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# Same same but different: The effect of political alignment on revenue performance and fiscal behavior of Mozambican municipalities

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1. Introduction: The broader project and the focus of this presentation
2. Research Design
3. Results
4. Conclusion



# Introduction



- What do we know about municipal revenue performance in Mozambique?
  - Use of revenue potential is low
  - High amount of variance between municipalities.
  - Why? We know little.



- Why should we care?
  - Local taxation can make a contribution in terms of revenue mobilisation
  - High spill over effects on socio-political variables of interest
  - Successful decentralization can make a contribution to sustainable peace



*How do administrative and socio-political factors affect revenue mobilisation at the municipal level in Mozambique?*

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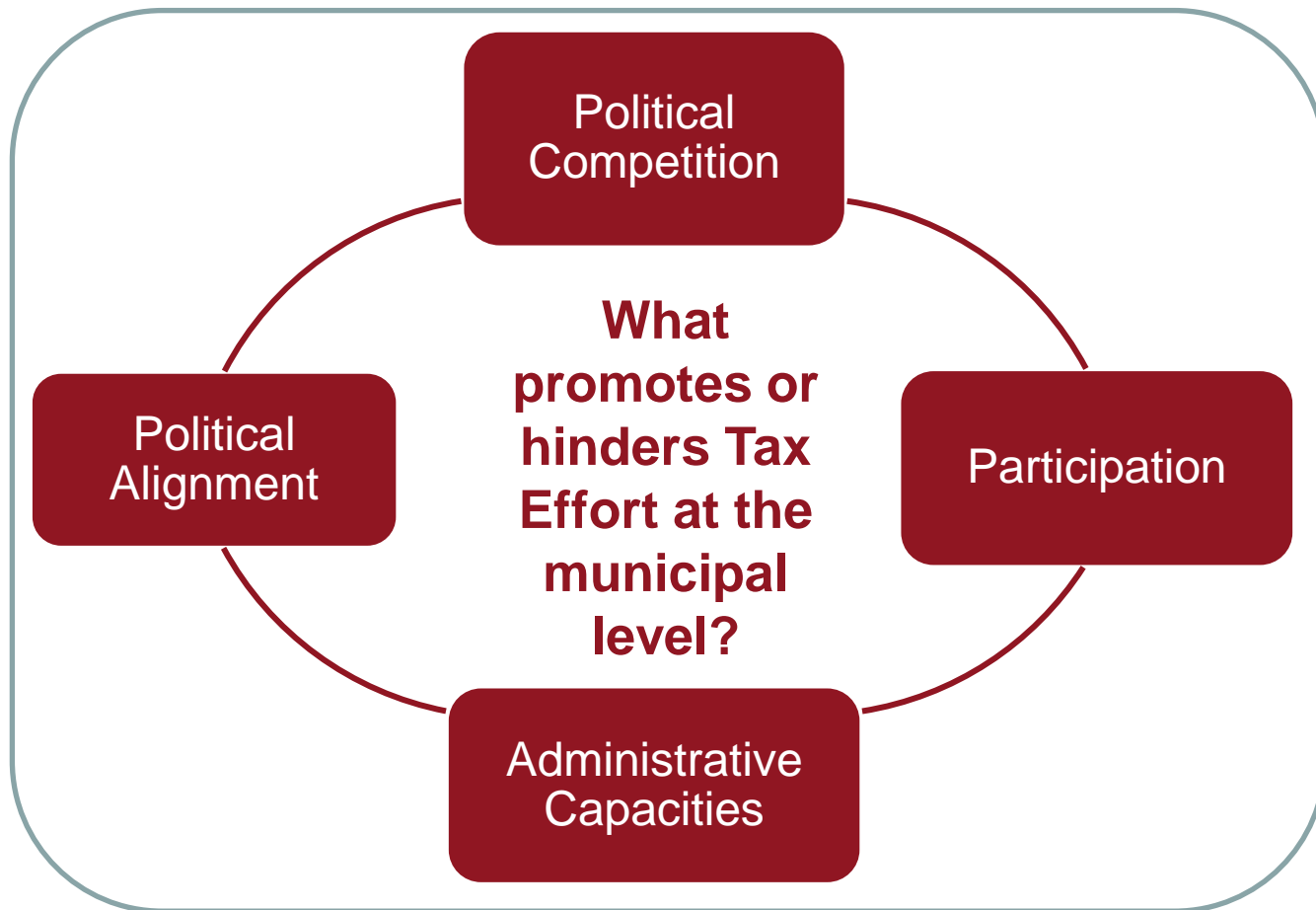


