LOCAL FINANCIAL AUTONOMY BUILDING IN ACCRA AND NAIROBI

INCENTIVES, RULES, POWER, AND DISCRETION: A COMPARATIVE ANALYSIS OF LOCAL FINANCIAL AUTONOMY BUILDING IN THE CITIES OF ACCRA AND NAIROBI

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A Thesis Submitted to the School of Graduate Studies in Partial Fulfilment of the Requirements for the Degree Doctor of Philosophy in the Department of Political Science

DOCTOR OF PHILOSOPHY (2021), Department of Political Science, McMaster University, Hamilton, Ontario

TITLE: Incentives, Rules, Power, and Discretion: A Comparative Analysis of Local Financial Autonomy Building in the Cities of Accra And Nairobi. AUTHOR: Colette Nyirakamana, B.A. and M.A. (University of Montreal). SUPERVISOR: Dr. Ahmed Shafiqul Huque. NUMBER OF PAGES: ix, 285

Lay Abstract

This doctoral thesis attempts to answer the following questions: 1) Why do local governments fail to meet their revenue targets; 2) How do local actors mitigate the challenges of building strong financial autonomy through revenue mobilization activities? This study employs a qualitative comparative analysis of the cities of Accra, Ghana, and Nairobi, Kenya, to investigate these questions. Drawing on institutionalist theories and political economy studies, this thesis shows how institutional rules, powers, incentives, discretion structure the actions and strategies of local bureaucrats and local political elites. In turn, these actions shape revenue mobilization administration and outcomes. Additionally, the political context in which fiscal decentralization takes place conditions the willingness of the political elites to support or undermine the efforts to mobilize more revenue. These claims are supported by empirical data (interviews, primary source documents, and observations) gathered during two times four-month field research in Accra and Nairobi.

Abstract

This doctoral thesis attempts to answer the following questions: 1) Why do local governments fail to meet their revenue targets; 2) How do local actors mitigate the challenges of building strong financial autonomy through revenue mobilization activities? This study employs a qualitative comparative analysis of Accra, Ghana, and Nairobi, Kenya, to investigate these questions. Drawing on institutionalist theories and political economy studies, this thesis shows how institutional rules, powers, incentives and discretion structure the actions and strategies of local bureaucrats and local political elites. In turn, these actions and strategies shape revenue mobilization administration and outcomes. Additionally, the political context in which fiscal decentralization takes place conditions the willingness of local political elites to support or undermine the efforts to mobilize more revenue. These claims are supported by empirical data (interviews, primary source documents, and observations) gathered during two times four-month field research in Accra and Nairobi. Research findings show that from the period studied (2013 and 2017), revenue collection performance was low and did not allow Accra and Nairobi to achieve substantial financial autonomy. The revenue performance did not decrease the dependence of the two cities on external grants and revenue transfers. Poor revenue collection performance is caused by the ambiguity of fiscal decentralization rules, which opens up space for target adjustments and spending at source a portion of the revenue mobilized. Moreover, research findings show that revenue mobilization is administered by strong and weak bureaucratic capacity. In situations where the bureaucratic capacity is strong, it is not used optimally due to inadequate organizational capacity. Finally, research findings reveal that political elites use their institutional powers and discretion to undermine the implementation of strategies designed by bureaucrats to mobilize more revenue when these strategies threaten their interests. Ultimately, although local elected officials have been transferred the power to build financial autonomy, they fail to take ownership of this power because the political and institutional context in which they interact, compels them to resist innovative strategies that could enable the conditions for greater revenue mobilization in Accra and Nairobi.

To my Parents

ACKNOWLEDGMENTS

This thesis was financially supported by scholarships and grants from the Social Sciences and Humanities Research Council (SSHRC), the Ontario Graduate Scholarship (OGS), the McMaster School of Graduate Studies Travel Grant and the William Coleman Fund for travel and fieldwork. This financial support positively impacted my motivation to work harder in order to pursue this doctoral program and conduct very formative field research.

Undeniably, this thesis was the fruit of very hard work and a journey filled with challenges, adventures, moments of joy and self-fulfillment. It wouldn't have achieved without the support of many. To start, I would like to thank my supervisor, Dr. Shafiq Huque for his unconditional support in this process. Your supervision and guidance throughout this journey, your time and your ability to help me sharpen my intellectual reflection were vital in achieving such an important milestone. Also, Dr. Michelle Dion was exemplary in her supervision, particularly on the methodology aspects and the thesis structure. Your sound and sensible advice allowed me to refine all the building blocks of the thesis. Finally, Dr. Peter Graefe was exceptional in providing me with support and guidance both personally and academically. During times of doubt about my ability to conduct this research, you were able to encourage and reassure me and provide me with appropriate guidance in refining my thoughts and mostly the theoretical and the empirical aspects of the thesis.

A special thanks to Dr. Amy Poteete, who agreed to serve as the external examiner, and for the highly constructive feedback that I received. It will be helpful in the publication of some sections of the thesis.

This thesis is primarily composed of an empirical analysis from the data collected in Accra, Ghana and Nairobi, Kenya. During the field research, I met several people without whom this thesis wouldn't be rich in empirical findings.

In Accra, words wouldn't be enough to express my gratitude to Dr. Justice Bawole from the Business School of the University of Ghana. I benefited from your wise advice in understanding the political context in which fiscal decentralization takes place in Accra. I am grateful for your mentorship, empowerment and for offering me the necessary tools to conduct the field research, including the Letter of Introduction that I needed to secure interviews and a working office in the Department of Public Administration and Health Services Management.

A special thanks to Peter Adjei for introducing me to Ghanaian social life and especially for helping me understand how to travel around the city by public transport, either for my meetings with research participants or when I had to go back to my place of residence in Accra.

More importantly, I would like to express my gratitude to my research participants in the cities of Accra and Nairobi, central government officials from the agencies involved in fiscal decentralization and some members of the informal sector in Kenya and Ghana. Your warm welcome, your willingness to participate in this research despite your busy schedule, your trust in providing me with additional documents and financial data for this research are tremendously appreciated.

Moreover, In Accra, I received support and help from several people, including Francis, Samuel, Godwin, Carr, Kate, William A., Uncle Edem, Auntie Rosemary and Uncle Emmanuel. Special thanks to Auntie Shola for welcoming me into your home and providing me with a comfortable place to live to conduct my field research in Accra with peace of mind.

In Nairobi, I benefited from the Kenyan welcome style, support and guidance from Manuel and family, Tim K., Eric A., Tracy, Walter and Victor. You were key in facilitating my access to my research respondents and ensuring that my stay in Nairobi goes smoothly. I want to thank the Kenya Institute for Public Policy Research and Analysis, which offered me an affiliation with the institution and a workspace and mentorship from Dr. Kivoi.

The life of a doctoral student can be both agreeable but also fraught with doubts about one's ability to accomplish such a demanding program both intellectually and mentally. However, I benefitted from remarkable advice from Dr. Karen Bird, Dr. Katie Boothe, Dr. Alina Sajeed, Dr. Stephen McBride, Dr. Netina Tan, Rebekah, Wendy and Manuela during the time spent in the Department. More importantly, Manuela was exceptional in helping me familiarize myself with the degree requirements and all the administrative procedures to follow. I will never forget our enjoyable conversations and moments of laughter that somewhat cheered me up.

To my doctoral colleagues Jesper, Claudia, Liam, Khaled, Helen, Mike, Sacha, Kassu and Benard. Without you, I wouldn't have enjoyed a Hamilton-like social life outside of my lonesome doctoral life.

To my family and friends Achille, Anita, Karine, Lia, Diane, Solange, Alice, Amélie, Eva, Genevieve, Laurence, Mélanie, Larissa, Ramatou, Carine, Marie-Jeanne, Sandrine, Coucou, Auntie Hadiara and Uncle Harouna. You believed in me, encouraged me and showed a lot of patience when I couldn't spend more time with you because I was busy with my studies.

This doctoral journey was inspired by my mentors Christine and Pascale. You have been my role models and my source of inspiration, both personally and professionally.

To my friends and wise advisers Isaac, Dora and Sule. You showed me the value of my work and your wise advice on navigating through the Ph.D life and seeing the light at the end of the tunnel.

I was fortunate to meet Wilson P. Vanessa and Moyo. towards the end of this doctoral journal, who reminded me of the value of my work and encouraged me to pursue it with passion.

Finally, to my husband Sebastian and my love Ethan. I am grateful for your unconditional support, for reminding me not to give up when it was difficult and for your patience when I had to work long hours.

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List of Abbreviations and Symbols

AMA	Accra Metropolitan Assembly
BOR	Budget Outlook Review Paper
CA	County Assembly
CE	County executive
CFSP	County Fiscal Strategy Paper
CILOR	Cash in Lieu of Rate
COB	Controller of Budget
CRA	Commission for Revenue Allocation
HI	Historical Institutionalism
IGF	Internally Generated Funds
IO	International Organizations
MCE	Metropolitan Chief Executive
MLGRD	Local Government and Rural Development
MMA	Mills Method of Agreements
NCC	Nairobi City County
OECD	Organization for Economic Co-operation and Development
PFM	Public Financial Management
RCC	Regional Coordinating Council
SSA	Sub-Saharan Africa
UCLG	United Cities and Local Governments
UDG	Urban Development Grant
WB	World Bank

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Declaration of Academic Achievement

This dissertation represents original research that I conducted, including the research design, data collection, coding, analysis, and write-up of the findings. My primary supervisor, Dr. Shafiq Huque, provided me with invaluable advice on the components of decentralization policies and the politics of reforms in developing countries, the organization, and the edition of the dissertation. Dr. Michelle Dion from the Department of Political Science at McMaster University, also a member of my supervisory committee, provided thoughtful guidance on the methodological and theoretical components of the thesis and additional editorial advice. Dr. Peter Graefe from the same Department contributed with more insights about the theoretical framework on institutional theories and the empirical analysis and further editorial advice. Earlier drafts of parts of this research have been presented at international conferences and academic workshops.

CHAPTER ONE: INTRODUCTION

1.1. Research Puzzle

The choice of a government system that can sustain political, economic, and social development has been a challenge for Sub-Saharan African (SSA) countries since independence (Kpessa et al. 2011; Thies 2004; Bratton and Chang 2006). Following the democratization period of the 1990s, SSA countries adopted decentralization and devolution policies to improve political, economic, and social development. Decentralization allowed the creation of local governments to work at improving the living conditions of citizens and foster economic growth, participatory democracy, and accountability (Erk 2015; Bratton 2012; Dafflon and Madiès 2013; Olowu and Wunsch 2004).

The definition of decentralization is contested, and scholars use this term to define different administrative policy arrangements. Scholars define decentralization as an administrative reform or a policy with the objective of improving public service delivery through local governance in both unitary and federated political systems (Erk 2014; Awortwi 2011; Bawole 2017; Martinez-Vazquez and Vaillancourt 2011). According to the Organization for Economic Co-operation and Development (OECD), decentralization

> "refers to the transfer of powers and responsibilities from the central government level to elected authorities at the subnational level (regional governments, municipalities, etc.), having some degree of autonomy. Subnational governments are a legal entity directly elected by universal suffrage and having their own budget, staff and decision power" (OECD 2019).

Drawing on this definition, decentralization is defined in this dissertation as a policy or reform aimed at transferring powers and responsibilities from the central government to local governments with some degree of political and financial autonomy to initiate development from local initiatives and fulfill democratic representation. Decentralization is rooted in the principle of subsidiarity, which involves the assignment of political, administrative and financial powers and responsibilities to the lowest government level that carry them out efficiently (Dafflon and Madiès 2009; Yatta 2009). Table 1 gives an overview of the responsibilities of each level of government, according to the principle of subsidiarity. This overview is based on the United Cities and Local Governments (UCLG) report of 2016. The table presents, for informational purposes, a comprehensive description of the services provided by local governments. These services include road maintenance, water, sewerage, public safety, and primary-level education.

Table 1: Sub-national Governments Responsibilities

Local Level	Intermediate Level	Regional Level
Education (nursery preelementary and primary education) •Urban planning & management •Local utility networks (water, sewerage, waste, hygiene, etc.) •Local roads and city public transport •Social affairs (support for families and children, elderly, disabled, poverty, social benefits, etc.) •Primary and preventive healthcare •Recreation (sport) and culture •Public order and safety (municipal police, fire brigades) •Tourism, trade fairs •Environment •Social housing • Administrative and permit services	• Specialised and more limited responsibilities of supra-municipal interest • An important role of assistance • towards small municipalities • May exercise responsibilities • delegated by the regions and central government • Responsibilities determined by the functional level and geographic area: •Secondary or specialised education •Supra-municipal social and youth welfare •Secondary hospitals •Waste collection and treatment •Secondary roads and public transport • Environment	Secondary / higher education and • professional training •Spatial planning •Regional economic development and innovation •Health (secondary care and hospitals) •Social affairs e.g. employment services, training, inclusion, support to special groups, etc. •Regional roads and public transport •Culture, heritage and tourism •Environmental protection •Social housing •Public order and safety (e.g. regional police, civil protection) Local government supervision

Source: Subnational Governments around the World. (UCLG and OECD 2016, 16)

Scholars argue that the implementation of decentralization was spearheaded by central governments, even though these reforms stemmed from the pressure of international organizations (IOs) (Ribot 2007; Eaton et al. 2011). Decentralization policies were part of aid conditionalities provided by IOs and were expected to spur national development from local initiatives. Similarly, central government actors adopted these policies in the wake of the democratization period of the 1990s to preserve national unity and alleviate demands for secession and autonomy of minority ethnic groups (Yatta 2009; Danda 2013; Mback 2003; Poteete 2019).

Decentralization policies are deeply rooted in the ongoing efforts of SSA countries to address economic and social development challenges by financially empowering local governments to develop programs tailored to the needs of citizens (MacKinnon 2015). In its various forms, devolution is deemed the complete form of decentralization since it involves a significant transfer of financial and administrative resources and political power from central governments to local governments (Goel et al. 2017). The political aspect of decentralization accentuates the need to strengthen democratic governance in local governments through public participation of citizens in decision-making alongside local-elected representatives (Hagberg 2010). The financial facet of decentralization entails a significant transfer of fiscal powers, including the right to raise revenue from various sources, such as property rates, business licenses, market fees, to name a few. The fiscal powers transferred to local governments, in the form of revenue mobilization, are expected to reinforce their financial autonomy in order to fund operating costs and the delivery of services (Cigu 2014, 43–44).

Whereas there is no consensus among scholars on the definition of local financial autonomy, Slack (2017) and Cigu (2014) provide a definition that refers to the powers of local governments to generate revenue. According to these authors, financial autonomy is measured by comparing the reliance of local governments on locally raised revenue to their dependence on financial assistance from central governments and IOs to finance local development projects (Slack 2017, Cigu 2014). If local governments rely primarily on external funds rather than on revenue generated locally, they are considered to be in a situation of weak financial autonomy. Slack (2017) and Cigu (2014)'s conceptualization of local financial autonomy is suitable for this doctoral research. It shifts the focus from a debate on the degree of the fiscal powers of local governments transferred to local governments towards a particular attention to the ability of governments to take ownership of the already existing powers of revenue mobilization. Even more, financial autonomy has the potential to empower local governments in the provision of quality services (Caldeira 2012). Substantial financial autonomy is, de facto, a central element in assessing local governments' financial sustainability and their ability to provide services to citizens (Dafflon and Madiès 2013).

Scholars argue that the process of local financial autonomy is sustained over time through the ability of local actors[1] to mobilize revenue from a revenue base defined by the central government (Fjeldstad 2006; Opoku et al. 2014). According to government statutes and other legal and institutional constraints, the revenue base is described as "the portion of the economic base that the jurisdiction has access to through specific revenue-raising mechanisms" (Jacob and Hendrick 2013, 20–21). Therefore, local financial autonomy can be attained if local actors extract maximum revenue from the potential revenue base available in

[1] The concept of "local actors" is used to signify local political elites and bureaucrats in local governments.

their jurisdictions while reducing their reliance on external revenue transfers from central governments and IOs.

Against this background, the experience of three (3) decades of decentralization policies in SSA confirms that local governments, both in rural and urban areas, cannot mobilize enough revenue (Jibao and Prichard 2015a; Ali, Fjeldstad, and Sjursen 2014; Adefeso and Saibu 2013; Akpan 2011; Shah 2004; Smoke 2001). These challenges are more striking in cities that have significant financial resources potential. Scholars point to the considerable gap between revenue projected and revenue collected as evidence of the inability of local governments to extract local revenue (Fjeldstad and Heggstad 2012; Mback 2003; Dafflon and Madiès 2013). Over time, failure to meet revenue targets leaves local governments in a situation of weak financial autonomy and continual dependence on external grants. In the long run, weak financial autonomy has devastating consequences on local governments because they have been under-resourced to confront development challenges and were forced to rely on financial assistance from central governments and IOs to fund development projects (Bhorat et al. 2014; Riedl and Dickovick 2014; Smoke 2007).

Drawing on these findings, this dissertation seeks to answer the following research questions: 1) Why do local governments fail to meet their revenue targets? 2) How do local actors mitigate the challenges of building strong financial autonomy through revenue mobilization activities? These questions are particularly relevant in the contexts of SSA countries, where development challenges still exist in spite of the presence of significant but underutilized financial resources.

1.2. Literature Review and Gaps

The existing literature on financial decentralization[2] in SSA points to distinct factors that explain the inability of local governments to mobilize sufficient revenue and the challenges they face in achieving strong financial autonomy. From a technocratic perspective, scholars agree that local governments are affected by weak bureaucratic capacity that prevents them from designing effective revenue collection systems (Akudugu and Oppong-Peprah 2013; Adu-Gyamfi 2014; Di John 2006; Cheeseman and Burbidge 2016; Kiser and Sacks 2011). Researchers explain that local governments lack the requisite human, technical, and infrastructure capacities to measure the potential of financial resources available in their jurisdiction, set realistic budget forecasts, and raise maximum revenue.

