult to incentivize citizens to pay taxes for waste collection.

While the results are mixed, this project has led to some fruitful conversations about policy changes between the researchers and Zomba City Council. Specifically, the City Council is interested in how they can scale up this information campaign to other parts of the city. Additionally, researchers at IPOR have trained Zomba City Council staff on how to discuss city rates payment in a different, more accessible way that helps residents better understand the policies.

Key takeaways from this project and the other studies that form this Metaketa round suggest that formalization is attractive to individuals when governments offer valuable personal benefits, such as access to retirement income in exchange for formalizing. Furthermore, easy processes—for example, a one-time online sign-up that can be done with relatively little assistance—are crucial for formalization to occur. Finally, and perhaps most importantly in the case of Malawi, it is important to understand the pre-existing norms and beliefs that may pose challenges to formalization. In the Malawian context, there was a strong norm against paying taxes as many people believe the state provides little in the way of public goods.

QUESTIONS FOR FURTHER CONSIDERATION

As researchers and practitioners continue to study how to lower the barriers to formalization, here are a few questions for further consideration:

- Do people benefit from formalization?
- Can they access similar benefits in the informal sector?
- How costly and complex is the process?
- Do the benefits outweigh the costs?
- Do politicians and bureaucrats benefit from formalization?
- Do politicians and bureaucrats see it in their interest to simplify procedures?



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LEARN MORE

For additional information about this study, visit the [project webpage](#).

For more on the researcher / implementing partner relationship, read [Partnership Lessons 15: Malawi Taxes for Public Services with the Institute for Public Opinion and Research](#).

Explore other projects in the [Metaketa II round](#).

KEY CONTACTS

Nuole Chen, Principal Investigator
University of Illinois, Urbana Champaign
nchen3@illinois.edu

Christopher Grady, Principal Investigator
University of Illinois, Urbana Champaign
cdgrady2@illinois.edu

Jaclyn Leaver, Director of Research
EGAP
jleaver@berkeley.edu

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