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## Transfer system



## Revenue competencies



- I. *Do municipalities with lower **administrative capacity** perform worse and collect revenue differently?*
- II. *Which are the biggest administrative bottlenecks to collect revenue?*
- III. *Do municipalities **not aligned with the government at the national level** perform differently than aligned municipalities?*
- IV. *Do municipalities with high **electoral competition** perform differently than those with low electoral competition.*
- V. *Does high **participation of citizens** in local politics lead municipalities to behave differently in terms of revenue policies and openness to the citizens?*



# Questions we focus on today



- I. *Do municipalities with lower administrative capacity perform worse and collect revenue differently?*
- II. *Do municipalities not aligned with the government at the national level perform differently than aligned municipalities?*
- III. *Does high participation of citizens in local politics lead municipalities to behave differently in terms of revenue policies and openness to the citizens?*

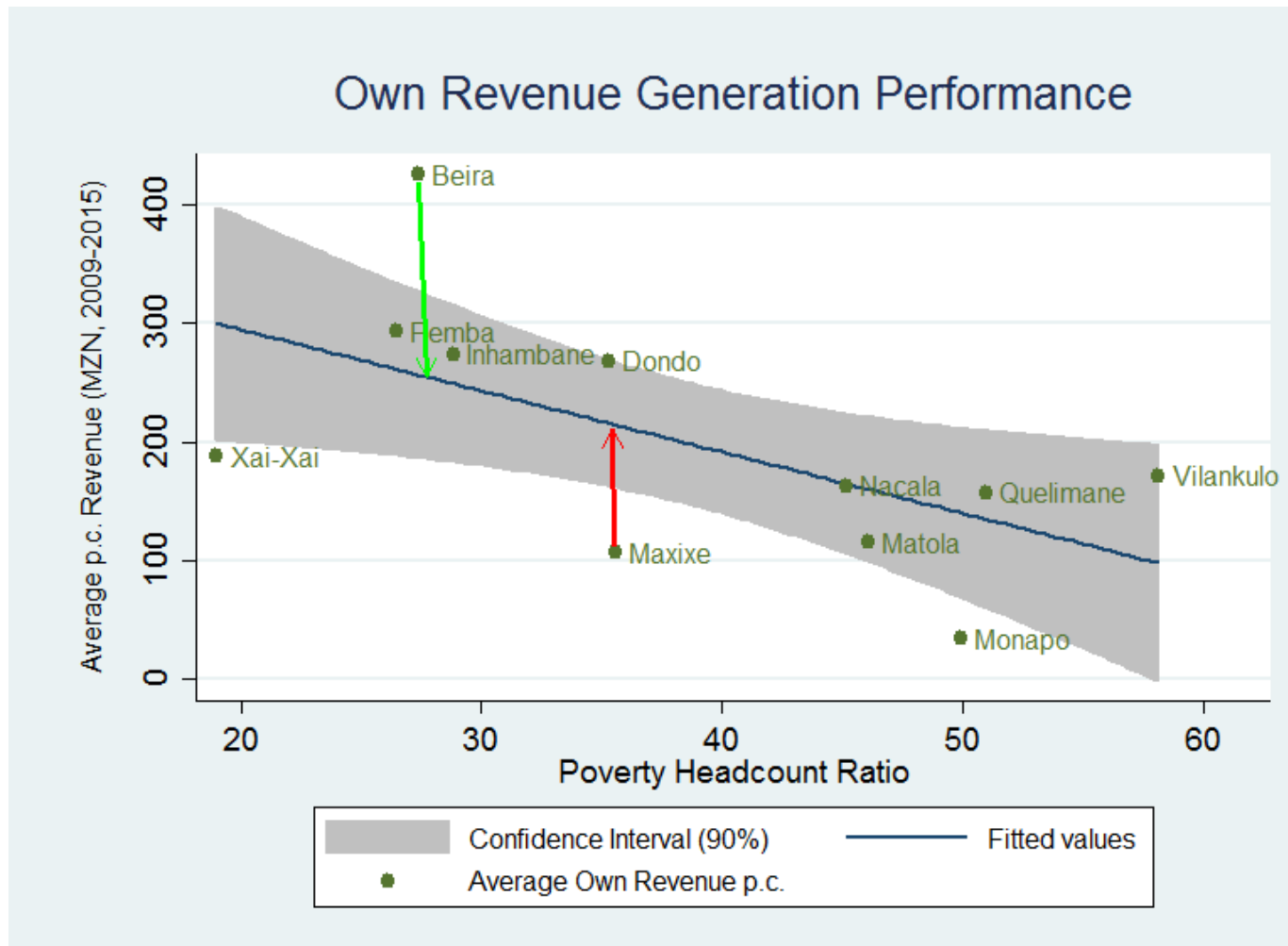


# Research Design



1. **Revenue performance:** use of the tax potential
2. **Revenue composition:** „Tax differently“-  
administratively demanding vs. Administratively less  
demanding taxes