Undoubtedly, the bureaucratic capacity of local governments forms the basis upon which their ability to administer revenue mobilization activities is assessed. However, this assertion tends to generalize the case of weak bureaucratic capacity to all local governments. As a result, research fails to delve deep into variations in bureaucratic capacity found in local governments for revenue mobilization activities. Generally, rural municipalities weaker bureaucratic capacity compared to cities because more competent officials tend to migrate to urban centers, and the rural areas are deprived of the services of efficient human resources (Chigbu 2013; Kanyane 2011). Secondly, in the aftermath of the initial implementation of decentralization policies, central government employees were deployed in all local governments to ensure that the latter have competent human resources (Olowu 2003a, 45–46). In some cases, these employees were later withdrawn, creating a vacuum

[2] There is no consensus among scholars on the difference between fiscal and financial autonomy. This concept refers to the transfer of fiscal/financial powers to local governments including the power to mobilize revenue and expenditure powers. Financial and fiscal decentralization are used interchangeably in this dissertation.

within the local government administration. In contrast, in other countries, central government staff still provide assistance to local governments on various administrative tasks. Thirdly, there is a variation in bureaucratic capacity within an institution, where specific departments are characterized as 'pockets of effectiveness' because they perform better than other departments (Abdulai and Mohan 2019; Roll 2013). Finally, the poor working conditions, coupled with a lack of job opportunities, make rural municipalities less attractive than the urban municipalities, which offer more job opportunities in public, private, and informal economic sectors (Seto 2011; Awumbila 2017). In contrast to rural municipalities, urban municipalities have a higher potential of financial resources, because of the volume of economic activities, particularly in the informal sector (Pieterse and Parnell 2014; Stren 2019; UCLG 2011). The economic reality of urban municipalities generates opportunities for more revenue mobilization and recruitment of specific human resources required in these municipalities. Therefore, researchers should avoid hasty generalization of the problem of bureaucratic capacity and instead pay attention to how this capacity varies between local governments. Research should focus on examining why cities face the same challenges of poor revenue collection as rural municipalities, despite the advantages they have in attracting and building their human-resource capacity. Ultimately, if the bureaucratic capacity is adequate in urban municipalities that also fail to mobilize more revenue, it is essential to examine the organizational factors (i.e., bureaucratic culture, the attitudes of bureaucrats) which hamper the optimal use of these capabilities. This research will fill this gap by examining the variation in bureaucratic capacity in urban municipalities and the organizational factors that impact the optimal use of these capacities in revenue mobilization activities.

Studies that examine fiscal decentralization from an institutionalist point of view conclude that informal institutions, in the form of entrenched petty and systematic corruption, cause the loss of considerable revenue in SSA local governments (Manamba and Massawe 2017; Fjeldstad 2005; Thornton 2008). Petty corruption, defined as the demand for bribes and kickbacks, induces local public officials to waive tax payments for some taxpayers for personal considerations (de Sardan 1999). Likewise, systematic corruption, which is an established and context-based system involving private actors, public officials, and politicians, causes the loss of significant revenues on a larger scale from the economic sector (Shah 2004, 488; Ajaz and Ahmad 2010; Antonakas et al. 2013; Adu-Gyamfi 2014). Indeed, corruption constitutes a major obstacle to effective revenue mobilization in SSA local governments. Yet, linking corruption to revenue loss overlooks crucial factors, such as the structure of incentives generated by institutional and political contexts that enable corrupt practices in revenue mobilization activities (Oates 2008). Poor working conditions of public servants, especially frontline officials, induce them to engage in corrupt practices (Antonakas, et al., 2013). In this dissertation, it is argued that if the institutions are not strong enough to ensure that local actors abide by formal revenue mobilization rules, and if frontline officials are not provided with incentives to discourage them from engaging in corrupt practices, these actors will take bribes or use other revenue diversion strategies. Finally, from a political economy stance, corruption in revenue collection activities could be exacerbated if local political leaders tolerate it. This dissertation will draw on institutionalist and political economy approaches to examine the institutional and political factors that enable or discourage corrupt practices and how they affect revenue mobilization outcomes in urban governments in SSA.

From an intergovernmental relation perspective, scholars argue that the limited powers of local governments to expand their revenue base give them access to a narrow revenue potential, thus hindering their ability to generate more significant revenue (Brosio and Jimenez 2015; Masaki 2018; Chigbu 2013). Since the revenue base is defined and imposed by the central government through legislation, it is assumed that this leaves less room for local government officials to negotiate access to a broader revenue base (Dafflon and Madiès 2009; Mikesell 2012). Arguably, access to a wider revenue base implies more significant financial potential and a greater probability of raising more revenue. However, it would be premature to link the weak financial autonomy of local governments with a narrow revenue base in cases where local governments fail to tap into the already existing revenue base. Additionally, widening the revenue base in local governments that are unable to take advantage of the existing financial potential would exacerbate the challenges of raising revenue by broadening the gap between targets and performance. This dissertation will examine the causes of low revenue mobilization outcomes in urban governments that enjoy significant financial resources potential.

From the perspective of government and citizens accountability relations, studies show that the over-reliance of local governments on external funds put less pressure on local governments to mobilize their own revenue sources (Dafflon and Madiès 2009; Cigu 2014; Dickovick 2011; Lewis 2015). Drawing on studies that link taxation and accountability, this dissertation suggests that the over-reliance of local governments on central governments and IOs for financial assistance shifts the obligation of accountability from citizens to central governments and IOs since local governments are compelled to justify their expenses to the latter (Moore 2007; Prichard 2010; Brautigam et al. 2008; Bratton 2012). Moreover, the dependence on central government and IOs funding, clouded by strong partisan politics, encourages weak accountability to citizens, thus creating less pressure on local political elites to meet the demands of citizens. This dissertation it analyzes how the financial assistance from central governments and IOs creates a structure of incentives that demotivates local actors to undertake extensive revenue collection activities.

Studies that analyze the determinants of tax compliance from the public finance theory and the tax exchange standpoints argue that the challenges of local governments to mobilize enough revenue stems from high levels of tax noncompliance (Opoku et al. 2014; Fjeldstad and Sjursen 2014; Feld and Frey 2007). According to scholars, local governments face high levels of tax noncompliance, which prevents them from mobilizing more revenue. Tax compliance presumes a fiscal contract in which tax payment by citizens is fulfilled in exchange for the provision of public services by local governments (Feld and Frey 2007). Thus, if citizens perceive local governments as unresponsive to their needs, as evidenced by the slow progress of development, they will not comply with tax payments (Bratton 2012, 517). In the context of cities, migratory movements of people from rural to urban centers in search of economic opportunities increase the number of potential taxpayers while putting more pressure on cities to provide more services such as education, healthcare, or sanitation. Therefore, the tax compliance claim emphasizes the difficulty of local political representatives to sustain a fiscal contract with citizens in cities saddled with public service delivery deficiencies. Finally, research shows that the quality of government influences tax compliance (McGee 2008; Fjeldstad 2005). If taxpayers perceive local actors as corrupt, they will resist taxation due to the lack of transparency in public funds management. Therefore, this dissertation analyzes the role of local actors (bureaucrats and politicians) in sustaining or obstructing the fiscal contract with citizens and the impact of their actions on tax compliance.

Finally, economics-oriented studies link revenue mobilization with macro-economic structures, such as the Gross Domestic Product (GDP), to offer insights into financial autonomy development. Arguably, countries with higher incomes levy more taxes, while countries with weak economic systems raise less revenue (Brautigam, Fjeldstad, and Moore 2008; Pessino and Fenochietto 2010; Moore 2013). Moreover, the failure of several developing countries to foster economic infrastructures and activities, combined with external macro-economic factors such as the global financial crisis, worsens the overall capacity of governments to tax more (Chigwata 2017). The correlation between macroeconomic factors and local finance has not been the subject of extensive research, especially in SSA local governments. However, one can argue that if revenue from taxation can be predicted based on macro-economic structures and economic activities, this correlation downplays the potential of revenue from the informal economy, which occupies a prominent place in the economic systems of developing countries (Petrova 2019; Adegoke 2019). Therefore, the attempts to establish a relationship between macroeconomic factors and local governments revenue outcomes would fail to acknowledge the contribution of informal economy activities in building local financial capacity. Local governments revenue base also includes taxes from the informal sector and this is prevalent in SSA urban municipalities. Therefore, research on local financial decentralization should examine the strategies developed by urban municipalities to exploit the significant and hardly quantifiable revenue potential from the informal sector. Using cities as case studies, this dissertation examines the strategies adopted to exploit the potential revenue from both the formal and informal sectors in two stages. The first stage will establish a correlation between macroeconomic variables such as the GDP and the employment rate to estimate how his correlation holds in local revenue outcomes. The second step will analyze the contribution of the informal sector in local revenue outcomes and strategies designed by local actors to employ their financial powers to extract revenue from this sector.

Overall, studies on financial decentralization in SSA countries portray an overly uniform picture of the financial situation of local governments. The causes of poor revenue collection including weak bureaucratic capacity, corrupt practices in revenue mobilization, tax noncompliance, limited fiscal autonomy of local governments to expand the revenue base, and weak economic systems explain only a part of the picture. These explanations pay little attention to the specific contexts of local governments with their unique financial potentials, incentives, institutional rules, and political dynamics. The geographic environment of rural municipalities may be conducive to specific economic activities that are different from urban municipalities, such as agriculture or commercial livestock breeding. This implies a narrow revenue base, a potential of easily measurable financial resources, and revenue mobilization challenges different from urban municipalities. Inversely, rapid urbanization has resulted in a higher economic growth rate, including the informal economic sector. This urban reality contributes to expanding the potential of financial resources, along with significant challenges in extracting revenue. Therefore, research must consider a number of salient features that complicate and nuance the efforts to sustain local financial autonomy in the context of the high potential of financial resources, such as in urban municipalities and cities.

The dissertation concedes that the institutional context of fiscal decentralization policies is marked by formal, informal, and often outdated institutional practices and rules dating back to the colonial era. This is particularly true in the case of property tax administration, one of the primary revenue sources for local governments whose administration merges obsolete and new decentralization rules. Local governments are often burdened with informal taxation processes (Prado and Trebilcock 2009; Ajaz and Ahmad 2010). This often leads to collusion and corruption in tax administration and institutionalization of informal practices (John 2010; Johnson 2015). Therefore, it is essential to examine how formal and informal rules governing the financial decentralization policy generate incentives that induce local actors to foster or undermine the building of local financial autonomy through effective revenue mobilization. Finally, works on fiscal decentralization in SSA overlook the subtle political factors that play a significant role in revenue mobilization administration. In this dissertation, the analysis will look at the political aspects, namely the agency of local actors, particularly the role of local political elites in exacerbating or solving revenue mobilization challenges within the confines of their political powers. Let us assume decentralization policies delegate political powers and responsibilities to local actors (local political elites and local bureaucrats) following the principle of subsidiarity. In that case, such responsibilities entail an active role for local political elites in enacting these powers and duties. This study hinges on the assumption that the causes of poor revenue collection and weak fiscal autonomy can be better understood through a holistic theoretical approach that considers the economic, technocratic, and political/societal aspects of local government contexts. The main goal of this dissertation is to explain how institutional incentives and political dynamics shape the organizational and bureaucratic capacity for local revenue mobilization, the strategies of bureaucrats to achieve high levels of tax compliance and mobilize more revenue, and the leadership of local political elites to deal with these challenges. The agency of local actors will either hinder or enable the efforts to mobilize more revenue depending on the types of incentives they face and the power and discretion they hold.

1.3. Research and Empirical Contributions

This dissertation aims to fill the research gaps outlined in the previous section through theoretical and empirical contributions to fiscal decentralization studies. The theoretical contribution provides a holistic framework that theorizes how institutional and political factors enable or hinder revenue mobilization administration and outcomes in SSA cities. This theoretical framework is rooted in the institutional and political economy approaches. The institutional aspect of this framework highlights that rules, incentives, powers, and discretion shape the actions and strategies of policy actors and establish the context in which policymaking occurs (Mainwaring 1993). In particular, this analysis draws on elements of historical, soft rational choice and sociological institutionalisms to explain how institutions create conditions that affect either the policy or reform process and/or the actions of actors. In relation to financial decentralization policies, this theoretical framework underlines how the written (formal) and unwritten (informal) rules governing fiscal decentralization policy orient some revenue mobilization processes towards specific paths. This approach also refers to the institutional change theory to show how institutions generate incentives, power and discretion that cause local actors to adopt certain actions. Ultimately, the core assumption developed in this dissertation is that revenue mobilization administration and outcomes are the by-products of institutions.

The political economy approach emphasizes how a key determinant of successful policy is political leadership (Di John 2006; Jibao and Prichard 2015a). The political aspect of revenue mobilization pays more attention to local political elites who are given the powers to administer the financial decentralization process and build local financial autonomy. This is even more salient in political contexts marked by informal institutions such as clientelism, i.e., tax payment waivers as part of promises made during electoral campaigns (Cheeseman et al. 2016). Bearing in mind that IOs and central governments design the plans for decentralization, centering the analysis around the active role of local bureaucrats and local political elites will shed light on how new institutions (new decentralization and fiscal policies) mingle with old institutions, the policy outcomes they produce, and how local actors take ownership of financial and political powers devolved to them.

With reference to the social, political and economic aspects of fiscal decentralization, this dissertation assumes that the high potential of financial resources in urban municipalities can attract even more competition for these resources among local actors, interest groups, and citizens/taxpayers. Bénit-Gbaffou et al. (2013) found that local governments political dynamics are marked by rivalry between national and local elites who compete for local financial and partisan-related resources. Thus, the willingness of political elites to support local bureaucrats in the design of effective strategies to tackle revenue mobilization challenges will play a decisive role in the ability of SSA cities to mobilize more revenue. The behavior of local actors mainly local political elites is salient in understanding the challenges of mobilizing revenues, that can generate contention local actors, citizens/taxpayers, and organized groups due to their high distributive nature. If local political elites are primarily responsible for enacting political and financial rules or policies to sustain the financial capacity of local governments, their commitment to deal with competition for resources, build autonomy and mitigate or exacerbate revenue mobilization challenges deserves thorough analysis. Often, local political elites view greater revenue mobilization as a means to strengthen the financial capacity of cities to deliver more services to citizens that could enhance their political support, and they would encourage efforts of bureaucrats to build mobilization capacity. By contrast, if effective revenue mobilization does not strengthen the political support of local political elites, they will be less committed to building this capacity. Ultimately, the political factors that shape the actions of local political elites for building local financial autonomy can be understood by paying more attention to the formal and informal political institutions in which the financial decentralization policy is implemented.

The institutional and political economy theories complement each other to suggest that the rules surrounding resource mobilization processes will significantly impact revenue mobilization outcomes if local politicians are willing to enforce them. Altogether, the conception of effective strategies to generate more revenue, their endorsement by local political elites, and the attempts of local actors to encourage tax compliance cannot be studied separately. Instead, analyzing them together provides a comprehensive grasp of the revenue mobilization process and the challenges involved in building local fiscal autonomy. This comprehensive approach is even more relevant in studying revenue mobilization processes in the context of substantial financial resources potential. In this setting, revenue mobilization activities involve three categories of actors: local leaders who in theory need financial resources to implement policies and programs, bureaucrats whose activities include mobilizing revenue to improve the financial capacity of cities, and citizens who are the primary source of this financial capacity, because they pay taxes while being the primary receivers of these services.

A combination of institutionalist and political economy approaches analyzes the conditions under which the actions of local political elites and bureaucrats instill high or low levels of compliance among taxpayers. For instance, if local political elites are keen to foster strong accountability and transparency systems, this will encourage citizens to comply with tax payments if they feel that local actors manage public funds transparently. Ultimately, higher tax-compliance rates allow local actors to mobilize more revenue. Thus, this dissertation uses power, discretion, and incentives as the causal mechanisms by which fiscal decentralization and local political rules affect revenue mobilization outcomes.

The empirical contribution is the comparative test of the analysis of revenue mobilization challenges and solutions in SSA cities. This dissertation employs a qualitative comparative research design using the cases of Accra, Ghana, and Nairobi, Kenya, to address the gaps identified and investigate the two research questions. These two cities have financial resource potential. Yet, they are highly dependent on external revenues as in most SSA countries, which makes them ideal cases to examine revenue mobilization challenges. This analysis underscores the potential effect of institutional rules, incentives, and political dynamics in hindering or upholding the building of local financial autonomy in Accra and Nairobi. The comparative analysis of the two (2) major cities in Africa is a key contribution for two reasons. First, the potential of financial resources makes them subject to more critical political competitions for these resources than in small municipalities. However, studies that examine these political dynamics and their effects on local finances in cities are scarce. Secondly, research on local finance in cities is hampered by the lack of access to budget data.

However, extensive field research of four (4) months in Accra and four (4) months in Nairobi allowed the gathering of rich and original empirical data, including budgets, to analyze the financial situation in Accra and Nairobi. The field research constituted an opportunity to present a thorough analysis of the revenue mobilization processes through immersion in local institutions to observe the administration of local taxes in two major SSA cities.

The analysis presented in this dissertation differs from other financial decentralization studies in several respects. Most works use single cases to understand the construction of fiscal autonomy or study the topic using an exploratory approach(Dafflon and Madiès 2013; Adefeso and Saibu 2013; Adu et al. 2019). This dissertation presents comparative research by delving deep into understanding the root causes of weak financial autonomy and implementing strategies to overcome this challenge. Finally, from a methodological perspective, several studies often use one level of analysis – the local or the national level - to examine the building of the financial capacity of local governments (Chigwata 2017; Shah 2004; Akpan 2011; Lund and Skinner 2009; Abbott 2003; Bénit-Gbaffou et al. 2008). This dissertation presents a multi-level analysis that uncovers the dynamics of interaction and power between local actors (bureaucrats and politicians), central government officials, and international actors whose actions affect the ability of local actors to utilize the political and fiscal powers transferred to them. The multi-dimensional aspect also underlines that policy processes cannot be analyzed in isolation from the institutional and political context in which they occur.

The dissertation is organized as follows. The second chapter lays out the theoretical model to explain the power of institutions and politics in building local financial autonomy and the research design. The first section of this chapter underscores the interrelation between institutional incentives, power, and rules in shaping bureaucratic capacity and the strategies of local actors in revenue-generating activities. Studies on institutional rules and incentives, political economy approaches to policy processes, state capabilities, and tax compliance inspires this theoretical framework. The second section of this chapter outlines the research design, including information on case selection, data collection, and analysis. The first section of the third chapter presents a thorough description of revenue mobilization outcomes in Accra and Nairobi. The second section tests the potential explanatory variables that cause these outcomes, including, on the one hand, the correlation between the GDP and Accra and Nairobi revenue outcomes and, on the other hand, the correlation between the inflation rate and revenue outcomes. Finally, the chapter examines the potential effect of elections on revenue outcomes in both cities. This section delves deeper into strategies for setting revenue targets and the impact of institutional incentives that shape the strategies adopted by local actors in setting revenue targets and mobilizing revenue. The fourth chapter provides an analysis of the bureaucratic capacity involved in revenue collection processes and the institutional factors that hinder or enhance this capacity. This chapter underscores the complexities of human, technical, technological and organizational capabilities involved in revenue mobilization. The fifth chapter focuses on the political dynamics of local revenue mobilization, including the incentives that shape the willingness of local political actors to thwart or encourage the building of revenue mobilization capacity and the role of institutional incentives and politics in shaping tax compliance by citizens. The sixth chapter summarizes the main arguments, the theoretical and policy implications of the main findings, the limitations of this analysis, and provides directions for further research.