# Revenue performance




Source: Own Representation, Data from MAP Consultoria (2017) and UNU-WIDER (2015)

# Administrative Complexity of Revenue Sources



## Ranking of Selected Revenue Sources:

Revenue Source	Administrative Complexity
IPRA	High
DUAT	
SISA	
TAE	
IPA	Low
Market Fees	
Fees for service provision (i.e. taxa de lixo, água, transportes)	



# Research Design



Diverse case studies strategy:

Pemba  
Nacala  
Monapo  
Quelimane  
Dondo  
Beira  
Vilankulo  
Inhambane  
Maxixe  
Xai-Xai  
Matola



- 102 Semi-structured interviews in 11 municipalities and at the national level
- Data Analysis based on data provided by GIZ and UNU-WIDER
- Implementation of a Survey covering all 53 municipalities with ANAMM and IESE (*coding is ongoing*)





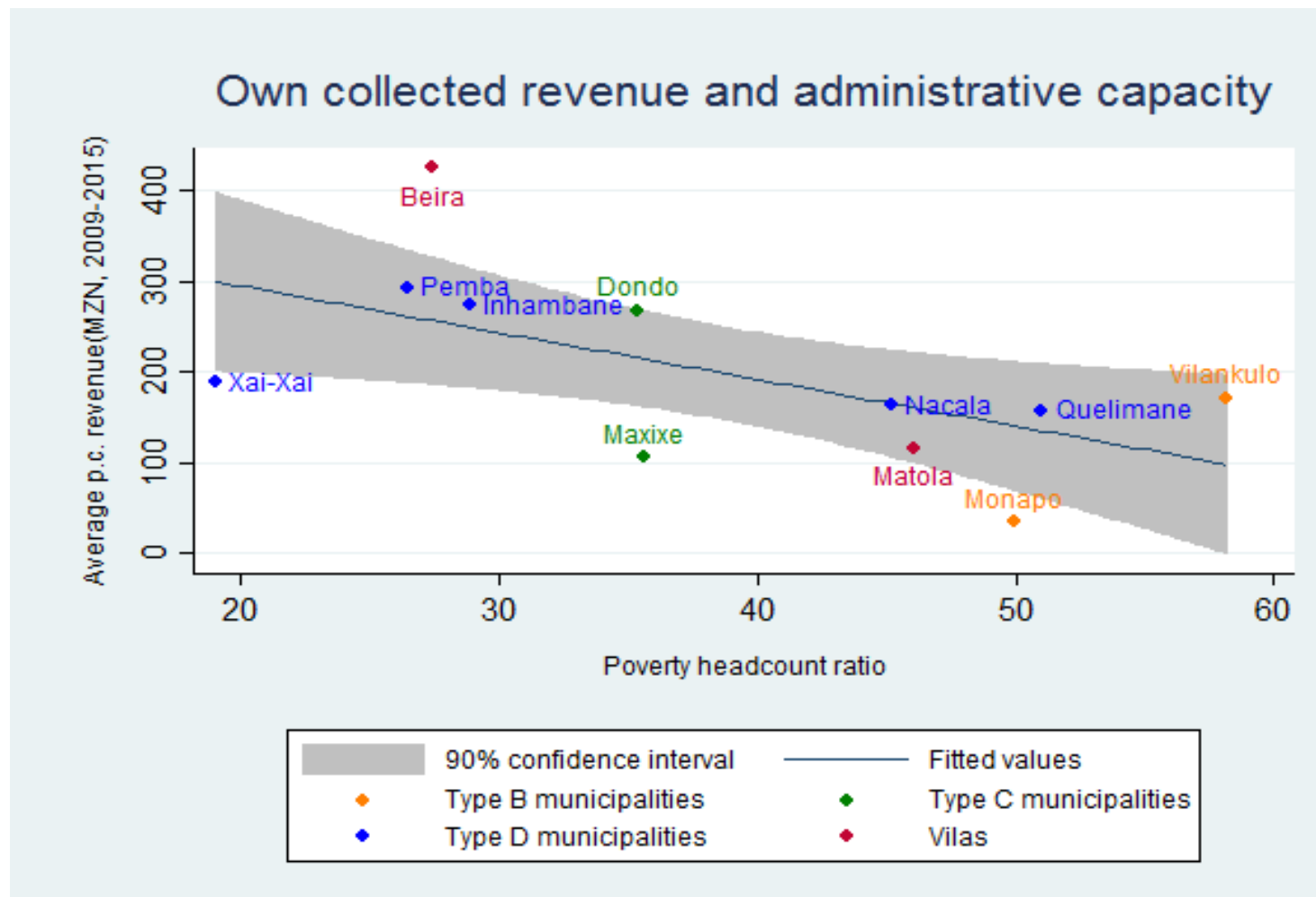
# Results





- I. Do municipalities with lower administrative capacity perform worse and collect revenue differently?*

# Results- Question 1



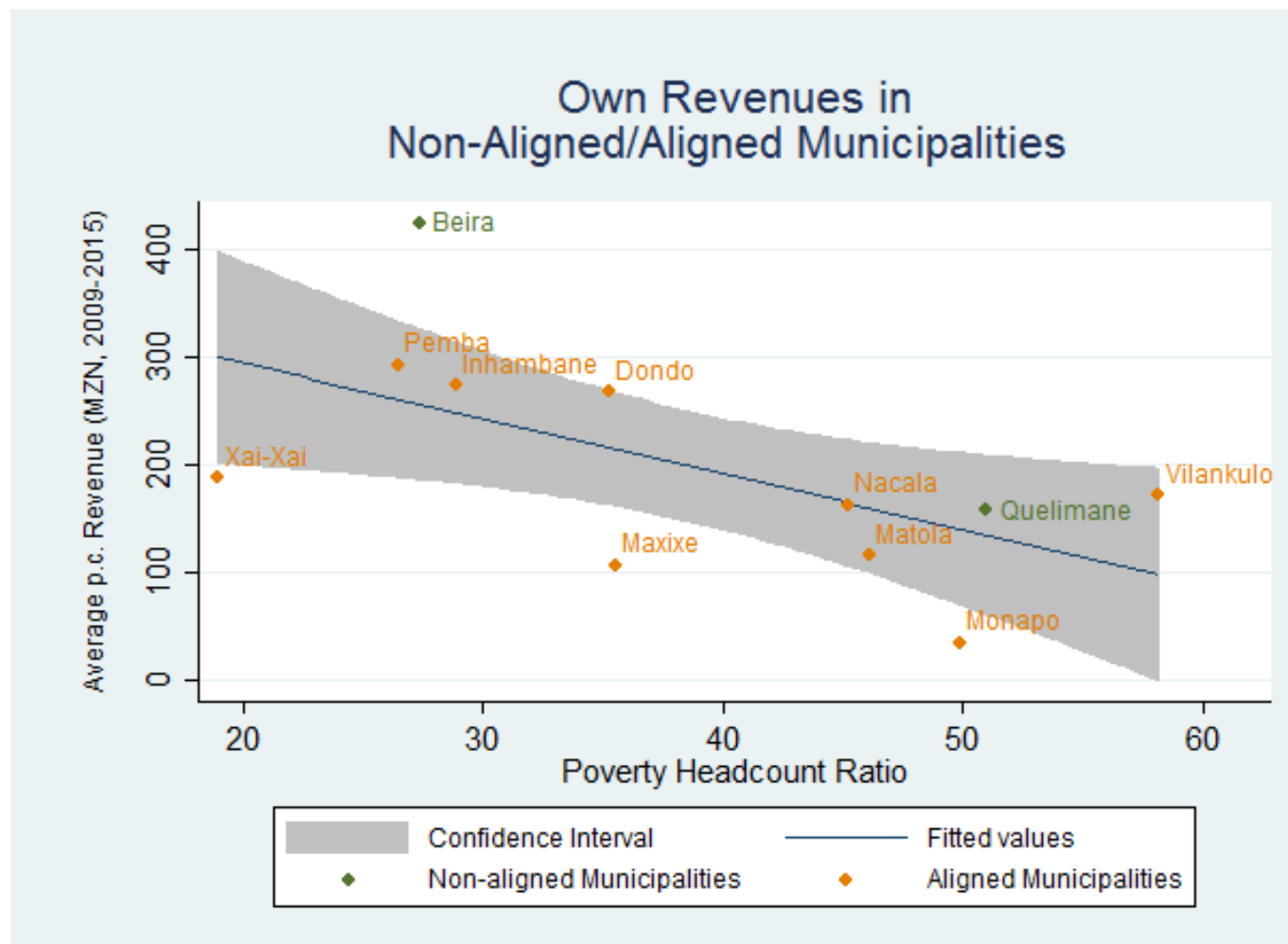


- The effect of administrative capacity is not deterministic
- Capacity appears to have an effect on the revenue instruments used not the overall performance
  - Municipalities with high administrative capacity are more likely to invest into demanding revenue sources (IPRA, DUAT)



*II. Do aligned municipalities behave differently in terms of revenue collection?*

# Results- Question 2





- Non-aligned municipalities increase their efforts to improve revenue mobilisation because they perceive
  - higher uncertainty about receiving discretionary and non-discretionary transfers.
  - that they receive less support from the central government.
- Non-aligned municipalities invest more in administrative capacity



*Does high participation of citizens in local politics lead municipalities to behave differently in terms of revenue policies and openness to citizens?*



- There is a widespread awareness among all municipalities about the importance of reaching out to citizens.
- Drivers of initiatives are rather donors and national level actors than local governments or civil society.
- Effectiveness is questionable and the circle of persons involved is considered very limited.
- Caveat: is the lack of an effect a proper of strength or does an effect not exist?