CHAPTER TWO: THEORETICAL FRAMEWORK AND RESEARCH DESIGN

This chapter delineates the theoretical and methodological frameworks used to investigate the complex nature of local financial autonomy building in SSA cities. The first section of this chapter presents the theoretical framework that lays out the institutional and political factors that create favorable or unfavorable conditions for building local financial autonomy through revenue mobilization activities. Revenue mobilization administration and outcomes are used as the main indicator of local financial autonomy building. The theoretical framework draws on institutionalist and political economy approaches that underline the institutional and political factors that shape the actors' strategies and policy outcomes. In studying financial decentralization policies, the core theoretical assumption is that institutions - treated as independent variables - produce rules and incentives that shape the powers, discretion, actions, and strategies of the actors involved in the policy process. These will shape their capacity to deploy the bureaucratic resources required for revenue collection activities. On the other hand, their actions and strategies shape the willingness of political elites to support or undermine revenue mobilization activities, including fostering tax compliance. The second section of this chapter details the research method employed to select the relevant cases for this analysis and methods for collecting data analyzing them.

2.1. Theories: Institutionalist Approaches

Institutionalist approaches focus on how institutions are created and how they structure human choices (Greif 2006; Parsons 2007). Institutions are defined by Hall (1986) as "the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and the economy" (19). North (1990) adds that institutions are "humanly devised constraints that shape human interaction"

(3). Finally, Parsons (2007) describes institutions as "formal or informal rules, conventions or practices, together with the organizational manifestations these patterns of group behavior sometimes take on" (70). In a nutshell, institutions are formal and informal rules and procedures that shape human actions, interactions, strategies, or choices. Institutions induce compliance with rules and procedures while imposing constraints on the behavior of actors who interact within specific institutional settings. The effect of institutions on human interactions ultimately shapes policy, political, economic, or social outcomes.

By examining the formal institutions that underpin political systems, development theorists have long assumed that informal institutions rooted in cultural and traditional norms are inimical to the development of formal institutions in developing countries. Formal institutions are perceived as inherently more efficient in supporting political, social, and economic modernization projects in developing countries (Fatton 1995; Ikelegbe 2001; Chabal and Daloz 1999; Gore and Pratten 2003). The notion that informal institutions are inimical to modernization projects originated from the tendency of western scholars to analyze the political development of developing countries from western lenses. Nevertheless, institutionalist scholars like Rodden (2009) and North (1990) affirm that informal institutions, which are part of the cultural heritage in which policies are enacted, can facilitate the pace of the policy process where formal institutional arrangements fail. Consequently, formal and informal institutions represent potentials and challenges for policy processes. This nuanced institutionalist approach is used in this dissertation as a backdrop in analyzing local financial autonomy building in SSA cities. The analysis examines how formal and informal institutions create favorable and/or unfavorable conditions for building local financial autonomy through revenue mobilization activities. The central assumption in this dissertation is that formal and informal institutions can have an adverse or beneficial effect on policy outcomes. This effect is accentuated by the political context in which the policy process takes place. The political context shapes how the different actors involved in the policy process interpret or enact institutional rules in the form of government institutions, leadership, and decision-making powers. Additionally, the political context affects how policy actors respond to institutional incentives.

Considering the fact that institutional approaches are too broad to facilitate a focused analysis of local financial autonomy in SSA cities, the following section offers a succinct description of the three institutional approaches that have dominated contemporary studies in public policy. This will be followed by how specific components of the three new institutionalism theories provide a potential analytical framework for local revenue mobilization in SSA cities.

2.1.1. The Three New Institutionalism Theories

The three new institutionalism theories, namely historical, rational choice, and ideational/sociological institutionalism, explain policy processes from several angles that illustrate the role of institutions in shaping social and political outcomes (Hall and Taylor 2016, 937). These three theories include concepts like path dependence, strategic choices, and institutional isomorphism relevant to this study.

The first new institutionalist theory, namely historical institutionalism (HI), is grounded in history that studies the relationship between institutions and actors. This theory stresses the notions of path dependence, critical junctures, and the unintended consequences of institutions (Hall and Taylor 2016). Path-dependence suggests that "institutions continue to evolve in response to changing environmental conditions and ongoing political maneuvering, but in ways that are constrained by past trajectories" (Thelen 1999, 387). In other words, a policy or an institutional process is path-dependent because it evolves within a context in which the policy path is drawn and constricted by past trajectories. The path-dependent process constrains the choices and strategies of the actors such that they will have little leeway in affecting policy outcomes (Thelen 1999). This process is self-reinforced by positive and negative feedback mechanisms, such as institutional outputs (Pierson 2000; 1993). Positive feedback mechanisms reinforce the further development of policy processes while negative feedback self-undermines policy trajectories (Jacobs and Weaver 2015). Although policy actors have little agency in their capacity to affect the process, the response of the agents to institutional outputs shape policy outcomes.

As path-dependence explains the enduring and endogenous policy path, this process can be rerouted by exogenous factors, such as those present at critical junctures. According to Thelen (1999), critical junctures are "crucial founding moments of institutional formation that send [policies] along broadly different […] paths" (387). Critical junctures are precipitated by major exogenous factors that cause a significant change in the policy path and produce different legacies contributing to its transformation and stability (Hacker 1998; Pierson 2000). In sum, historical institutionalism explains the slow evolution of policies and how historical events and past trajectories condition this evolution. However, critical junctures are the only major events that transform the course of these policies.

The second new institutionalist theory - rational choice - posits that institutions originate from the "actors' actions to realize value, in terms of cooperation" (Hall and Taylor 2016, 945). From a rational choice perspective, policy outcomes are shaped by rational and strategic actors who interact within a specific institutional context. In the rational choice logic, "the relevant actors have a fixed set of preferences or tastes [and] behave entirely instrumentally so as to maximize the attainment of these preferences. They do so in a highly strategic manner that presumes extensive calculation" (Hall and Taylor 2016, 944–45). Rational actors are driven by strategic calculation and the behavior of the actors with whom they interact. Institutions labeled as 'the rules of the game' provide information and enforcement mechanisms that structure the strategies and the choices of actors (North 1990). Finally, institutional rules reduce uncertainty in this exchange and lead to optimum political outcomes. Unlike historical institutionalism that puts a strong emphasis on history, rational choice puts the actors and their strategies in determining policy processes and outcomes at the center of the analysis.

Finally, sociological/ideational institutionalism claims that institutions are "culturally-specific practices, akin to the myths and ceremonies devised by many societies, and assimilated into organizations, not necessarily to enhance their formal means-ends efficiency, but as a result of the kind of processes associated with the transmission of cultural practices" (Hall and Taylor 2016, 946–47). The core logic of ideational/sociological explanations is that ideas, culture, norms, or beliefs, more than their structural environment, matter in shaping human action. Ideas, norms, beliefs, or culture are perceived as interpretative filters. They provide frames and meaning that structure human actors and choices in a complex and ambiguous reality in which rationality will not be sufficient to adopt certain decisions (Parsons 2007, 98). Furthermore, institutions affect behaviors in that individuals internalize the norms prescribed by the institutions through coercive, mimetic, or normative isomorphisms (DiMaggio and Powell 1983, 150). Therefore, isomorphism is the institutional driving mechanism that compels the actors to adapt their behaviors to institutional ideas, norms, or cultures to gain legitimacy or acceptance. Ideational/sociological institutionalists explain that institutions emerge when actors adopt a "new institutional practice, not because it advances the means-ends efficiency of the organization, but because it enhances the social legitimacy of the organization or its participants (Hall and Taylor 2016, 949). Thus, institutions are not forcibly efficient but valued by the actors. On the contrary, the type of actions that institutions induce is not necessarily the most rational, but they conform to the institutional rules. Finally, institutions are significantly constraining on human behaviours within the limit of the cultural environment.

Overall, new institutionalist theories highlight the different causal mechanisms by which institutional rules affect policy outcomes, actors' behavior, strategies, and choices. They reveal that institutions are the product of historical paths. Rationally, institutions are the product of actions and strategic calculation of utility-maximizer actors who perceive institutions as instrumental tools to regulate their interactions and adopt policy choices that maximize their preferences. From a sociological standpoint, institutions are the by-product of the cultural environment and ideas that enhance the social/political legitimacy of the actors. In turn, culture reinforces the status of the institutions or the actors that value them.

The three new institutionalist approaches have the potential to provide, in their own way, analytical models to understand the building of fiscal autonomy in SSA local governments. These three approaches provide an analytical basis that draws on different representations of social and political realities. However, the three theories are incommensurable, as they do not use the same theoretical standards in their claims about what institutions are and how they structure human behaviors (Hall and Taylor 2016). Besides, the three new institutionalism theories present a circular process that treats institutions as dependent variables that originate from historical processes, culture, ideas, and norms, or the rational choices and strategies of policy actors. Likewise, they reveal the role of institutions as independent variables that shape the actions and strategies of the relevant actors (Parsons 2007). Therefore, employing the three approaches to explain policy outcomes could create ambiguity concerning the role of institutions as explanatory variables or the outcomes of interests. Furthermore, adopting one approach to understand the challenges and strategies for local financial autonomy building could lead to a very narrow analysis that will neglect several aspects of local finances relevant to this analysis. A combination of the three approaches would also lead to a broader investigation that does not capture the nuances of financial decentralization policies in the contexts studied.

In light of these theoretical considerations, this dissertation draws upon unique features of the three new institutionalists to provide a higher-level and straightforward account of the effect of institutions on policy outcomes and the actions of policy actors. This institutionalist framework uses elements from historical institutionalism, such as the path-dependence of the institutional process and the constraining effect of institutional rules on the attempts of actors to reform outdated institutions. In reference to fiscal decentralization policies, the path dependence notion is relevant in understanding how new fiscal decentralization policies are implemented in contexts marked by strong and rigid pre-existing rules where it would be challenging for actors to adapt new policy processes to old rules. Furthermore, this thesis draws upon rational choice theories, mostly to understand how actors adopt strategic behaviors to maximize their preferences and interests. Finally, this dissertation borrows from sociological institutionalism to show how, in some situations, institutions such as clientelism and patronage exercise overly constraining effects on the actions of local actors through isomorphism. Institutional rules compel actors to adopt the least efficient decisions that are not based on purely rational calculations but are derived from the pressure of informal political rules. Local political elites could perceive these actions as strategic since they reinforce their status within these institutional settings. However, in the long run, they undermine the effective direction of the fiscal decentralization process.

Parsons (2007) and Blyth (2009) sum up the combination of rational choice and sociological institutionalism arguing that the institutional pathways induce rational and strategic behaviours among actors who, from their intersubjective position, adopt similar strategies while interacting in the same institutional contexts (Parsons 2007, 91; Blyth 2009). Strategies are "regularized plans that individuals make within the structure of incentives produced by rules, norms and expectations of the likely behavior of others in a situation affected by relevant physical or material conditions" (Ostrom 1999, 37). Institutional incentives and rules induce similar strategies and actions, and the intersubjectivity of the relevant actors is shaped by their individual experiences, norms, beliefs, and culture. The intersubjectivity enlarges the understanding of how different actors adopt the same set of actions when they interact in the same institutional contexts.

Insofar as institutional/policy rules evolve in a political context that determines the powers of actors, this dissertation complements the institutional theories with political economy approaches to understand the power dynamics of the relevant actors in building local financial autonomy in SSA cities. The political economy approach draws from the institutional change theory developed by Mahoney and Thelen (2009) and relevant studies to explain revenue mobilization outcomes (Di John 2006; Jibao and Prichard 2015a; de Mesquita 2016) which postulate that the political will conditions effective revenue mobilization outcomes. The institutional change and political economy theories focus on the changing character of institutional rules, power distributions between policy actors, and interpretation of institutional rules by actors based on their power and discretion.

In summary, the institutional approach adopted in this dissertation applies two aspects of explanations, including the direct effect of institutions on policy outcomes and the effect of institutions on policy outcomes through the actions and strategies of actors. First, this is illustrated by the power of institutional rules to affect policies through path dependence and self-reinforcing mechanisms directly. Secondly, the capacity of institutional rules to induce specific behaviors among actors, either strategic actions or behaviors, derive from coercive isomorphism or a power-distributional view of institutions. Ultimately, the behavior elicited by institutions from actors also affects the policy outcomes. The following section elaborates on the causal mechanisms by which institutions and politics have an impact on the strategies and actions of actors and policy outcomes.

2.1.2. Institutional Rules, Incentives, Power and Discretion

The effect of institutions on policy outcomes occurs through institutional rules or the structuring of human action. According to North, institutions[3] structure human action and limit actors' choice sets by providing incentives (North 1990). Pierson adds that institutions

[3] In this dissertation, institutions and policies are used interchangeably. Policies are made up of rules and procedures in the same way as institutions and thus, can be considered as institutions. Institutions can be viewed as independent variables because institutional rules lead to certain outcomes that are considered as policy outcomes.

offer both incentives and resources that facilitate or inhibit the effective development of policies. Institutional incentives stem primarily from the major social consequences of specific government actions (Pierson 1993, 599). Rodden (2009) claims that institutional rules shape the incentives of the agents to provide specific policy benefits (336). These authors determine how incentives are the main causal institutional mechanism affecting policy outcomes. Institutional rules and incentives shape the choices, strategies, and actions of the actors, and their response to these incentives effect policy outcomes.

Analyzing the causal effect of institutional rules and incentives on policies requires a better understanding of the political context in which these rules and incentives unfold. The political dimension lingers on the power and discretion of political leaders in enforcing institutional rules or shaping incentives that affect policy outcomes. The political economy of policy processes emphasizes the power dynamics that also condition the behavior and actions of policy actors. This dissertation employs Mahoney and Thelen's (2009) institutional change theory and the party-voter linkages literature to provide more insights into how the political context plays out in the causal relationship between institutions and policy outcomes. The effect of the political contexts in this relationship is structured around the degree of power and discretion of the different actors who interact within a specific institutional context. This political dimension highlights the power dynamics between the different actors and their attempts to influence the policy process to take into account their interests. This approach puts the actors at the center of the analysis, and they try to develop strategies to attenuate the constraining effects of institutional rules or respond to institutional incentives in ways that match their preferences.

2.1.3. Institutional Change and the Political Context

Mahoney and Thelen (2009) postulate that institutions distribute power by shaping the types of dominant actors and their strategies. Institutional power affects policy outcomes by mediating how the dominant actors interpret institutional rules or ensure compliance and enforcement (Mahoney and Thelen 2009). Besides, institutions can "afford the possibilities for the actors to exercise discretion in the enforcement and the interpretation of the institutional rules" (18). In this sense, institutions determine the dominant actors and give them the discretion and the powers to interpret and enforce the rules or ensure that the actions of other actors are in accordance with institutional rules. Power and discretion determine which actors will comply with institutional rules and under what conditions. Similarly, power and discretion are moulded by the political context, such as the political system, electoral rules, or the party system in which the institutional process is rooted. The political context determines the level of discretion that the actors have in ensuring compliance and enforcement of the institutional rules. Institutions, particularly those that mobilize a significant amount of resources, have major distributional implications because these resources are offered to particular kinds of actors. According to Mahoney and Thelen (2009), "struggle over the meaning, application and enforcement of institutional rules are inextricably intertwined with the resource allocation they entail" (11). In other words, institutions with significant distribution consequences will generate tensions over the compliance and enforcement of the rules among relevant actors. The power and discretion of the dominant actors shape their ability to ensure compliance or enforce the institutional rules to control the distribution of these resources.

Even though the power to ensure compliance derives from the dominant actors, this will also be conditioned by several variables, such as the potential coalition groups (i.e., bureaucrats and politicians or political/organized interests) or the cognitive limits of actors themselves and their limited ability to predict the conditions in which the designed policies will evolve (Mahoney and Thelen 2009). Finally, compliance is impacted by the shared understanding of the actors regarding the rules and the real application of these rules or the fact that these institutional rules and procedures could be applied and enforced by actors other than those who designed them (11–14). The dynamics of interaction and coalitions between institutional actors, cognitive factors, and the conditions under which institutional rules are adopted reveal the degrees of compliance and enforcement of institutional rules.

Mahoney and Thelen (2009) present a typology of four groups of actors, whose level of power and discretion shape the veto possibilities for their actions. This typology allows a better understanding of the variation of institutional powers and discretion. It is also relevant in understanding local fiscal autonomy building because it will enable the identification of the degrees of power and discretion of the different actors involved in the fiscal decentralization process.

Veto possibilities are defined as "the areas of institutional vulnerability that is a point in the policy process where the mobilization of opposition can thwart policy innovation" (Mahoney and Thelen 2009, 7). A political context with strong veto possibilities and a low level of discretion will give rise to subversive agents; a context with strong veto possibilities and a high level of discretion produces symbiont agents; a context with weak veto possibilities and a high level of rule enforcement engenders insurrectionary actors and a political context with weak veto possibilities, and a low level of rule enforcement generates opportunists (Mahoney and Thelen 2009, 18-19)[4]. Veto possibilities originate from powerful actors who can change institutional rules in a given institutional context or institutional veto points whose actors can block policy development (Mahoney and Thelen 2009; Tsebelis 1995; Weaver and Rockman 2010). Veto possibilities are illustrated by the different strategies adopted by actors in their attempts to change institutional rules.

Mahoney and Thelen (2009) developed four categories of veto possibilities that stem from the degree of power and discretion of institutional actors. These strategies can be, for instance, displacement that occurs "when existing rules are replaced by new rules (Mahoney and Thelen 2009, 16). The layering strategy occurs "when new rules are attached to existing ones, thereby changing how the original rules structure behavior" (16). This can take the form of amendments, revisions, or the addition of new rules to existing ones. The drift strategy means that "rules remain formally the same but their impact changes due to a shift in external conditions" (Ibid, 17). For instance, if the actors choose not to respond to potential environmental changes, their very inaction, qualified as the drift strategy, will affect policy outcomes. Finally, subversion of institutional rules will occur "when rules remain formally the same but are interpreted in new ways," especially when they are ambiguous (Ibid, 17). The typology of actors and their strategies infers that power and discretion are additional institutional causal mechanisms that shape the actors' strategies and the consequences of their actions on policy outcomes.

Altogether, institutions and political factors that guide the policy process offer a theoretical and conceptual framework relevant to analyzing local fiscal autonomy building in

[4] Veto possibilities are the different options that policy actors have to change institutional rules. These possibilities vary depending on the position of actors within a specific institutional context (Mahoney and Thelen 2009, 16-18).

SSA local governments. By drawing an analogy between institutional and political economy approaches to fiscal decentralization policies, an argument can be made that financial decentralization rules transfer to local government leaders the powers and discretion to enact policies that have significant distributional effects and ensure compliance and enforcement of rules and procedures. Although in theory, the rules and procedures that govern the mobilization of local revenue are clear, they entail significant distributive effects in the sense that they could favor a particular group of actors such as individual taxpayers or organized taxpayer groups or local governments responsible for mobilizing them. Therefore, revenue mobilization rules and procedures could be contested by those whose impact is negative. In addition to the historical path of policies, the soft rationality of actors in interacting within a specific institutional setting and the constraining effects of cultures and norms on political actors, the power, discretion, and incentives will shape their attitude towards building local financial autonomy. In particular, power, discretion, and incentives will shape the readiness of local government leaders to enforce revenue mobilization rules. If institutional and political rules produce incentives that match actors' preferences, the latter will support the enforcement and compliance of these rules. Alternately, local leaders will use the institutional power and discretion to thwart the policy process. Again, these actions are conditioned by the broader institutional and political context in which the actors interact.

This institutional framework combines both facets of historical institutionalism by examining over time, the rules that guide the fiscal decentralization, mainly revenue mobilization processes. It also draws on the rational choice theory to examine how policy actors develop strategies that match their preferences regarding institutional and political incentives. Their institutional power and discretion drive the agency of local actors in these processes. Finally, it uses the sociological institutionalism approach to explain how, in some situations, institutional incentives induce actions and decisions that are beneficial for the relevant actors in the short run but ineffective with regards to local financial autonomy building. The latter aspect highlights the nature of coercive isomorphism on actors when they adopt less optimal strategies because of the pressure induced by institutional rules such as patronage and clientelism. The next section considers the potential causal power of institutional rules, incentives and politics on the relevant actors in their attempts to build local financial autonomy in the context of SSA cities. This is done by providing an account of the context of fiscal decentralization and the roles of various actors in the process.

2.2. The Institutional Context of Decentralization Policies

There is a consensus among scholars that decentralization policies, in their political, administrative, and financial forms, were strongly recommended by IOs such as the World Bank to central governments in SSA countries (Ribot 2007; Eaton et al. 2011; Yatta 2009). These policies were implemented in the aftermath of the democratization wave of the 1990s, following the failure of central governments to effectively manage public funds and international financial aid and provide better services to citizens. Decentralization was perceived as an alternative governance system to design and deliver public services to citizens where central governments had failed. As stated by Cheema and Rondinelli (2007) “advocates believed decentralization could help accelerate economic development, increase political accountability, and enhance public participation in governance [and] could help break bottlenecks in decision-making that were often caused by highly centralized government planning and management” (391). In the same vein, decentralization policies were adopted in the midst of political liberalization that allowed social and ethnic groups who were marginalized in the years of autocratic or single-party political regimes to protest for more political and economic rights (Mback 2003). According to Bierschenk and de Sardan (2014), "the current processes of decentralization in Africa merely represent another moment in a long series of regime changes imposed from above by the state and experienced in Africa since the end of the Second World War" (167). Central governments used decentralization to mitigate these demands by transferring powers and responsibilities to lower government levels (Dafflon and Madiès 2013; Danda 2013; Cohen 1995). For instance, in Niger, Burkina Faso, South Africa, and Ethiopia, where democratic transitions triggered ethnic and racial tensions and secessionist requests from minority ethnic groups, devolution was chosen by political elites as a means of preserving the national unity and mitigating ethnic conflicts (Siegle and O'Mahony 2018; Cohen 1995; De Sardan and Alou 2009; Erk 2014). Thus, significant political and financial powers were transferred to geographically concentrated minority groups and local elites to appease their demands, thus making this reform more of a political decision (Poteete 2019). In a nutshell, decentralization policies were the by-product of democratization struggles, pressures from IOs for good governance, and the strategic calculation of national political elites to attenuate political and ethnic tensions. Over time, the discourse on decentralization shifted from a national unity policy to development reform. Although on paper, decentralization policies delineate the powers and responsibilities of each level of government, central government actors continue to resist the loss of power, which has several consequences on the ability of local actors to effectively enact these reforms (Poteete and Ribot 2011). Overall, the main objective of decentralization policies remains to create politically and financially autonomous local governments capable of contributing to national development projects through local initiatives.

The financial power devolved to local actors included the right to use a clearly identified revenue base to mobilize revenue and devote the necessary resources to enforce the financial decentralization rules and procedures in their jurisdiction (Slemrod and Robinson 2010; Besley and Persson 2014). The policy rules and procedures were designed in a top-down process by IOs and central government and implemented by local actors who did not participate in their formulation. It is worth noting that the new decentralization policies are interconnected with IOs ideas, formal models of the delegation of powers specific to each country. Thus, institutional setting demonstrates the reality of development policies and reforms (Zafarullah and Huque 2012). Furthermore, the implementation of decentralization policies did not dismantle the existing rules; instead, the process caused the overlapping of new rules to old formal and informal institutions. From the historical institutional point of view, this dissertation posits that fiscal decentralization policies occur in path-dependent processes, because pre-existing and rigid rules may hinder the effective process of new revenue mobilization rules. The comparative analysis of Awortwi (2011) on institutional decentralization development in Kenya and Uganda illustrates the effect of path dependence on decentralization. The author concludes that the institutional structures and mechanisms of local governance are based on earlier reforms that enable more control of central governments on local governments. These earlier trajectories weakened the development of decentralized governments (Awortwi 2011, 350). In light of this, the focus of this dissertation is to examine how past policy trajectories condition new revenue mobilization processes, the influence of institutional and political contests on the strategies and actions of actors, and the extent to which local actors enact fiscal decentralization policies through compliance and enforcement. From a historical institutionalist standpoint, a theoretical assumption that will be tested for its relevance to this analysis is that if new revenue mobilization processes are entrenched in past policies and administrative processes, the latter will act as barriers or enable the effective mobilization of revenue. This will be the case for the administration of property taxes, which is rooted in old management processes that will potentially constitute a barrier to the new fiscal decentralization rules governing the administration of this revenue source. In addition to the historical paths that may affect revenue mobilization outcomes, the institutional incentives deriving from fiscal decentralization rules and regulations will induce specific behaviors that foster or thwart revenue mobilization outcomes.

2.2.1. Fiscal Decentralization Incentives

Studies show that central governments assigned responsibilities and powers to local governments in several financial decentralization models, concomitant with unconditional transfers of financial resources, to exercise these functions (Olowu and Wunsch 2004; Mback 2003; Dafflon and Madiès 2009; 2013). Correspondingly, decentralization policies contain a provision for sharing the national revenue between the central and local governments, based on clearly defined criteria (Fjeldstad 2006, 6). Fjeldstad (2006) reminds that both in developed and developing countries, the "mismatching of functions and finances – often referred to as 'vertical imbalances' – is that local governments are, generally, dependent on transfers from higher levels of government" (6). In most cases, the central government transfers unconditional grants to local governments to finance their responsibilities. Yet, developing countries are the exception because central governments' transfers are boosted by the increasing financial contribution of IOs to local governments in the form of conditional grants[5]. The conditionalities for donors' aid are, among others, the implementation of suitable governance mechanisms through the adoption of information technology (IT) systems to improve transparency and accountability in the management of public funds or the adoption of international standards in terms of public finance management and budget processes (Svensson 2000; Aidoo-Buameh 2014). Scholars argue that conditional and unconditional grants from central governments and donors are considered as the backbone of local governments (Bratton 2012; Yatta 2009; Dafflon and Madiès 2009; 2013).

The continuous financial assistance to local governments has generated debates among fiscal decentralization researchers. Some argue in favor of increased financial support in addition to IOs' financial assistance to ensure the economic viability of local governments (Buettner and Wildasin 2006). Others advance that the reliance on external revenues demotivates local actors to devote more effort to mobilize higher revenue (Mogues and Benin 2012; Zhuravskaya 2000). The approach adopted in this dissertation aligns with the latter perspective. Furthermore, studies show that the reliance of governments on taxes from citizens improves accountability because political elites are compelled to justify the utilization of public funds to taxpayers (Moore et al. 2018; Brautigam, Fjeldstad, and Moore 2008; Moore 2013). Therefore, achieving financial autonomy from the mobilization of local revenue is crucial in decentralization processes in increasing accountability and transparency in the management of public funds. Similarly, the reliance of local governments in urban

[5] In the case of SSA countries, devolution is described as an indirect coercive policy process controlled by international agencies in order for these countries to continue receiving international aid (Ibid.). Thus, the position of the World Bank (WB) and the International Monetary Fund (IMF) has been 'no reform, no money', which denotes a heavy economic pressure (Larmour 2001, Drezner 2001).

contexts on external revenue sources will dissuade them from making enough efforts to generate more revenue from the potential sources available in their jurisdiction. However, a gradual increase in revenue mobilization contributes to local financial autonomy while reducing dependence on conditional grants from central governments and IOs.

Drawing from the latter assumptions, two ideas relevant to this analysis will be examined. First, the conditions offered to cities for obtaining financial assistance from the central governments and IOs create incentives that can favor or be detrimental to the building of local financial autonomy. If the improvement of revenue mobilization outcomes by local governments is not part of the primary condition for financial assistance, local actors would be demotivated to exploit the maximum potential of the revenue base because they are guaranteed continuous unconditional financial assistance. On the contrary, if the achievement of high revenue targets by local governments is used as a condition for financial aid, local actors will increase their efforts for revenue mobilization to obtain grants from IOs and central government.

In addition to the structure of incentives generated by IOs aid conditionalities and central government grants for local governments, the institutional and political contexts create both favorable and unfavorable conditions for greater revenue mobilization. As will be explained in the following section, the political context that underpins decentralization policies allows the allocation of powers and discretion to local political elites who, in turn, adopt strategies and actions that hinder or foster greater revenue mobilization performance.

2.3. The Political Context of Decentralization Policies

Decentralization rules, particularly those guiding the transfer of political and financial powers to local governments, resulted in the emergence of political actors who have significant powers that can affect policy outcomes. The claim that local politicians hold significant powers to influence policy outcomes is supported by the traditionalist and Weberian view of the bureaucracy that assumes the electoral process to shape the goals, directions, and aims of a government, expressed by politicians through policy (Jackson 2009, 66–67). Bureaucracy is the vehicle that advances those goals since bureaucrats offer "technical knowledge support and ability combined with regular habits and professionalism" to politicians to achieve these goals (Jackson 2009, 67). However, the parameters of the influence of powerful local actors are limited by the political context in which these policies are adopted and the degree of control of the central government on the decisions of local politicians.

In countries where decentralization is implemented in democratic systems, electoral rules shape powerful actors by electing them as local representatives in legislative assemblies and executive bodies. Electoral rules differ depending on the decentralization model. While some countries chose a partisan decentralization model, other countries opted for a non-partisan system to limit the interference of political parties in local government politics. For example, the models of political decentralization in South-Africa, Kenya, and Sierra Leone include electoral laws that allow local elected officials to run for elections through the endorsement of political parties (Aalen and Muriaas 2017; Riedl and Dickovick 2014; Bénit-Gbaffou 2008). Other countries like Ghana adopted non-partisan electoral rules where local elected officials run independently for office without the endorsement of political parties

(Ibid.). Therefore, decentralization rules entail the delegation of powers to local political elites through elections, thus setting the parameters of the power and discretion of local political actors. In this vein, one can argue that a greater performance in revenue mobilization depends on the political support of local politicians to ensure proper conduct of the process by inducing compliance and enforcement of the rules guiding these activities. To the extent that local political elites must be elected to be in office, then political parties and their influence on the actions of local politicians through formal rules (party systems) and informal rules (patronage and clientelism) deserve more attention. Furthermore, it is just to argue that the power of local political elites is conditioned by the involvement of political parties in local politics, the existence of informal rules that give rise to unique political strategies, and the degree of autonomy of local politicians vis-à-vis the central government. By the same token, studies show that politicians are rational actors who engage in politics to secure career goals (Aldrich 1995; Lane 2005). Therefore, they are often confronted with conflicts that emanate from tensions between working for the public good and personal goals.

The following section lays out the conditions under which electoral rules and informal political rules induce local political elites to opt for more significant citizens' representation or the fulfillment of personal goals and their repercussions on local financial autonomy building. It explains how the degree of control for central governments may induce certain actions and strategies that would be favorable or unfavorable to greater revenue mobilization outcomes.

2.3.1. The Influence of Political Parties on Local Politics

The political environment resulting from decentralization policies opened up space for national political parties to compete in local elections by endorsing local incumbents (Bénit-Gbaffou et al. 2013; Driscoll 2008). The involvement of national parties in local politics was made possible because of the absence of locally based political parties. In some countries like Niger and Kenya, local representatives are elected on a partisan basis, whereas in countries like Ghana, local representatives compete in non-partisan elections. It is expected that the non-partisan nature of local politics in countries like Ghana would prevent local representatives from developing ties with political parties, but national political parties endorse local candidates in an informal manner (Daddieh and Bob-Milliar 2014; Driscoll 2008). Overall, the involvement of political parties in local governments gives rise to formal institutions, such as party-systems, with their own rules and incentives that shape the actions of political elites. Riedl and Dickovick (2014) find that in several African contexts, the mode of competition in elections determines the form of accountability to which politicians will be committed. If local politicians compete in an institutionalized party-system with few political parties, entry into the political arena becomes difficult for potential politicians. Once elected, local politicians feel more accountable to the political parties which nominated them instead of their electorate. This suggests that politicians are rational actors driven by career incentives and that they wish to increase their chances of being re-elected in the next elections by being loyal to political parties (Ibid.). If politicians compete in a multi-party system with a large number of political parties, the entry barrier into the political arena will be low, and thus they will be more inclined to be accountable to their electorate, to whom they depend for re-election (Ibid.). Drawing on these theoretical insights, one can argue that accountability to either power base (citizens or political parties) is an incentive that influences the willingness of politicians to support efforts for greater revenue mobilization.

Scholars found that the systems of accountability expected by citizens from local leaders are weak or inefficient (Olowu 2003a; Prichard 2015; Bratton 2012). These systems are often undermined by the interference of local political parties. Bénit-Gbaffou et al. (2013) reported that in South Africa, the prevailing role of political parties in the nomination of local candidates shifts the accountability relationship between politicians and citizens to politicians and political parties. Accountability to citizens is impaired by information barriers, such as the inability of citizens to get reliable information on misconduct and malfeasance by politicians (Venugopal and Yilmaz 2010).

In summary, the involvement of political parties in local governments shapes the actions of local politicians in such a way that they respond to the demands of the political parties or those of the citizens. The conflict between working for the general good and narrow political interests shape the actions of political elites in revenue mobilization. Consequently, the actions of politicians to enhance local revenue mobilization is dependent on their management of the tension between working for the public good or narrow self-interest for re-election.

2.3.2. Informal Political Institutions, Rules, and Incentives

The political context in which decentralization policies are implemented is made up of informal rules of patronage and clientelism that also inform the strategies and actions of local politicians. In this case, it is the willingness of political elites to endorse the strategies developed by bureaucrats to raise more revenue. Drawing on the debate on the inimical nature of informal rules on formal institutional rules raised by developmental theorists (Fatton 1995; Ikelegbe 2001; Chabal and Daloz 1999; Gore and Pratten 2003), political decentralization scholars reinforce this position. For instance, Bénit-Gbaffou (2008) and Driscoll (2008) highlight the variables that enable the influence of informal rules on local politics. The authors indicate that the involvement of national political parties in local politics transforms local governments into an arena for competition between them as they seek to extend patronage and clientelism for partisan benefits. Clientelism involves the relationship between politicians and those who elected them (the clients) and the actions undertaken by politicians to extend their electoral base, for example, by distributing clientelist favors to potential voters in return for voting support (Stokes 2011). Clientelism arises from the individual action of politicians or through the mediation of political parties in situations where politicians are less inclined to nurture the patron-client relationship (Berenschot 2018; Munoz Chirinos 2013). This latter claim will be emphasized to show how informal institutional rules exert pressure on local elected officials to conform to these rules. This assumption will be tested by examining the cases of Accra and Nairobi to determine whether the conformity of local politicians to informal rules hinder or foster the local financial autonomy.

Patronage, another informal institution, is one of the core functions of political parties in developed and developing countries (Kopecký 2011). Patronage allows political parties to expand and maintain their powers over a government by offering jobs in the public sector to their supporters in exchange for loyalty in some form (Grindle 2012, 18). Unlike clientelism that regulates the relations between citizens (clients) and politicians, patronage affects the functioning of the public service. It can undermine the implementation of a meritocratic system to augment bureaucratic incompetence or facilitate the implementation of policies.

The presence of political parties in local politics creates conditions for the exercise of control on the actions of politicians and the expectations to safeguard the interest of political parties while maintaining or nurturing patron-client structures (Cornell and D'Arcy 2014; Driscoll 2008; De Sardan and Alou 2009). Patron-client networks can potentially cause the failure of policy processes if the rules and procedures tend to threaten existing power relations such as 'the patronage systems through which political advantage is maintained, the patterns of collusion through which public resources are diverted to favored groups" (Goetz 2011). As politically accepted systems, local politicians will distribute clientelist and patronage favors to potential voters to reinforce their status within these systems. From a sociological institutionalist perspective, the conformity of politicians to patronage and clientelist rules is driven by coercive isomorphism. This inclination towards fulfilling personal goals and responding to narrow interests is detrimental to their role as representatives of citizens whose main role responsibility is the protection of public interest.

It is obvious that electoral rules and party systems provide incentives to the dominant actors to induce certain types of actions and strategies. This dissertation examines how party-systems and informal institutions such as patronage and clientelism produce incentives that influence local politicians to act either for the general good or their personal interest based on two assumptions. First, if party systems and informal rules create incentives that encourage and enhance the accountability of local leaders to citizens, they will support strategies to mobilize more revenue because greater revenue mobilization allows them to fund more public services. Second, if the incentives produced by these institutions result in pressure on local politicians to sustain and promote their careers by responding favorably to the incentives, they will not endorse the strategies to mobilize more revenue.

2.3.3. The Degree of Political Control of Central Governments on Local Governments

The degree of political decentralization is another important variable that defines the limits of powers and discretion of local political elites. From an intergovernmental relations perspective, the degree of political decentralization refers to the control that central governments retain over the decisions of local actors. This sphere of control defines at the same time the degree of autonomy of local governments in the implementation of their decisions. The parameters of local government independence determine their strategies towards the building of local financial autonomy.

In their many forms, some models of decentralization policies grant the central government a degree of control over the decisions of local actors, while others give local actors more autonomy vis-à-vis the central government (Oxhorn et al. 2004; Mback 2003). For instance, the devolution model in Kenya assigned a significant degree of autonomy to local governments in decision-making. In contrast, the central government offers only technical and advisory support to county governments (Kahera 2015). The Senate oversees and monitors the decisions of county government actors (Mutakha Kangu 2015). Accordingly, if the decentralized institutional and political contexts shape the powers and discretion of local political elites, they are restricted by the degree of control of central governments on the decisions made by local politician. Hypothetically, central governments could impose on local governments the kind of policy orientations to be adopted, including the requirement to mobilize more revenue, in the same way that local governments could make effective revenue mobilization on their own initiative a priority.