# Conclusion



## ➤ Methodologically

1. It is possible to assess tax potential and thereby discuss performance in a comparative framework



## ➤ Methodologically

1. It is possible to assess tax potential and thereby discuss performance in a comparative framework

## ➤ Contentwise

1. Administrative capacity has no deterministic effect
2. Non aligned municipalities use their revenue potential better
3. There is no evidence that active civil society has an effect on how municipalities collect revenue and approach their citizens

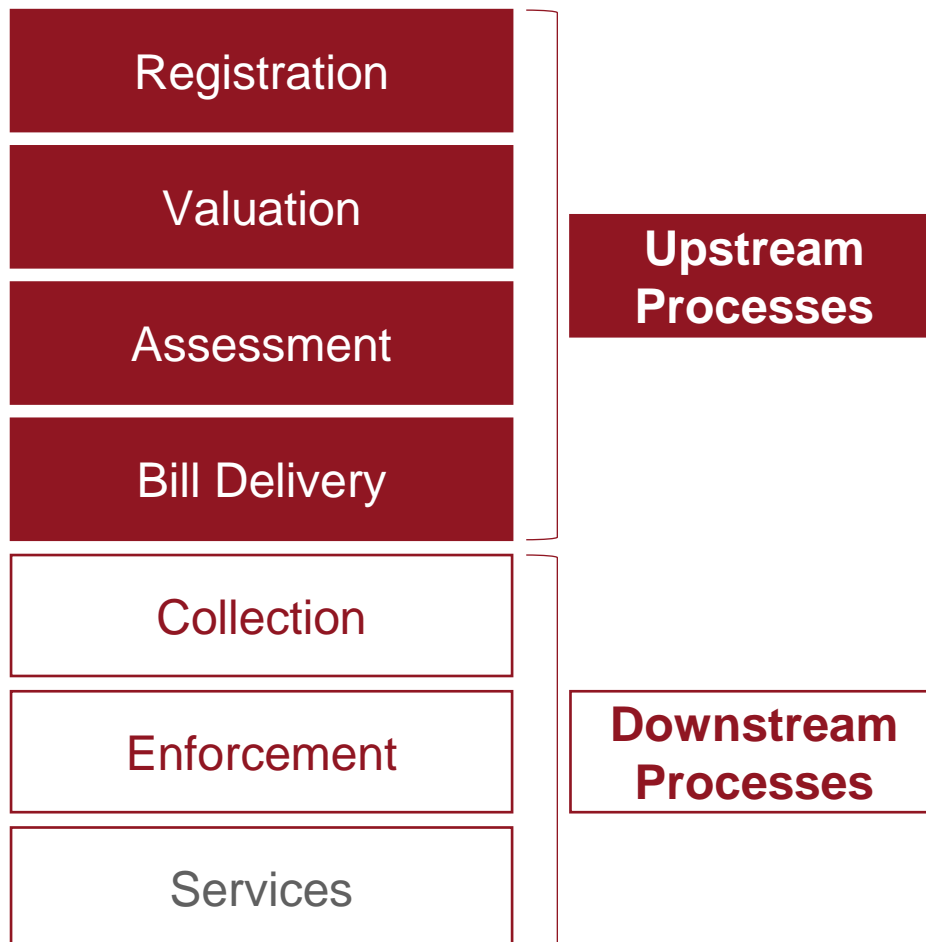


**Muito obrigado pela sua atenção!**

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# Upstream & Downstream Processes



**Upstream processes**, in particular registration, represent a **major constraint** to municipal revenue mobilization

**Ineffective upstream processes** result in further challenges of downstream processes

# Upstream & Downstream Processes



Specific **types of revenues** involve **different challenges** in upstream or downstream processes.

## Upstream Processes

Property-related revenues  
(IPRA, DUAT, FOROs, SISA)



Vehicle tax



Market fees



## Downstream Processes

IPA




# Administrative Complexity of Revenue Sources



## Ranking of Selected Revenue Sources:

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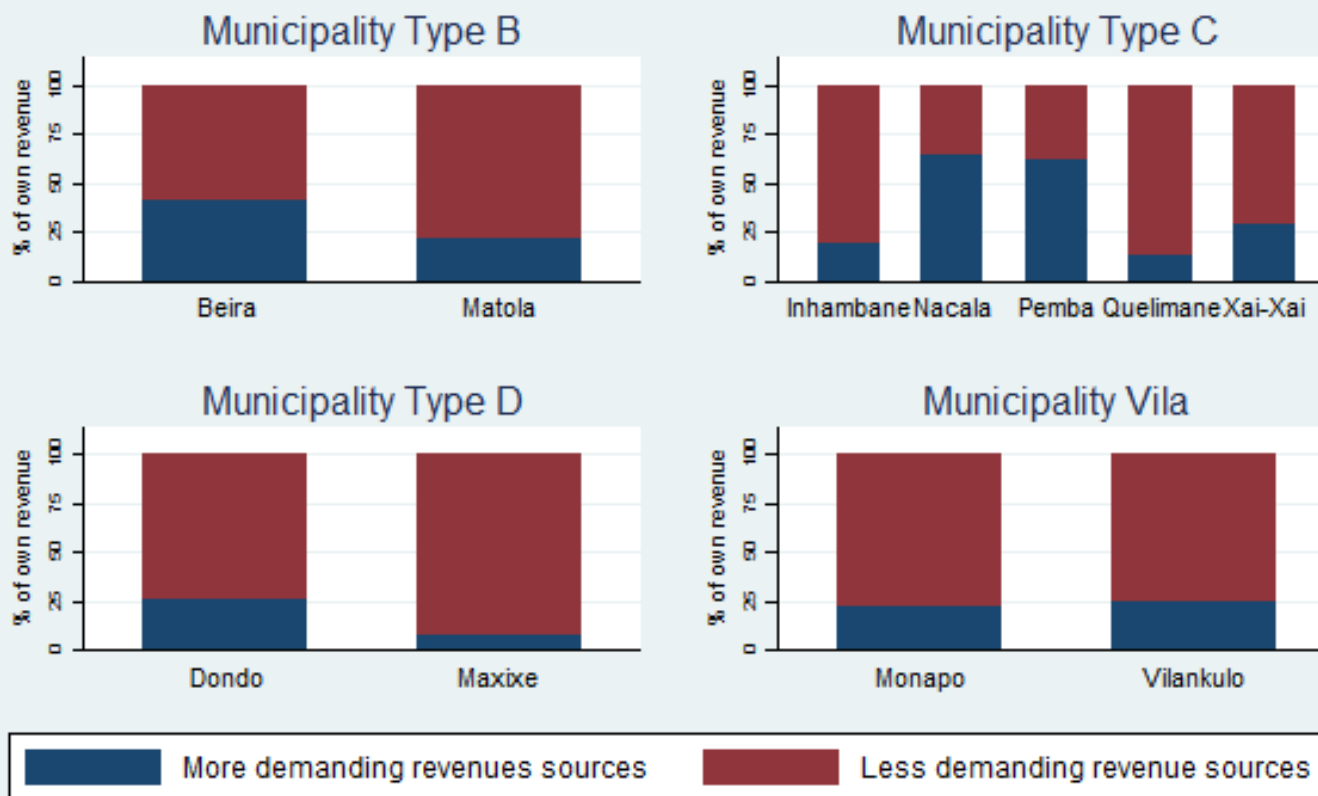