In line with this, two assumptions relevant to the relationship between central governments and local governments on revenue mobilization is explored. First, if the degree of control of central governments on local government is strong and oriented towards strengthening local financial autonomy, local actors will support the strategies aimed towards this goal. Second, if the degree of control is weak, the strategies of the actors will be aligned with their own preferences. If revenue mobilization is a priority of local governments, they will design strategies for increasing revenue mobilization.

2.4. Strategies and Actions of Local Political Elites

Reflecting on the fact that the power and discretion of local politicians who are the central actors in the implementation of fiscal decentralization policies, this section draws on institutional change and state capacity theories to detail how they exercise this power and discretion. The institutional change theory postulates that powerful actors who have veto powers and a high level of discretion use the strategy of drift. Drift, similar to inaction, refers to the use of powers by actors to obstruct the implementation of policies in order to ensure that they are not adaptable to the changing environment (Mahoney and Thelen 2009, 16). Illustratively, if bureaucrats develop strategies to raise more revenue, the powerful actors – in this case, political leaders – could exercise their veto powers to block the adoption of these strategies if they compromise their political interest. Jibao and Prichard (2015) describe the political inaction of local elites on property tax system reform in Sierra Leone. The authors found that taxation reforms often face resistance from political elites because they threaten their vested interest, including tax avoidance by themselves and their allies and opportunities to engage in profitable collusion. Furthermore, this dissertation claims that political inaction can be coupled with the direct interference of politicians in revenue mobilization activities. In decentralization systems marked by constraining informal rules such as clientelism, political leaders can be inclined to exempt potential voters from tax payment in return for political gains.

This dissertation posits that powerful institutional actors such as local political elites can exercise power and discretion within the bureaucracy or by directly interfering in revenue mobilization activities. Inaction or drift could be exercised as a strategy by bureaucrats, and this implies that it is a potential institutional veto point where the dominant actors can use their power and discretion to block or promote activities aimed at revenue mobilization. This assertion is supported by the two theoretical assumptions of institutionalism and traditional views of bureaucracies that establish a relationship between institutional factors and bureaucratic capabilities. These theories emphasize that institutional arrangements affect the decisions or the initiatives of political and policy actors to shape the bureaucratic capacity of governments (Skocpol 1995; Weaver and Rockman 2010). From the traditionalist view of the bureaucracy, bureaucracies are institutional venues that politicians use to complete their policy goals (Jackson 2009). Therefore, bureaucrats are bound to serve politicians (Wood and Waterman 1991). In relation to revenue mobilization, since the bureaucracy is the institutional venue where revenue mobilization activities are performed, politicians can exercise control over the actions of bureaucrats. One could argue that the local legislative assembly constitutes a veto point where the powerful actors (local politicians) can block or support policy innovation.

Nevertheless, in the context of fiscal decentralization policies, the local legislative assembly will hardly be a strong veto point due to the relatively limited power of the local political elites to modify, amend, or adopt new financial decentralization rules and procedures designed by the central government and IOs. Thus, the bureaucracy is the critical institutional point where the dominant actors have the power and the discretion to encourage or thwart policy innovation due to their respective control over bureaucrats. Secondly, arguing that the bureaucracy is the institutional venue where the dominant actors can exercise their veto on bureaucrats' strategies is supported by the agency theory on political control of the bureaucracy and politician-bureaucrat relations (Wood and Waterman 1991). This theory postulates that political leaders strive to adopt policies that match their preferences while bureaucrats "develop their interests through institutionalization and external politics" (Wood and Waterman 1991, 802). Among these divergent interests, politicians will use different strategies to exercise their control over the actions of bureaucrats in order to orient policies towards their preferences. If the drift strategy is deemed one way of exercising power and discretion over the decisions of bureaucrats, Wood and Waterman (1991) examined different causal mechanisms such as political appointments, budget increases and decreases, administrative reorganizations that politicians use to exercise control on bureaucrats in seven agencies in the United States (802). Their findings suggest that patronage in the form of political appointments is the main causal mechanism that enables political control of the bureaucracy. In turn, political appointees, especially those at high levels in the bureaucracy can strongly influence policies or actions adopted by their subordinates (Ibid.). This control by political appointees stems from the fact that they work to uphold the interests of politicians.

In light of this, this dissertation examines the exercise of power and discretion by politicians over the bureaucracy and its through drift and political control and its effects on revenue mobilization outcomes. The following section discusses the different techniques exercised by the bureaucracy to exercise power and discretion and their impact on local governments. The section explores how the organizational capacity of public administration is a secondary variable that can also affect the ability of bureaucrats to mobilize revenue.

2.4.1 Bureaucratic and Organizational Capacity

Bureaucratic capacity is a critical factor in the ability of governments to implement policies. Yet, factors such as the political or organizational environments in which these bureaucracies operate have an impact on the effectiveness of bureaucratic capacity. The concept of bureaucratic capacity is rooted in the literature on state capacity studies but they are focused mainly on central governments (Skocpol 1985; McAdam et al. 2001; Ottervik 2013; Hanson and Sigman 2013). Skocpol (1985) defines bureaucratic capacity as the basic needs of a state. These needs are the maintenance of control and order, incentives to initiate policies and reforms, loyal and skilled bureaucrats, and financial resources. According to McAdam et al. (2001), state capacity means "the degree of control that state agents exercise over persons, activities, and resources within their government's territorial jurisdiction" (McAdam et al. 2001, 78). Ottervik (2013) conceptualizes state capacity as "the ability of the state to dominate, i.e., coax compliant behavior from the individuals of a given territory" (Ottervik 2013, 5). Finally, Hanson and Sigman (2013b) define state capacity using three dimensions: the administrative, extractive, and coercive capacity of a government. Administrative capacity is defined as the ability of the government to develop policy, to produce and deliver public goods and services, and to regulate commercial activity (4). The extractive capacity comprises the means to reach their populations, collect and manage information, possess trustworthy agents to manage the revenue, and ensure widespread compliance with tax policy (5). The coercive capacity "relates directly to the state's ability to preserve its borders, protect against external threats, maintain internal order, and enforce policy" (4). These theoretical approaches refer to the human, technical, and financial capacity of states to gather all the necessary human, technical, and financial resources to execute policies. These authors present the broad aspects of state capacity that constitute a highly efficient state, including the availability of resources to finance its activities. State capacity is analyzed in a holistic manner, with less attention paid to the fact that certain components such as financial capacity (extractive capacity) require the availability of technical and human capacities to build it. Moreover, the emergence of Information Technology (IT) systems, expected to enhance government capabilities, prompted a series of works that offer additional insights into the conceptualization of state capacity (Fisette and Raffinot 2010).

It is pertinent to examine the contribution and benefits of IT systems in building the financial capacity of local governments and taxation outcomes. In the early 2000s, the cities of Gitega (Burundi), Dar-es-Salam (Tanzania), and Harare (Zimbabwe) started using Geographic Information Systems (GISs) to assess the revenue potential of property rates by gathering, storing, and analyzing spatial and geographical data on properties and lands (Chigwata 2017). Several cities embarked on digitizing financial data, using point of sale (POS) devices to raise revenue from the informal economy sector, thus reducing tax evasion (Mkhize, et al. 2013; Lund and Skinner 2009; Boisard, de Freitas, and Hidouci 2014). More recently, cities like Nairobi (Kenya), Accra (Ghana), Addis Ababa (Ethiopia), Dar-es-Salam (Tanzania) and Freetown (Liberia) adopted Integrated Financial Management Information Systems (IFMIS) to foster transparency and traceability of public funds (Boachie 2017; Ajam and Fourie 2016; S. Peterson 2010). Scholars agree that IT systems improve taxation outcomes and foster citizens' trust, tax compliance, transparency, and accountability in the management of public funds (Oberholzer and Stack 2014; Groenewald et al. 2013; Steel 2016). Even though IT systems are hailed as game-changers by IOs and donor countries due to their ability to reinforce the bureaucratic capacity involved in revenue-generating activities (Twum-Darko 2014; McCluskey and Huang 2019; S. Peterson 2010; Steel 2016), their impact on taxation outcomes is yet to be proven.

This dissertation draws upon studies on state capacity and IT systems in SSA countries to conceptualize the components of bureaucratic capacity relevant to revenue mobilization activities in local governments. Local government bureaucratic capacity relevant to revenue mobilization can be defined as the availability of sufficient and competent human resources, technological (IT systems), and technical resources used to enhance revenue mobilization. Adequate and competent human resources will work to assess the potential of the revenue base from which to set realistic revenue targets, effectively organize revenue collection mechanisms, develop new strategies to improve their revenue performance, instill the culture of tax compliance in taxpayers, and ensure that frontline agents will comply with revenue mobilization rules and procedures. Technical resources entail the hard equipment (vehicles, notebooks, etc.) needed to conduct mobilization activities. Technological capacity means the availability of information systems and tools to be used in revenue mobilization processes. These ideas will be used to examine two theoretical postulations. First, the degree to which bureaucratic capacity – human resources, technological and technical resources – will affect the ability of local actors to mobilize revenue. The degree of bureaucratic capacity entails the measure in quantifiable terms of these resources at two levels: strong and weak capacity. Strong capacity means that local governments have adequate human, technical and technological resources to perform revenue mobilization activities. Weak capacity means that local governments have limited human, technical and technological resources for revenue mobilization[6].

2.4.2. Organizational Capacity to Optimize Bureaucratic Capacity

Bureaucratic capacity can be useful to assess the existence of quantitatively measurable capacity like human, technical, and technological resources to perform revenue mobilization activities. However, the cultural, and organizational factors of public administration can enable or disable the effectiveness of bureaucratic capacity. Williams (2020) argues that the sole examination of bureaucratic capacity in complex and specific organizations or policies "misrepresents the mechanisms of bureaucratic performance and policy implementation and obscures the contingency of performance and implementation on the details of politics, policies, and contexts" (4). Centeno et al. (2017) view organizational capacity as the quality of bureaucracy, mainly the organizational competence of the civil servants (5). The organizational capacity is assessed using four (4) indicators:

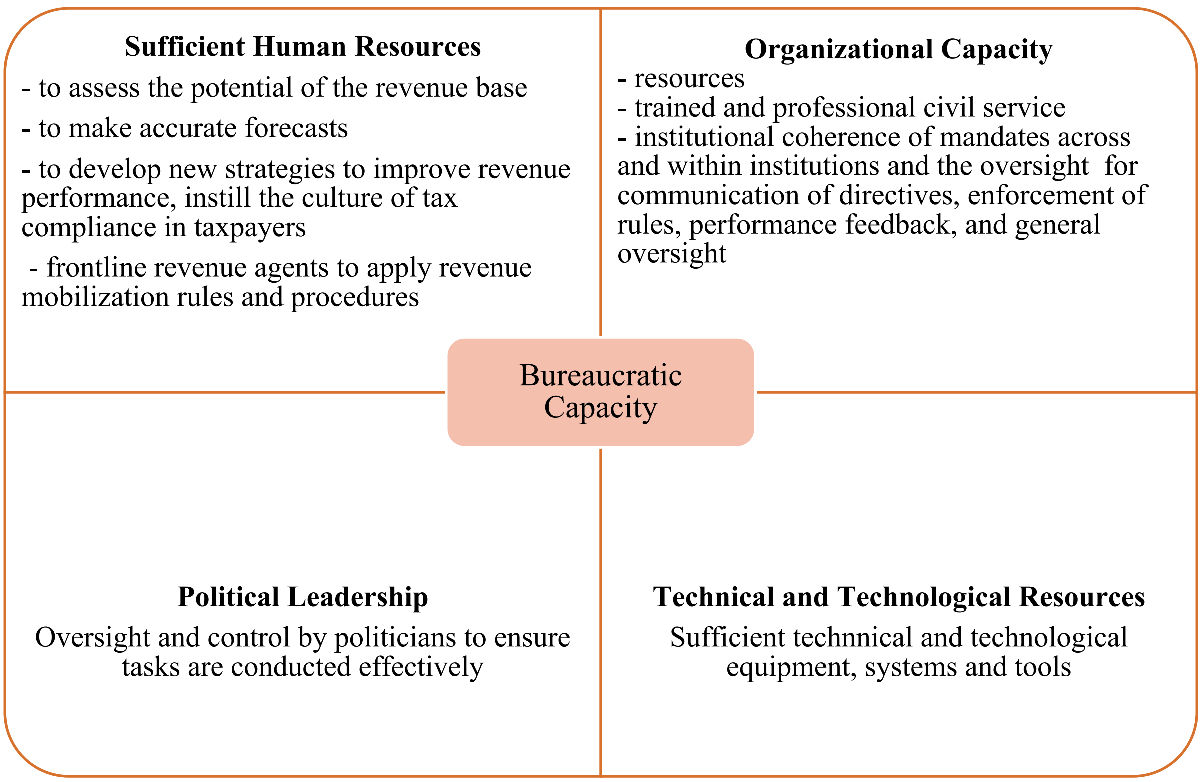
> "1) Resources required to fulfill their stated mandates. 2) Presence of the state across its territory; 3) trained and professional civil service: the level of education and training and the issue-area expertise of those who head these institutions; 4) institutional coherence of mandates across and within institutions and the oversight to ensure that civil servants pursue that mandate through a system of controls and incentives created within the state bureaucracy in order to assure communication of directives, enforcement of rules, performance feedback, and general oversight" (Centeno et al. 2017, 10).

This conceptualization gives a comprehensive understanding of the capabilities of a government that lead to optimum implementation of policies. It refers both to hard capacities

[6] This measure of bureaucratic capacity seems the most appropriate since these resources can be measured in quantity. However, attempting to enumerate in detail the quantity of these capacities would be a daunting task. For this reason, the evaluation of these capacities is based on two simplified measures: strong and weak.

such as resources and soft capacities such as institutional coherence, and the role of politics in deploying these capacities. Although this concept has not been extensively examined in the context of developing countries (Centeno et al. 2017) to generate theoretical assumptions, the institutional coherence and politics are specifically relevant to examining the ability of governments to establish bureaucratic capacity.

Chart 1: The Components of Effective Bureaucratic Capacity



Bureaucracies are composed of a multiplicity of actors (public officials and politicians) with their preferences and incentives and an examination of their interaction from the organizational capacity perspective can provide more insights into how bureaucratic capacity is built and deployed. Therefore, the efficiency of bureaucratic capacity depends mostly on the organizational capacity of bureaucracies, including the ability to resolve the resulting problems of information and clarity of policy rules, and incentives of the different actors.

Incentives of actors and their preferences, interests, and powers play a significant part in the ability of a specific bureaucratic organization to enact policy rules effectively. Thus, the dynamics of interactions, decisions, and actions among policy actors, mainly bureaucrats and politicians, are essential in understanding how bureaucratic capacity is deployed. These theoretical insights inspire an assumption related to the role of organizational capacity in the policy processes, i.e., the degree of organizational capacity will condition the ability of local actors to deploy the bureaucratic capacity for effective revenue mobilization.

To sum up, the organizational and bureaucratic capacities are two interrelated concepts that shed light on how hard capacity such as human, technical, and technological human resources can yield optimum results depending on the bureaucratic and political context in which they are deployed. Chart 1 encompasses a summary of these notions. The next section explores the political and institutional factors that affect the deployment of bureaucratic capacity and the shaping of the organizational capacity. It draws upon institutionalist and political economy theories to highlight how power, discretion, and institutional incentives of actors foster optimal use of bureaucratic capacity.

2.5. Institutional and Political Factors Affecting Bureaucratic Capacity

Studies on state capacity in SSA countries present generalized conclusions that bureaucracies are poorly equipped to achieve their policy goals (Reno 1997; Kpundeh and Levy 2004; Di John 2010). Some scholars have argued the deficiency of a meritocratic hiring system, the existence of limited technical and technological resources, poor infrastructure, the politicization of bureaucrats, and hiring based on patronage are the main causes of weak bureaucratic capacity (Appiah and Abdulai 2017; Simmonds 1985; Goldsmith 1999;

Mengisteab and Kidane 1996). Apparently, patronage undermines the merit-based system by hiring bureaucrats who are not competent to perform their duties (Newbury 2016). It is argued that the politicization of bureaucracies affects the autonomy of bureaucrats in executing their duties, since officials hired by politicians will respond to the demands of their patrons to whom they owe the job, instead of the general interest (Grindle 2012; Newbury 2016). The politicization of the bureaucracy which is expected to be politically neutral, also results in rotations through transfers or dismissal of public servants that goes against the maintenance of a competent bureaucracy (Dale 1995). Thus, a bureaucracy with a high degree of political penetration leads to the rotation/transfer or sacking of those hired by politicians in the event of a change of government (Pepinsky et al. 2016). As a result, the recurrent sacking of bureaucrats hinders the organizational capacity of bureaucracies to build institutional memory to enable sustained and long-term actions.

These works capture the technocratic and political factors that have long plagued bureaucracies in developing countries, especially in SSA. Simultaneously, they portray a gloomy picture that ignores the agency of political actors and bureaucrats to enable or undermine the mobilization of bureaucratic resources necessary to achieve specific policy goals. This claim refers to bureaucratic organizations that possess high human, technical or technological resources but fail to use them efficiently due to the relationship dynamics between bureaucrats and politicians. Additionally, these generalizations have ignored the variation in bureaucratic capacity between countries and within different sectors in a country. For instance, some ministerial departments were viewed as pockets of effectiveness that perform better, even in weak states (Roll 2013; Abdulai and Mohan 2019; M. C. Johnson 2015). This suggests that in a bureaucratic environment deemed generally weak, there can be departments that possess strong bureaucratic capacity, as evidenced by the ability to implement policies effectively. Moreover, those who claim that appointment of public servants through patronage hinders the building of a merit-based hiring system and the appointment of competent public servants disregard the fact that patronage only fosters bureaucratic incompetence if political appointees are less qualified for the job (Grindle 2012, 177; Rahman 2017; Fafchamps and Labonne 2017; Lane 2008). Finally, even though a high degree of politicization can undermine the maintenance of a professional and autonomous bureaucracy, a certain degree of politicization is necessary, especially with the top-level bureaucrats, whose ideas must be aligned with those of politicians to achieve policy goals (Ongaro 2009, 225).

In terms of this debate, it can be argued that research on bureaucratic capacity in developing countries should avoid sweeping generalizations. Bureaucracies are structurally complex machineries, and different units can effectively perform duties in their areas of specialization, fulfilling the kind of tasks to be performed in the political and institutional contexts in which they operate. Bureaucracies can include both incompetent and competent bureaucrats within departments or across different departments, adequate or limited technical and technological resources, and variations in the degree of political influence that are imposed on them. Consequently, a fair assessment of the ability of bureaucrats to achieve policy goals must consider the contextual, political, and institutional nuances in which they evolve and the relationship dynamics between bureaucrats and politicians. In particular, the influence of politicians in shaping the bureaucratic and organizational capacities is substantial because of their power and high degree of discretion to enforce the implementation of policy rules and procedures. From this perspective, it is posited that bureaucratic capacity will be conditioned by the political and bureaucratic dynamics that lead politicians and senior administrators to perceive them as tools to boost taxation outcomes and improve their political /administrative fortunes and positions. On the other hand, bureaucratic capacity will be conditioned by the relationship dynamics among bureaucrats. An enhanced understanding of these dynamics necessitates the mapping out of the different actors involved in revenue mobilization processes, their positions in the bureaucratic structure, and the relationship dynamics among these actors.

2.5.1. Relationship Dynamics within the Bureaucracy

Studies on bureaucratic hierarchies identified three levels of bureaucrat groups who perform different but complementary tasks. These are top-level officials, middle-level bureaucrats, and street-level bureaucrats. Politicians often prefer to appoint top-level bureaucrats who are sympathetic to the visions and policies of the political leaders (Pfiffner 1987; Stehr 1997). Therefore, the top-level bureaucracy is likely to be more politicized with bureaucrats inclined to ensure the interests of the politicians in implementing policies. Similarly, the proximity of top-level bureaucrats and politicians results in some levels of constraints in the decision making by the top bureaucrats because they are accountable to politicians (Aberbach et al. 1981; Suleiman 2016). In the context of fiscal decentralization policies, it can be assumed that the top-level bureaucrats supervise and approve middle-level bureaucrats and the strategies they employ for revenue mobilization. However, this support will depend on the orientations of politicians to whom they are accountable. For instance, if the priorities of politicians are, among others, the building of strong financial autonomy, top-level bureaucrats will approve the strategies to achieve these goals.

Middle-level bureaucrats, who are career-oriented public servants, are often appointed through a neutral and merit-based system (Page 2007). Middle-level bureaucrats play a pivotal role in implementing policies and less in the policy formulation process (Page 2007; Cavalcante and Lotta 2015). Middle-level bureaucrats are the key actors who apply, comply with, and enforce revenue mobilization rules, develop strategies to improve revenue collection, and supervise street-level bureaucrats in their daily revenue mobilization activities. Since strategies stem from their discretion, the successful implementation of these strategies will depend on the approval of top-level officials to whom they are accountable. On the relationship between top and middle-level bureaucrats, Ongaro (2009) affirms that:

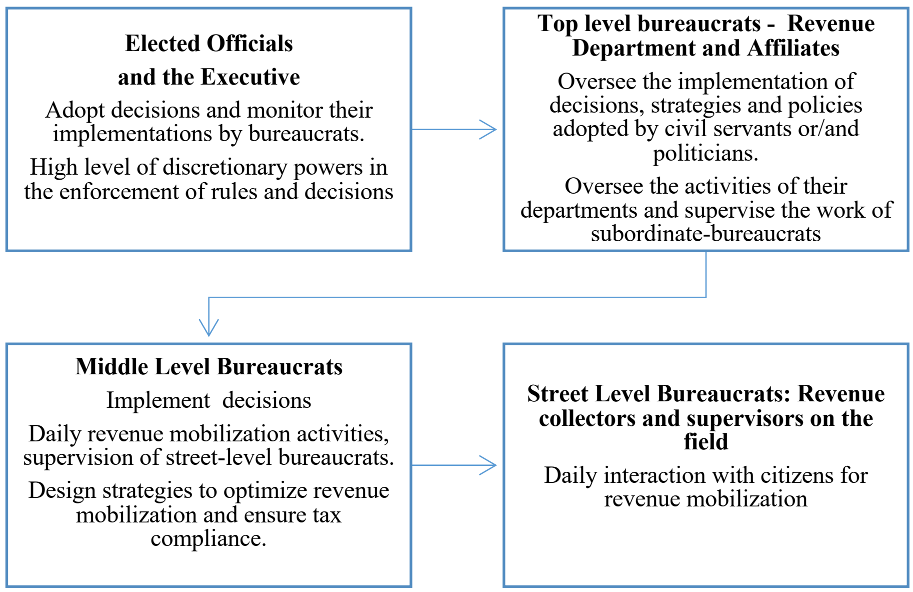
> "extensive politicization of top-level positions may produce a sort of fracture between the politicized top circles and the bulk of civil service from the middle ranks down. This, in turn, may increase the likelihood of civil servants not being supportive of the implementation of reforms, at least because their sense of ownership of the reform can prove to be limited" (225).

In other words, the extensive politicization of the bureaucracy may induce middle-level bureaucrats to be less supportive of reforms initiated by top-level bureaucrats. This claim accurately describes the dynamics of tension between top and middle level bureaucrats, but it hardly applies to local governments in SSA where reforms are rarely initiated by top-level bureaucrats. Evidence shows that IOs have spearheaded development reforms, and they failed due to the lack of political will and a mismatch with the administrative and financial realities in which they are implemented (Evans and Davies 1999; Schofer et al. 2012). Considering that top bureaucrats are likely to be more politicized, there is a high probability that they will resist reforms as political elites do. However, middle-level bureaucrats who are required to effectively conduct their day-to-day administrative routines are likely to be more motivated to achieve reform requirements by designing strategies to achieve these results. From this perspective it can be argued that the politicization of top-level bureaucrats will prompt them to be less supportive of strategies of middle-level bureaucrat if they threaten to undermine their preferences and the interests of politicians to whom they are accountable.

Finally, the successful implementation of these strategies will also be conditioned by the actions of lower-level bureaucrats. Lipsky (2010) identifies lower-level bureaucrats as street-level bureaucrats because they are frontline officials who exercise discretion in their dealings with citizens with whom they interact. Street-level bureaucrats play an important role in shaping bureaucratic capacity due to their higher degree of discretion and its effect on policy outcomes. It is fair to argue that in the context of local governments in SSA, street-level bureaucrats are revenue collectors, supervisors, and other officials whose work involves frequent interaction with taxpayers. Their bureaucratic hierarchy position grants them a high level of discretion in the application, enforcement, and compliance with revenue mobilization procedures and strategies. More often, lower-level bureaucrats are appointed through a merit-based system. However, studies on fiscal decentralization in SSA countries point to the fact that the appointment of street-level bureaucrats in the position of revenue collectors is sometimes made through patronage (Driscoll 2008).

These theoretical insights lead to two theoretical assumptions relevant to this study. First, local political elites will undermine or encourage strategies to mobilize more revenue if they are perceived to interfere with personal and political interests. Second, in light of the above, the successful implementation of revenue mobilization strategies will depend on political and institutional dynamics that lead politicians and top-level administrators to perceive them as boosting both taxation outcomes and improving their political and administrative fortunes. Chart 2 gives an overview of the relationship dynamics between politicians, top, middle and street-level bureaucrats.

Chart 2: Relationship Dynamics between Politicians and Bureaucrats



Similar to local political leaders, the response of street-level bureaucrats to institutional incentives and the use of their discretion will have a significant effect on revenue mobilization outcomes. Moreover, the political context will also shape the actions of street-level bureaucrats. If the strategy of patronage is used to hire revenue collectors, it will compel them to be loyal to those who hired them (the politicians) (Grindle 2012), while reducing the control of their immediate superiors over their actions. Hence, the institutional discretion and their relative autonomy will shape their ability to comply, enforce, or alter revenue mobilization rules.

Given the high degree of discretion, street-level bureaucrats will use subversion as a strategy aimed at fulfilling their preferences if the institutional context is conducive to this aim. Subversion occurs "when rules remain the same but are interpreted in new ways" (Mahoney and Thelen 2009, 17). This claim is reinforced by Lipsky's analysis of the actions of street-level bureaucrats when he argues that "there will always be some slippage between orders and the carrying out of orders […] when the incentives available to supervisors are matched by countermeasures available to lower-level bureaucrats" (Lipsky 2010, 15–16). Therefore, if street-level bureaucrats are rational actors who seek to maximize their interests, they will alter the policy rules to fulfill their personal goals if they do not receive the right incentives to comply and enforce policy rules.

In terms of incentives, there are studies on the actions of bureaucrats such as revenue collectors to demonstrate that unsatisfactory working conditions can induce revenue collectors to be corrupt. Antonakas et al. (2013) find that revenue officers [revenue collectors] in Greece are poorly paid or become so as a consequence of an adjustment strategy such as wage controls in a context of massive price increases. Therefore, they will be more inclined to engage in corruption and revenue diversion, especially when they handle cash; ultimately, corruption will cause significant revenue losses (Shah 2006, 488; Ajaz and Ahmad 2010; Adu-Gyamfi 2014). From an institutionalist point of view, if the rules and incentives induce street-level bureaucrats to indulge in corrupt activities, these actors will adopt corrupt practices in revenue-generating activities where the institutional and political contexts allow (Oates 2008). For instance, a political context marred by weak structures of accountability and transparency will create incentives for street-level bureaucrats to exploit the ambiguity of the rules or the lack of transparency in the management of public funds to achieve their ends. By contrast, some scholars add that the provision of financial and non-financial incentives, such as training and other rewards, will create enabling conditions for bureaucrats to be motivated in performing their tasks (Dal Bó et al. 2013; Ashraf et al. 2014). Accordingly, incentives for corruption and revenue diversion strategies can be bypassed by other financial and non-financial incentives that dissuade street-level bureaucrats from engaging in corruption and revenue diversion practices. Drawing on these studies, the following assumption will be examined: the working conditions of street-level bureaucrats will induce or dissuade them from indulging in corruption and revenue diversion practices. Ultimately, revenue diversion and corruption in revenue collection activities will affect revenue outcomes.

2.5.2. The Institutional and Political Determinants of Tax Compliance

The assessment of revenue mobilization outcomes from an institutional and political standpoint would be incomplete without including into the analysis the dimensions of tax compliance. Tax compliance is a critical variable, which depends on institutional and political factors, such as the ability of local actors (politicians and bureaucrats) to design and implement strategies to instill a culture of tax payment among citizens.

Compliance strategies affect individual citizens and organized groups, and they are all taxpayers. Public finance approaches examine tax compliance from a fiscal contract perspective between governments and citizens. In this contractual relationship, governments are expected to transparently manage public funds and deliver better services in exchange for tax compliance from citizens (Ali et al. 2014; Fjeldstad 2006). Hence, if citizens perceive that the taxes paid to local authorities are managed transparently, they will be encouraged to comply with tax payments in the long run. According to Oberholzer and Stack (2014), encouragement for compliance can be accomplished with the publication of information on the use of public funds. The authors found that 51.92% of South African urban citizens agreed that the government does not provide enough information on the use of tax funds (517). They concluded that information asymmetry between local actors and citizens could induce a non-tax compliance attitude. Ali et al. (2014) discovered that individuals who are satisfied with public services tend to comply with tax payments. By contrast, if citizens notice that governments misappropriate public funds through corruption, they will not comply with tax payments (Uhunmwuangho and Aibieyi 2013; Fjeldstad 2005). Cheeseman and Burbidge (2016) note that the capacity of local actors to inform the citizens on the use of public funds through various communication means (radio programs, local newspapers, documents online) provides the right incentives for citizens to comply with tax payment. Additional empirical evidence has shown that rationally, individuals will avoid tax payment since they do not observe any services in return (Gërxhani 2004, 294). Tax noncompliance results from the lack of incentives, such as the inadequate provision of public services. While these studies identify the causes of tax noncompliance, they also underline the key role of local actors in tackling tax noncompliance in urban municipalities by adopting strategies to instill a tax compliance culture. One can infer that local actors play a key role in encouraging tax compliance by managing public funds transparently and providing information on the use of public funds. For instance, providing information on the services provided to citizens, including waste management, can induce greater tax compliance among citizens.

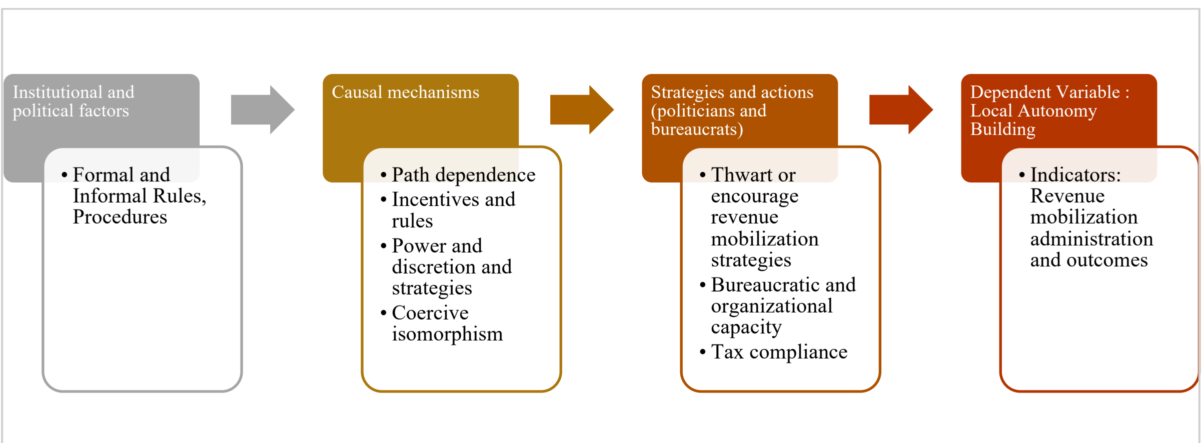
Regarding tax compliance in the informal economic sector in SSA cities, scholars found that the growth of the informal sector constitutes a source of revenue that cities could exploit (Kombe and Kreibich 2000; Mkhize et al. 2013; Lund and Skinner 2009). According to Cessou (2015), the informal sector contributes up to 40% of the Gross Domestic Product

(GDP) in SSA countries. The informal sector is mainly made up of street market vendors, traders, craftsmen, seamstresses, mechanics, plumbers, and masons (Jackson 2016; Medina et al. 2017). Unlike the formal sector which comprises businesspersons who register their businesses to start economic activities, the informal sector comprises unregistered and volatile vendors, about whom cities cannot compile any accurate data (Rakodi 2003). Additionally, Fjeldstad (2004) found that some South African cities use "oppressive enforcement of service charges, including cut-offs and harassment by revenue collectors" to induce tax compliance (554). Hence, dealing with the informal sector represents an additional challenge for cities due to the difficulty in measuring its revenue potential and the contentious relationship between city authorities and informal traders. These challenges restate the crucial role of local actors in the exploitation of these resources.

There are studies on the use of the agency of local actors to induce tax compliance in the informal sector. The urban municipalities of Maputo, Mozambique, and Durban, South Africa, are examples of cities where local tax authorities developed incentives to raise tax consciousness among street vendors and daily market merchants by inviting them to townhall meetings and involving them in the decision-making process on questions related to their business activities (Lindell 2008; Lund and Skinner 2009; Aribigbola et al. 2013; Bundlender 2015). These studies found that the incentives for collaboration with city authorities enabled the conditions for an accurate estimate of the data on informal activities and the willingness of informal actors to comply with tax payment since city authorities were willing to cooperate with them (Ibid.). For instance, in Durban, local officials admitted having a better knowledge of the issues and possibilities for supporting informal workers while generating more revenues from this category of taxpayers (Bundlender 2015). Overall, the cities provided a safe economic environment, including the building of necessary infrastructure, shelters for vendors, provision of water and electricity, storage, waste management, and the clean-up of daily markets and commercial spaces (Obeng-Odoom 2017; Fjeldstad and Heggstad 2012; Fjeldstad 2006; Mkhize, Dube, and Skinner 2013). These findings provide evidence that the actions of local actors can potentially promote compliance among taxpayers.

These theoretical and empirical insights are employed to assess the following assumptions related to tax compliance. Chart 3 summarizes the theoretical model drawn from institutional and political economy theories.

Chart 3: Theoretical Model: Institutional and Political Factors that Affect Revenue Mobilization Administration and Outcomes



First, if bureaucrats develop strategies and initiatives to engage with citizens, these strategies will induce higher tax compliance levels among taxpayers. Secondly, if local actors offer better services to taxpayers from the informal sector, this will create tax compliance incentives for informal economic actors. Thirdly, interaction of revenue collectors with the informal sector in a less confrontational manner could increase tax compliance from this sector and increase revenue. Fourth, the strategies developed by bureaucrats to instill tax compliance culture will significantly impact revenue mobilization outcomes if they are supported by political leaders and perceived as not impinging on their personal interests.

In summary, the first section of this chapter provided a comprehensive explanation of the theoretical notions and concepts relevant to analyzing local financial autonomy building using revenue mobilization administration and outcomes as the main indicators. Institutionalist and political economy theories underpin these notions and concepts. These theories postulate that institutional rules affect policy outcomes. Also, institutions create incentives that shape the actions and strategies of actors involved in the policy process. Institutions and the political context in which actors evolve shape the type of powerful actors, by transferring significant powers and discretions to them. In turn, actors use their powers and discretion to thwart or encourage the effectiveness of the policy process. The actions and strategies of actors end up affecting the deployment of the bureaucratic and organizational capacities used in revenue mobilization administration while also directly affecting its outcomes. The main argument of this first section is that the effective deployment of the bureaucratic capacity to mobilize revenue depends on the willingness of politicians. The following section describes the methodology used to test the hypotheses in the cities of Accra and Nairobi. This includes the strategies for case selection, data collection, and analysis.

2.6. METHODS

2.6.1. Research Design and Case selection Strategy

This dissertation employs a comparative and qualitative analysis to examine the institutional and political factors that create favorable and unfavorable conditions for building local financial autonomy. The qualitative method is relevant to the study of local financial autonomy because it offers a substantial and detailed analysis of the causal relations between the phenomena that cause specific outcomes (Brady and Collier 2010).

The cases of Accra and Nairobi are used to understand the causes of low revenue mobilization and attempts to overcome these challenges. These two cities are typical cases, which, like many local governments in SSA, rely on the central government and IOs' budget transfers to finance local development projects (Paulais 2012; Brown, Ofosuhene, and Nti Akenten 2019; Nairobi City County 2019). Accra and Nairobi are also national capitals that host a large volume of economic activities. They possess a higher potential for raising financial resources, and the analysis aims to explain the reasons which hinder the exploitation of these resources. The comparative aspect of qualitative research contributes to establishing similar and different factors that account for the building of local financial autonomy in both cases.