# Administrative Complexity of Revenue Sources



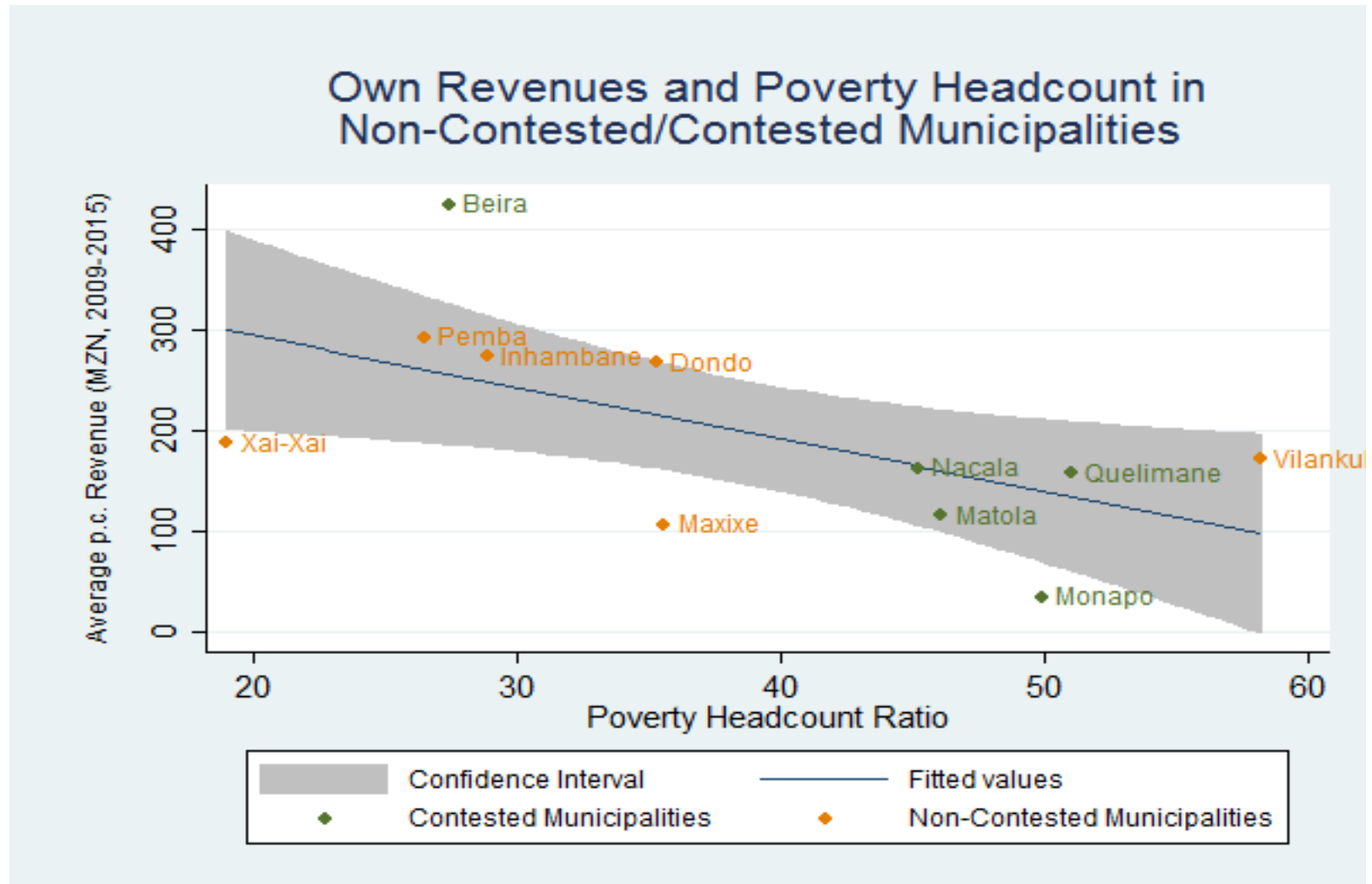
## Revenue Composition by Level of Complexity in 2014



The following revenue instruments are coded as demanding: IPRA, TAE, DUAT, SISA

Source: Own Representation, Data from MAP Consultoria (2017)

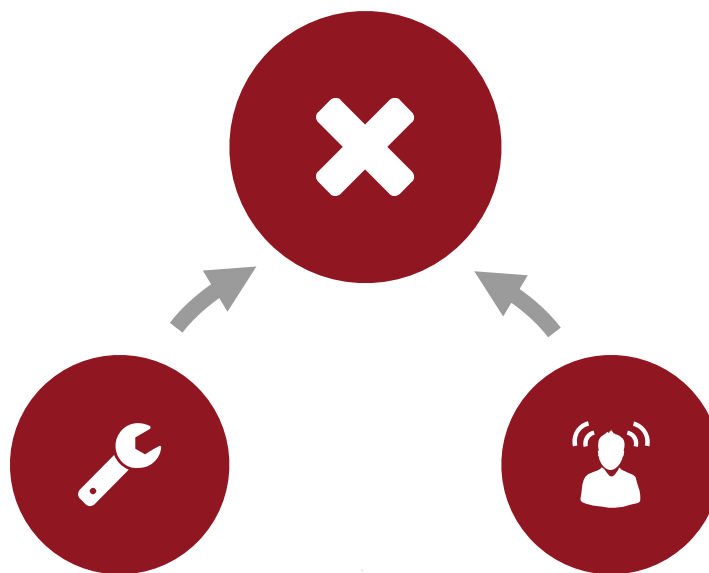
# Political Competition



Source: Own Representation, Data from MAP Consultoria (2017) and UNU-WIDER (2015)



**Outreach measures are not significantly driven by an active municipal constituency and civil society**



**CSOs:** Limited capacity to influence revenue policies without external support

**Citizens:** Lack of necessary knowledge, time or interest to systematically engage



# Recommendations



1. Establish an integrated digital (georeferenced) cadastre/register of all taxpayers
2. Facilitate payments of revenues  
→ *Best Practice: B.A.U. for revenue payments*
3. Coordinate outreach measures between all actors involved and implement joint activities
4. Impact evaluation of outreach activities & implementation of improvements
5. Strengthen the coordinative and representative role of ANAMM



1. Mapping of the revenue collection processes in order to clarify procedures and responsibilities
2. Enable staff exchange among departments to harmonize work processes
3. Improve internal control system to reduce risk of fraud  
→ Best practices: numerated and signed payment receipts for market fees



4. Conduct Cost-Benefit-Analysis for revenue sources and consider investments according to results
5. Design group specific information material on revenue payments for taxpayers and CSOs