Accra and Nairobi are selected on the basis of the most different systems design (MDS). The MDS consists of selecting cases that share the same outcomes but differ in their background conditions (Seawright and Gerring 2008). Thus, the research consists of finding similar factors shared among the two cases to explain the outcomes (Ragin 1989). The MDS is even more relevant in complex social and political phenomena where the outcomes of interest can be explained by a combination of causal conditions (Mills et al. 2010). Like other major urban centers, local governments in Accra and Nairobi face political challenges in the form of increased competition between elites for local resources (Bekker and Fourchard 2013; Bénit-Gbaffou et al. 2013). Furthermore, these two cities also face economic and social challenges related to increasing urbanization and the expansion of the informal sector. Therefore, the MDS serves to offset this complexity by making it possible to establish one or two factors common to the two cities to explain the strategies and challenges of local autonomy building. Accra and Nairobi meet the MDS requirements for case selection because they share the same outcomes on the dependent variables despite their different political and policy background conditions.

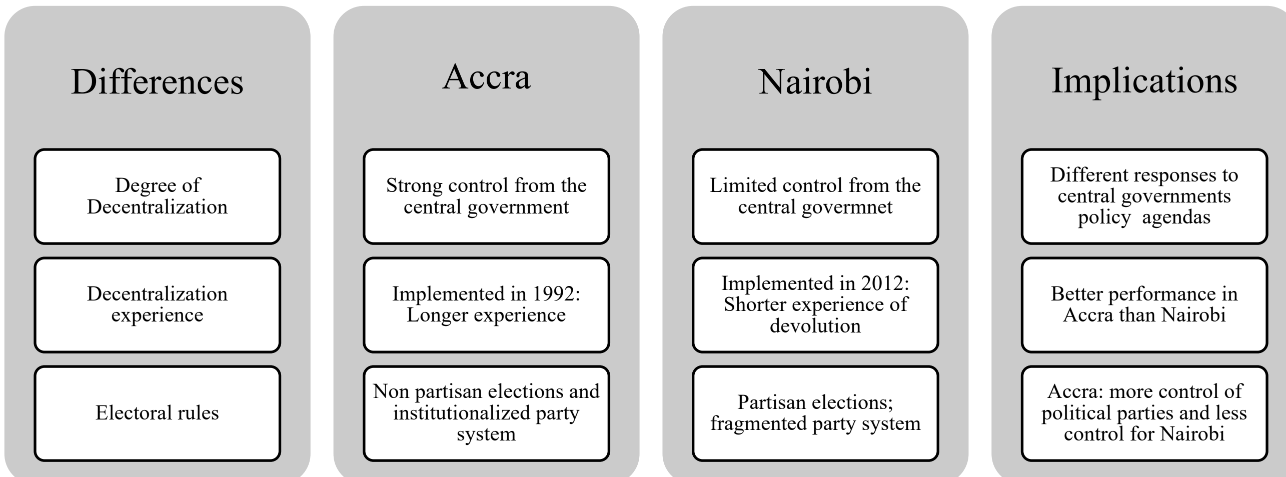
As the MDS is limited to the examination of one or two single factors that can explain the outcomes, this study relies on the multiple conjunctural causations strategy that suggests that an outcome results from different combinations or conditions (Aus 2009). Again, given the complex nature of the institutional and political contexts in which revenue mobilization activities occur, the factors explaining revenue mobilization outcomes could derive from a combination of causal factors. The comparative analysis will reveal the common political and institutional factors that cause these outcomes in light of these differences. The next section provides a detailed description of these similarities and differences.

2.6.2. Similarities in the Outcome of Interests

First, Nairobi, Kenya, and Accra, Ghana, have a similar local revenue structure, which gives them access to more than a hundred sources of revenue in each city. The most important revenue sources are property rates, business permits, building permits, parking fees, and market fees, billboard, and advertisement fees. The County Treasury formulates the guidelines for revenue mobilization activities in Nairobi in reference to the county Public Finance Act of 2012 (Nairobi City County 2016b). In Accra, the list of fees and rates charged to taxpayers is enumerated in the fee fixing resolution voted every year by local councillors (Government of Ghana 2016, 64). Furthermore, a brief exploration of the financial reports in Accra and Nairobi shows that local budgets are supplemented by conditional and unconditional grants from the central government and donors, including the World Bank (Accra Metropolitan Assembly 2013a; 2014a; 2015a; 2016a; 2017b; Nairobi City County 2013; 2014; 2015b; 2016a; 2017). These sources are part of the conditional and unconditional grants to which local governments are entitled. Accra is eligible for a share of the national revenue from the District Assembly Common Fund (DACF), which is made up of a minimum of 7.5% of the national revenue shared among all District Assemblies in Ghana (Government of Ghana 2016, 65). On top of this, Accra receives various conditional grants from the central government and IOs. Similarly, Nairobi is entitled to a share of the national revenue through the Equalization Fund, which is made up of 0.5% of the 15% of the national revenue distributed among Kenyan county governments.

Although this will be explained in detail in Chapter 3, it is worth mentioning that external transfers constitute about half of the total budget in both cities. Also, a brief exploration of the financial situation in Accra and Nairobi leads to the observation that the two cities are unable to raise enough revenue. Both Accra and Nairobi receive conditional grants from IOs, earmarked for specific projects used mainly to fund development programs. Drawing on a similar structure of external revenue, this analysis will establish the extent to which the conditionalities for obtaining these transfers create incentives that motivate or demotivate local actors to extract more revenue. The similarities outlined above are complemented by their differences in decentralization experiences[7], the degree of political decentralization, and local electoral rules. The differences and their theoretical implications for this analysis are summarized in Chart 4.

Chart 4: Accra and Nairobi Policy and Political Differences



2.6.3. Accra and Nairobi Differences

Different Decentralization Experiences

Ghana introduced decentralization reform in 1988 under pressure from IOs to enlarge democracy and improve public services provision (Crawford 2009). In comparison, Kenya went through several decentralization reforms since the 1990s before the adoption of the current devolution system in 2010 (Steeves 2015). Both countries adopted decentralization to accommodate demands from IOs and pressures for democratization and power-sharing between the central governments and lower levels (Mitullah 2004; Cheeseman et al. 2016; Fridy and Myers 2019). The adoption of the constitution in 1992

[7] Kenya experienced different reforms of decentralization since the 1990s. However, in 2012, the country adopted the most ambitious form of decentralization called devolution, which will be the subject of this study.

authorized the creation of new local governments in Ghana, while in Kenya, county governments started working under the new devolution system in 2012.

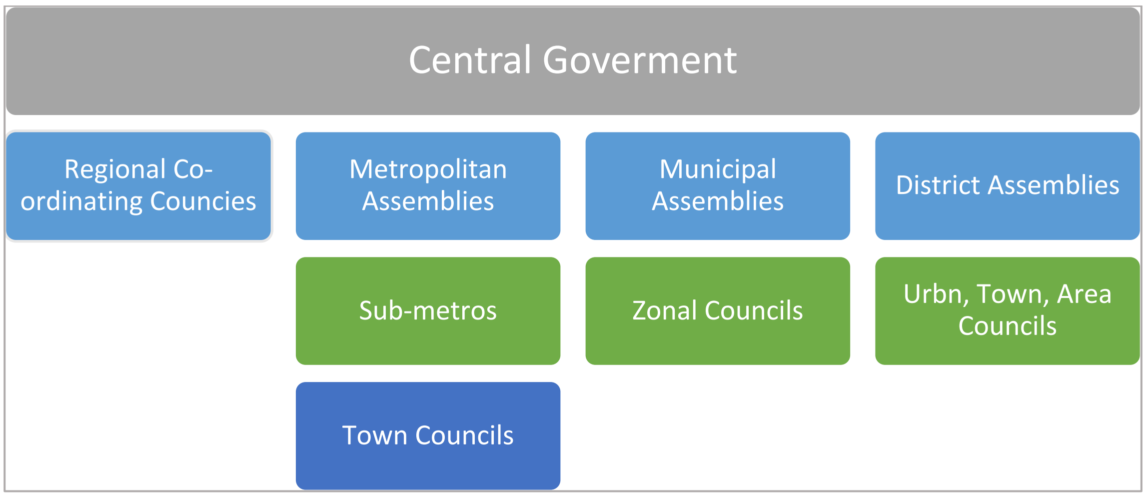
The different timelines for reform implementation imply that Accra has a longer experience of decentralization than Nairobi. Theoretically, the accumulated experience of decentralization in Ghana would allow Accra to reach a high degree of financial autonomy compared to Nairobi. Despite this difference in experience with decentralization, Accra is still at the same level of weak financial autonomy as Nairobi. The two cities fail to meet their revenue targets and cover half of their budget costs (50%) with transfers from central governments and IOs.

The Degree of Political Decentralization

The Accra Metropolitan Assembly (AMA) is among 254 Metropolitan, Municipals, and Districts Assemblies (MMDAs) in Ghana. AMA is also the national capital of Ghana, with a population of 2.05 million living in the six sub-metropolitan areas of Accra (World Bank 2019a; Ghana Statistical Services 2019). The Metropolitan Chief Executive (MCE) is the Mayor of the City. MMDAs mayors are appointed by the President of Ghana with the approval of at least two-thirds majority of the metropolitan assembly members (Government of Ghana 2016, 19–21).

The decentralization reform is embedded in a three-level structure of governance, namely the national, regional, and local. The central government exercises control over local government decisions through Regional Co-ordinating Councils (RCC). RCCs monitor, co-ordinate, and assess the performance of local governments in their respective regions and monitor local government expenditure decisions (Ibid.). In turn, central government agencies such as the Ministries of Local Government and Rural Development (MLGRD) and Finance oversee the decisions of RCC and local governments. They also offer technical and capacity-building support to local governments (MLGRD 2020; MoF 2020). Chart 5 presents an overview of the decentralization model in Ghana.

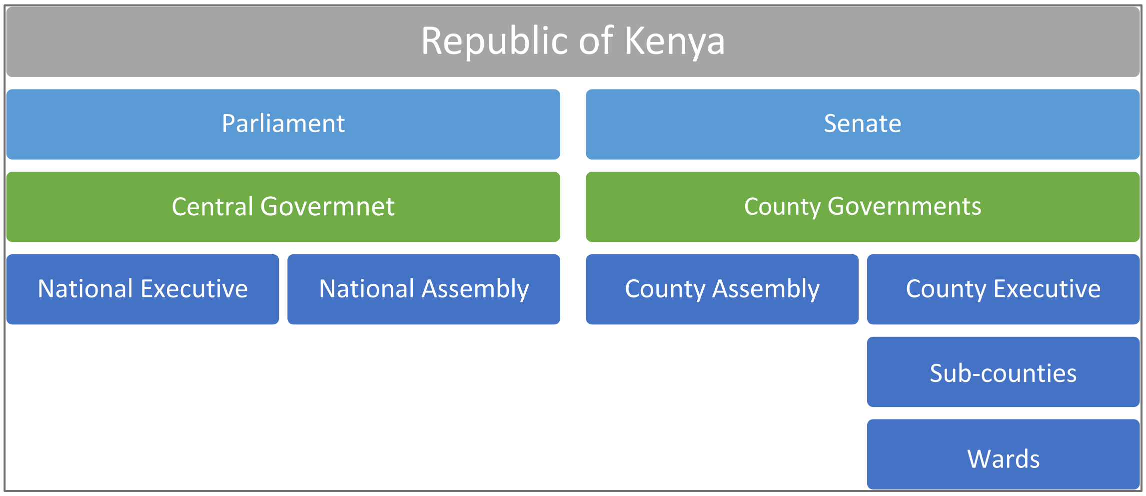
Chart 5: Decentralization Model in Ghana



Source: Ghana Local Governance Act, 2016

Nairobi city-county (NCC) is the largest county government (CG) amongst 47 in Kenya. NCC is also the national capital of Kenya, with over 3 million people who live in seventeen (17) sub-counties (Bekker and Fourchard 2013). The sub-counties are decentralized entities of the city of Nairobi. They execute decisions adopted by the executive office and collect revenues in their respective sub-counties. The Nairobi governance system is comprised of the county assembly (CA) and the County executive (CE). The CA is made up of both democratically elected and nominated members through an Act of Parliament to represent women, youth, and people with disabilities (Government of Kenya 2012b, secs. 43–13). The CE, under the control of the Governor (the Mayor), supervises "the administration and delivery of services in the county and all decentralized units and agencies in the county, it monitors the process of planning, formulation, and adoption of the integrated development plan" (Ibid.). Chart 6 provides a summary of the devolution model in Kenya.

Chart 6: Kenya Devolution Model



Source: Kenya County Governments Act, 2012

The devolution reform operates in a two-level system of governance, namely the central and county governments. County Governments are accountable to the Senate, composed of an elected member for each county and appointed groups to represent women, the youth, and people with disabilities (Steeves 2015). Among the appointed members, 16 seats are reserved for women, two (2) for the youth, and two (2) for people with disabilities. Unlike local governments in Ghana, county governments in Kenya are more autonomous vis-à-vis the central government. The central government, via its ministries and agencies, plays an advisory role, and offers technical support to county governments. Therefore, Nairobi enjoys more political autonomy compared to Accra, where the central government exercises more control through its agencies. The difference in the degree of political autonomy lays out the background conditions for testing the extent to which the actions of local actors align with those of the central government. As hypothesized, if the central government exercises more control over the decisions of local actors, they will be inclined to adopt policies that align with those of the central government. However, if local governments enjoy more autonomy, they will adopt policies that align with their own preferences. Therefore, Nairobi and Accra and expected to adopt different orientations in relation to local financial autonomy. In the first case, they will be based on the preferences of local actors. In contrast, in the second case, they will be inspired by the central government.

Electoral rules in Accra and Nairobi

Accra and Nairobi use different methods for electing local representatives. Both systems elect local representatives using the plurality system. In Nairobi, local elected officials, including the governor, must be endorsed by national political parties to compete in local elections. Kenya has a fragmented party-system composed of more than 30 political parties and a strong tendency for aspiring politicians to jump from one party to another to seek political endorsement (Erdmann and Basedau 2008; Riedl 2014). The fragmentation of the party system implies that the entry barriers to the political arena are low. Hypothetically, political candidates are more likely to be accountable to their electorate rather than the political party for their re-election. Accountability to citizens could account for variations in the effect of politics on financial autonomy building if it serves as an incentive for politicians to address the demands of citizens.

In Accra, 70% of members of the metropolitan assembly are democratically elected through non-partisan elections. Policymakers chose the non-partisan nature of local politics to reduce the interference of national political parties and ethnic politics in local governance (Fombad and Steytler 2019). In consultation with customary chiefs, interest groups, and members of the Parliament, the central government appoints 30% of the members to foster a technocratic system in local governments (Awortwi 2011). It is assumed that the appointed members are technocrats whose professional experience will add value to the effective management of local affairs. The other 70% of assembly members are elected through non-partisan elections since political parties are not authorized to endorse, sponsor a candidate, or offer a platform in any local election campaign (Government of Ghana 2016, 16–17).

Despite the non-partisan electoral competition in Ghana, political parties often sponsor or support candidates to control the grassroots and increase their chances of winning national elections (Driscoll 2008; Olowu and Wunsch 2004). Thus, there is interference from political parties in local politics despite the non-partisan nature of the electoral system. Research evidence suggests that local incumbents are often endorsed and financially supported by political parties to win elections in a particular constituency (Driscoll 2008). Besides, the appointment of the Mayor is politically motivated since this suggests that the President would appoint an official who is sympathetic to their party platform. Moreover, unlike Kenya, Ghana has an institutionalized two-party system in which the two main parties, the National Democratic Congress (NDC) and the New Patriotic Party (NPP), have monopolized the presidency and virtually all parliamentary seats and have alternated as Ghana's ruling Party (Daddieh and Bob-Milliar 2014, 108). The institutionalization of the party-system suggests strong barriers to entry in the political arena for aspiring local politicians. High entry barriers potentially imply accountability to political parties for the nomination rather than the citizens. Hypothetically, accountability to political parties would add some constraints on the actions of politicians and drive them to satisfy the interests of political parties more than those of citizens.

In summary, the cities of Accra and Nairobi evolved within two different decentralization models. In Nairobi, local elected representatives and the executive enjoy considerable political autonomy from the central government. In Accra, the fact that elected representatives and the mayor receive authority transferred from the central government gives the latter power of control over their decisions. Secondly, representatives in Nairobi are endorsed by political parties whereas, in Accra, the elected officials compete in non-partisan elections. This is another significant point of difference in the political decentralization model. The analysis will assess how these differences account for variations in the institutional and political factors that impact the ability of local actors to build fiscal autonomy.

2.6.4. Outcomes of Interest

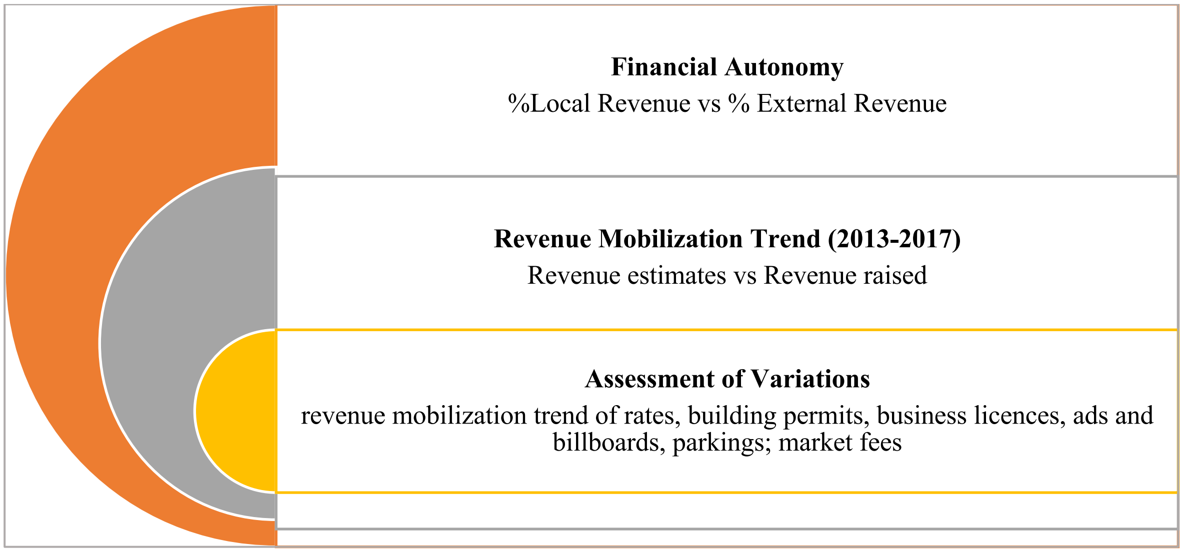
In this analysis, the outcome of interest is local financial autonomy. This outcome is assessed based on two indicators: revenue mobilization administration and revenue mobilization outcomes. The administration of revenue refers to the capacity of local actors to effectively perform revenue mobilization activities so that they produce better results. Local revenue is the unit of analysis because it is the lowest common denominator, shared across many cases (Robinson 2011; UCLG 2011). The local revenue unit is significant in assessing local financial autonomy, and the method of analysis can be generalized across a significant number of cases.