1. Increase participation in meetings of the Assembleia Municipal at the local level
2. Increase participation in outreach activities of the municipality
3. Local and national CSOs (i.e. MASC & CIP):  
Strengthen cooperation and coordination in order to empower local CSOs to monitor municipalities (i.e. through social audits)



# Recommendations



1. Improve quality and sharing of data on subnational units (i.e. data from ministries, Autoridade Tributaria & EDM)
2. Include the municipality as a geographical unit in the upcoming census to improve data availability
3. Revise design of IPA and its sustainability
4. Discuss legislation to limit staff exchanges to top positions after elections to reduce losses of capacity
5. Develop reporting system of transfers disbursed to the municipalities and develop a formal mechanism for complaint treatment





1. Support financially and technically Cost-Benefit-Analyses for different revenue sources
2. Provide technical and financial support (incl. loans) for municipalities willing to invest in capacity increases that pay off in the long term
3. Support mapping reports and impact evaluations of outreach activities in the municipalities



4. Support research activities in the area of municipal revenue mobilization by Mozambican institutions

# Take Home Messages



All municipalities invest in improving revenue generation, but there is significant variation of effort.



Problems to effectively carry out upstream processes, in particular registration, greatly contribute to the underusage of revenue sources.



High political competition at the municipal level leads to stronger efforts to increase revenue collection.



Municipalities with a non-aligned government generate more revenues, due to a perception of low reliability of national support.



All municipalities invest in building a fiscal social contract, but efforts need to be more targeted and are not mainly driven by an active civil society.

# Administrative Complexity of Revenue Sources



Revenue Source	Main Challenges
IPRA	<b>Cadastre</b> (D, C, B), <b>lack of information</b> on process (vila), <b>valuation</b> update (C, B), <b>resistance</b> among citizens (D, C), low economic development (vila, D)
DUAT	Missing <b>registry/cadastre</b> (vila, D, C), missing <b>digitalized system</b> , informal settlements/lack of urban planning (B)
SISA	Lack of control over illegal sales/lack of <b>information</b> (C), partnership with banks to monitor sales (B)
TAE	<b>Registry</b> (B,C, D), <b>province collects</b> TAE, <b>resistance</b> to payment (D)
IPA	<b>Resistance</b> among citizens (vila, D, C), missing <b>registry</b> (only paid when services from CM requested/lack of control) (D, C), <b>minimum salary outdated</b> (C, B)
Mercados	<b>Control problem</b> with <i>cobradores</i> (C), solution by numbering and pre-stamping (vila, D), Lack of <b>register</b> (C,D)
Fees for service provision (i.e. taxa de lixo, água, etc.)	EDM: Lack of <b>information and transparency</b> , delay or no transfer (B,C,D)

# Case Selection Overview



Municipality	Province	Type of City	Foundation	Political Alignment*	Political Competition	% of Winner Votes	Citizen Participation	Participation Rate
Vilankulo	Inhambane	Vila	1997	Ruling Party	Stronghold	83,20%	Medium	47,50%
Inhambane	Inhambane	Cidade C	1997	Ruling Party	Stronghold	83,18%	High	57,19%
Xai-Xai	Gaza	Cidade C	1997	Ruling Party	Stronghold	80,08%	High	60,13%
Dondo	Sofala	Cidade D	1997	Ruling Party	Stronghold	77,44%	High	68,50%
Pemba	Cabo Delgado	Cidade C	1997	Ruling Party	Stronghold	74,10%	Low	40,20%
Maxixe	Inhambane	Cidade D	1997	Ruling Party	Stronghold	73,16%	Low	38,91%
Monapo	Nampula	Vila	1997	Ruling Party	<b>Contested</b>	70,20%	Low	32,00%
Matola	Maputo	Cidade B	1997	Ruling Party	<b>Contested</b>	56,53%	Low	37,97%
Nacala	Nampula	Cidade C	1997	Ruling Party	<b>Contested</b>	91,40%	Low	34,50%
Quelimane	Zambézia	Cidade C	1997	Opposition	<b>Contested</b>	68,20%	Low	42,60%
Beira	Sofala	Cidade B	1997	Opposition	<b>Contested</b>	70,40%	High	57,90%

Average % of votes winner in 2013 elections (for all 53 municipalities): 71,7% (16% Standard deviation)

# General Administrative Capacities



## Type of Administrative Capacity

## (Positive) Examples

Coordination between different departments

- Balcão de Atendimento Único (BAÚ)
- Often departments working in an isolated manner



Staff

- Lack of field technicians
- Trainings for functionaries needed
- Lack of institutional stability – frequent changes in personnel
- Staff motivation



Weak control environment

- Fake (market) receipts and vignettes
- Misappropriation on behalf of market collectors and community leaders



IT equipment

- Better systems needed (proper accounting system)