Local financial autonomy is examined using three (3) measures that are summarized in Chart 7. First, local financial autonomy is measured by comparing the percentage share of the revenue mobilized by local actors in all revenue, including external transfers, interests on investment (if any), and other revenues that make up the total revenue of Accra and Nairobi.

Whereas the decentralization literature does not provide clear indications in terms of when local governments reach a state of financial autonomy, the assessment of financial autonomy draws on the conceptualization of Slack (2012) and Cigu (2014). The authors define financial autonomy as the greater reliance of local governments on locally raised revenue to cover their operation and development expenditures. In percentage terms, financial autonomy would be reached if local governments use 100% of locally raised revenue to cover operating and development expenditures. Since using a mathematical measure would not capture all aspects of local finances, the analysis assesses local financial autonomy with two measures: weak and strong financial autonomy. Weak financial autonomy means that the revenue raised by the local government only covers operating expenditure, while external revenues finance development expenditures. Inversely, strong financial autonomy means that local governments use their own revenues to fund operating and development costs.

Local financial autonomy is a process that is built over a long period of time, the access to Accra and Nairobi budget reports since 2013 allowed to assess the process and degree of financial autonomy building over 5 five years, i.e., between 2013 and 2017. The analysis presented in chapter three (3) gives a detailed account of the outcomes in revenue mobilization and their contribute or otherwise to the attainment of local financial autonomy. In order to determine if institutional and political factors hinder or foster revenue mobilization activities and outcomes, the second measure used to examine the outcomes of interest consists of assessing the revenue mobilization performance by comparing the trend in revenue projected versus revenue raised between 2013 and 2017. This method focusses on the extent to which Accra and Nairobi improved their revenue mobilization performance while also showing the variation in revenue mobilization and revenue forecasts in each city and between them. The variations in revenue forecasts and revenue outcomes serve to tests the theoretical assumptions to understand the causes of the variations.

Chart 7: Measures for Assessing Revenue Outcomes



The third measure consists of assessing the 5-year revenue mobilization trend using six sources of revenue: *1) property (land) rates; 2) parking fees; 3) business licenses; 4) building permits; 5) advertisement and billboard fees, and 6) market fees.* These six revenue sources are theoretically and methodologically relevant because they are part of the main revenue sources that a larger number of African local governments can mobilize (UCLG 2011). The assessment of these revenue sources shed light on the variations in the overall revenue mobilization performance. For instance, if there is a significant variation in revenue outcomes in a given year, examining the revenue performance of the six revenue sources will help understand the specific causes of this variation.

Additionally, the six revenue sources outlined above account for at least 80% of all revenue streams. Their mobilization involves sophisticated bureaucratic capacity, such as the use of IT systems to design an accurate database of taxpayers and track the mobilized revenue. These six (6) main sources of revenue are financially and politically salient because they entail a significant distribution effect. All the groups (politicians and bureaucrats) whose actions affect the mobilization of these revenues could hinder or facilitate the process. Compliance and enforcement of the rules to extract these revenue sources can also be contested by the various actors involved, including citizens. Finally, the extraction of local revenue can be impacted by institutional and political factors like the alteration of the rules that guide their extraction, the non-adaptation of the institutional rules to the context in which they are enacted, or their use as political leverage by politicians. The introduction of control variables like the GDP, rates of inflation, and the electoral years are used to examine their effect on revenue mobilization outcomes. If these variables have a less significant impact on revenue outcomes, it will be possible to make the argument that institutional and political factors serve as the primary explanation for revenue mobilization outcomes.

2.6.5. Field Research and Data Collection

The analysis of local financial autonomy building is supported by qualitative data collected during field research for four months in Accra and four months in Nairobi. The fieldwork method allows one to garner research data that provide substantive answers to the breadth and depth research questions that are well-grounded in the contexts studied (Kapiszewski et al. 2015). The two research questions of 1) Why do local governments fail to meet their revenue targets, and 2) How do local actors mitigate the challenges of building strong financial autonomy? require in-depth exploration of the context in which these processes occur to grasp the different elements that provide substantive answers to these questions. The collected data includes semi-directed interviews, primary source documents, and observations.

Semi-directed Interviews

Semi-directed interviews are considered as an enriched method for gathering qualitative data because their flexible structure gives participants the freedom to express their views in their own words (Harrell and Bradley 2009). Semi-structured interviews were conducted with relevant key informants in Accra and Nairobi. Research participants were selected using the purposeful non-random sampling technique, as the information given by selected participants were relevant to the topic. Additionally, the snowball sampling technique was used as participants in one category frequently knew people in the other category. This type of sampling method is generally paired with qualitative research (Johnson 2014). It is often an exploratory method where networks are difficult to map or gain access to (Tongco 2007; Ritchie et al. 2014), especially in administrative organizations at the national level, who work directly with local actors in municipalities. These recruitment methods occurred in multiple stages depending on how exhaustive the list of interviewees was in the initial phase of the study. The network of academics and connections in Kenya and Ghana facilitated the recruitment of participants.

A total of 63 participants were interviewed. The key informants fall into five sub-categories: local actors, central government officials, IOs agents, Think-tank and researchers, and organized taxpayer groups. Research participants in each city agreed to take part in the study by giving an oral or signed consent. Each interview with research participants lasted approximately one hour. In some instances, the participants were met at least twice to clarify the information obtained beforehand in both cities. The categories of participants who took part in this study are summarized in Table 2.

Table 2: Semi-directed Interviews and the Sub-category of Participants

Sub-category	Number
Local politicians and bureaucrats in Accra and Nairobi	34
Central government actors in Ghana and Kenya	15
Researchers and Think tanks	5
IOs officials	2
Organized taxpayer groups	7
Total	**63**

1)Local actors in Accra and Nairobi

The first category comprises 34 political representatives and bureaucrats from the cities of Accra and Nairobi. Local political leaders are the main actors who play a leadership role in the governance of local affairs. The interviews with these participants highlighted the enactment of their decision-making powers in relation to the organization of revenue mobilization activities, their perspective on the construction of local financial autonomy, the decentralization rules, and their political motivations as political leaders of the city.

Local bureaucrats who participated in this study are top, middle, and lower-level officials from the departments participating in revenue mobilization activities. They work in the Revenue, the Budget, the IT and the Communication Departments, and the sub-metros of Accra and sub-counties of Nairobi. Interviews with bureaucrats shed light on their attempts to organize the bureaucratic capacity required for revenue mobilization activities. They were asked questions on the design of strategies to assess the potential of financial resources, the concept of an accurate taxpayer's database, the conduct of revenue collection activities, the nature of incentives provided to revenue collectors to encourage them in their work, and if any, the political support and empowerment from the political leadership. Finally, revenue collectors also shared useful information on the challenges of performing their daily tasks, daily interaction with taxpayers, overall working conditions, and the nature of incentives, if any, provided by their managers to encourage them.

2)Public officials at the National Levels of Governments in Ghana and Kenya

Since central governments and IOs designed the decentralization policies, it was important to interview central government officials to get their opinion on implementation of these policies in local governments. The fifteen officials interviewed work in different central government agencies in Kenya and Ghana that play a supervisory or oversight role in local governments. In Ghana, the officials were from the Ministry of Finance, the Ministry of Local Governments and Rural Development, the Local Government Services, and the Land Commission in charge of property tax matters. In Kenya, research participants were selected from the Office of the Controller of Budget, the Commission for Revenue Allocation, the National Treasury, the Ministry of Devolution, and the Ministry of Lands.

The officials shared their views on the technical and administrative assistance provided by the central government to the cities of Accra and Nairobi and their perceptions on the ability of the cities to exploit the potential of financial resources. Interviews with these participants provided more insight into the understanding of budget and fiscal rules by Accra and Nairobi officials, their perception of enduring financial dependence, and the nature of the financial assistance and capacity building support of the central government and IOs to the two cities.

3)International Organization Officials

Only two participants from IOs agreed to take part in this research. The initial optimism of interviewing IOs officials was affected by the difficulties of access to their institutions. Contrary to local and central government actors who work in publicly accessible institutions, IOs actors work in highly secure locations with difficult access. Secondly, several attempts were made to contact officials from the World Bank, the agency that plays a key role in developing capacity building programs and financial assistance in cities, but these attempts failed. Thus, only two participants, one in each country, agreed to take part in this study. Their opinions confirmed the role of international agencies in the design and implementation of decentralization reforms, the technical and capacity-building support provided to local governments, and the understanding of the challenges faced by local actors in building financial capacity.

4) Researchers and Think-Tanks

This fourth sub-category includes five researchers and think-tanks who work in research institutes and as government consultants in both countries. This category of participants shared a critical perspective of the capacity of local government for building financial autonomy. They expounded on the suitability of the decentralization rules, capacity building programs, and financial assistance from central government and international organizations to local governments. They provided useful information on the potential enduring financial aid effect from IOs and central governments on the motivation of local actors to raise more revenue.

5)Organized Taxpayers Groups

Since this is qualitative research, a decision was made not to interview citizens so as to avoid sampling issues, including the selection of a representative sample of all citizens in both cities. Therefore, the field research was conducive to meet with representatives of citizens and informal traders whose insights give a better perspective on the relationship between city officials and taxpayers and the conditions under which these organized groups will comply with tax payment. Six participants from the informal sector in Accra and Nairobi and one member of an association of citizens who advocate for better public services in Nairobi were interviewed. Participants in this sub-category expressed their opinions on tax compliance determinants which is an important variable in constructing financial autonomy. They gave more details about their relations with Accra and Nairobi, notably their interactions with revenue collectors, demands for accountability, and the delivery of services adapted to their needs.

The recruitment and interview of research participants required four research authorizations. An ethics clearance was granted by the McMaster Research Ethics Board (MREB). In Ghana, the access to research participants required a letter of introduction from my host institution which was the Department of Public Administration and Health of the University of Ghana. Finally, in Kenya, two research permits were required in order to conduct interviews. The first authorization was granted by the National Commission for Science, Technology, and Innovation (NACOSTI), and the second, by the Department of Education of the city of Nairobi. These institutional research authorizations, combined with my network in Kenya and Ghana, facilitated the recruitment of research participants.

To earn the trust of participants, ensure their willingness to take part in the study, and to share substantive information on the topic, the note-taking method instead of the recording of interviews was chosen. This stems from the fact that the study of local finances in developing countries is often analyzed from a negative perspective that underlines the lack of transparency and corruption. After each meeting, the content of the interviews was transcribed in a word document. For analytical purposes, some quotes from participants are used, even if they are not taken verbatim from the text of the interviews, they closely reflect the views of the interviewees. The names of the participants have not been revealed to guarantee their anonymity.

Primary Source documents

Interviews were supplemented with the gathering of primary source documents relevant to the research topic. At the city level, annual financial statements, annual budget and performance reports during 2013 to 2017, and other financial documents containing additional information on the financial context of Accra and Nairobi were collected. At the national government level, relevant decentralization reports, local government annual budget analyses, and property valuation data and reports from Accra and Nairobi were gathered. Finally, project reports from the World Bank and newspaper articles on the state of financial conditions of Accra and Nairobi were gathered. Primary source documents contained additional information on the financial status of Accra and Nairobi, including trends in revenue mobilization, evaluation of the revenue collection performance by local and central government officials, strategies implemented by Accra and Nairobi officials to overcome revenue mobilization challenges, and the attempts to organize the bureaucratic capacity used in revenue mobilization activities.

In Kenya and Ghana, the central government and IO reports were easily accessible compared to Accra and Nairobi's financial statements. Despite the institutional authorization to conduct this study, there was a reluctance to share budget reports because of their political saliency. Obtaining financial data required establishing a relationship of trust with the relevant participants who were in possession of the data.

Non-Participant Observations

With the permission of local actors, non-participant observations in Accra and Nairobi were conducted. Non-participants observations consisted of observing research participants without being directly involved (Cooper et al. 2004). Non-participant observations give limited information on the situation observed because the researcher may not understand the observed dynamics (Choudhury 2015). This bias was mitigated by validating the observed circumstances with research participants from the informal economic sector and local bureaucrats.

In both cities, non-participant observations allowed the witnessing of interactions between revenue collectors and informal actors in the markets and their surroundings. In Accra, I attended a town hall meeting to better understand the organization of public fora for citizens, the nature of citizens' demand for accountability, and the responses by city administrators. I also observed how a task force in Accra enforced tax payments for late payers. I spent time in two Accra sub-metros and one Nairobi sub-county, where I gained a better idea of the working conditions of bureaucrats.

2.6.6. Data Coding and Data Analysis

The three qualitative data sources were analyzed using the data triangulation strategy, cross-case comparison, process-tracing method, and inductive and deductive methods. The data triangulation method was used to assess the degree of convergence and divergence of the three data sources and their internal validity (Mathison 1988; Johnson 1997). I coded the data thematically in an Excel sheet, including the content of interviews, primary source documents, and observation notes to identify the patterns of similarities and dissimilarities among the themes and the relevant concepts identified by research participants. Later, I calculated the frequency of these themes and ranked them in order of importance. I drew from the coding the causal variables that explain the revenue mobilization and financial autonomy outcomes.

To evaluate the building process of local financial autonomy, I compared the share of local revenue with the percentage of external revenue for each city and across the two cases between 2013 and 2017. I analyzed the variation in revenue mobilization by observing the revenue collection trend in each city and between Accra and Nairobi in the five years studied. To explain the variation, I evaluated the revenue mobilization trend for each of the six revenue sources. Finally, I employed the process-tracing method to test the research hypotheses. Process tracing is a qualitative analytical tool that observes the causal processes to identify the sufficient or necessary conditions under which a causal relationship is observed (Mahoney 2007; Collier 2011). This method serves as a basis for eliminating rival hypotheses, thus confirming the causal relations between the explanatory variables and the outcomes of interests (Ibid.). In my analysis, process tracing served to identify the hypothesized causal relations between institutional and political factors with revenue mobilization outcomes.

The explanations for the poor performance in revenue collection were obtained by using the deductive and inductive methods. The deductive method consists of examining the validity of the assumptions drawn from the theoretical framework. The inductive method stems from the fruitfulness of the research findings that brought into the analysis additional and relevant explanatory factors that were not considered in the research design. These variables are: 1) the adjustment of revenue targets and outcomes; 2) the use of tax waivers at the discretion of politicians, 3) the dynamics of collaborative management between the different departments that handle the same tasks, 4) the working conditions (office space and equipment) in the decentralized organizations of Accra and Nairobi; and 5) the strategies of taxpayer groups who comply with tax payment while demanding accountability.

Testing the Internal Validity of the Findings

Internal validity is important in assessing the claims that causal factors affect certain outcomes (Johnson 1997, 288). To assess the internal validity of the political and institutional causal mechanisms drawn from my empirical findings, I used the data triangulation method. This method is often paired with the process tracing analysis to ensure the internal validity of research findings in order to eliminate rival hypotheses. Further, I tested my preliminary findings between May 2018 and October 2019 to ensure their internal validity. To this effect, I presented these findings in front of an academic audience and policymakers, who are experts in decentralization policies and local finance in six (6) conferences and workshops in Kenya, Ghana, the USA, Sweden, and Canada.

External Validity and Limits

The test for the external validity of my research findings would have a limited scope because of the limited number of cases used for the analysis and their non-random selection (Johnson 1997). Therefore, my research findings have a smaller scope for generalization that may only be applied to cases that share the same background criteria, such as the political and financial autonomy granted by decentralization policies. These findings will hold in case studies in which future research uses the local revenue as the unit of analysis.

Reflexivity and Research Bias

Dealing with qualitative data requires from the researcher a reflexive account of the data analysis. Reflexivity implies that the research findings can be influenced by "the interpersonal and institutional contexts of research, as well as ontological and epistemological assumptions embedded within data analysis methods and how they are used" (Mauthner and Doucet 2003, 418). Reflexivity also relates to an honest and informative account about how the researcher interacted with subjects in the field, what problems they encountered, and how these problems were or were not resolved (Ibid.). Among these elements, the most concrete ones that require reflexivity are my position as a doctoral student from a university in a developed country. This could affect the way the research respondents would answer my questions. My gender and ethnicity could influence the answers from my respondents. Some bias could come from the fact that the respondents would seek to complain about what is not working well since western countries have always been perceived as sources of help for developing countries. By contrast, research participants could also present a reverse narrative that asserts the positive aspects of their work to embellish their institutional image. Therefore, my research findings should be appreciated through this reflexivity.

2.7. Conclusion

In summary, this chapter summarized the theoretical and methodological frameworks that serve as the backbone of this dissertation's analysis. This theoretical framework is inspired by institutionalist and political economy theories that posit how institutions and the political context provide incentives, power, and discretion that shape the actions and strategies of the actors. The responses of the actors to these institutional outputs affect policy outcomes. The method section encompasses the case selection strategy, measurement of the outcome of interests, and strategies for data collection and analysis. The following chapter presents the results of the outcome of interest and the nature of revenue sharing incentives in shaping the willingness of local actors in Accra and Nairobi to build local financial autonomy.

CHAPTER THREE: AN ANALYSIS OF REVENUE MOBILIZATION OUTCOMES IN ACCRA AND NAIROBI CITIES

This chapter is divided into two sections. The first section presents a cross-case descriptive analysis of the trend in revenue mobilization in Accra and Nairobi between 2013 and 2017. It also offers a comparison, in percentage, of local revenue and external revenue transfers from the central government and IOs for the same period. The findings reveal that the cities of Accra and Nairobi fail to meet their revenue targets. Furthermore, the section explores the possible explanations for these revenue outcomes. It shows that there are multiple causes for unsatisfactory revenue collection. This is accomplished through three steps: 1) a comparison of the revenue targets and the revenue outcomes between 2013 and 2017; 2) an assessment of the financial autonomy of the two cities by comparing the share of local revenue versus external grants in the total budget; and 3) a test of the trends in GDP and inflation rate to understand if they provide a plausible explanation of revenue outcomes in Accra and Nairobi. The analysis of the potential explanations is done using the process-tracing method in order to eliminate rival hypotheses. The second section draws on the conclusions from the first section to assess the causal institutional incentives that induce local actors to adjust revenue targets and the impact of these adjustments on building local financial autonomy. The analytical foundation in this section is based on the inductive method of data analysis that shows that revenue targets are adjusted. This adjustment stems from the structure of incentives from IOs and central governments for transfers and the interpretation of fiscal decentralization rules by local actors. Before delving into the analysis, it is essential to map out the actors in Accra and Nairobi who are relevant in the understanding of revenue mobilization administration and outcomes. This mapping out will help trace their actions in these processes and the influence of their responses to institutional incentives and political influence affecting the outcomes.

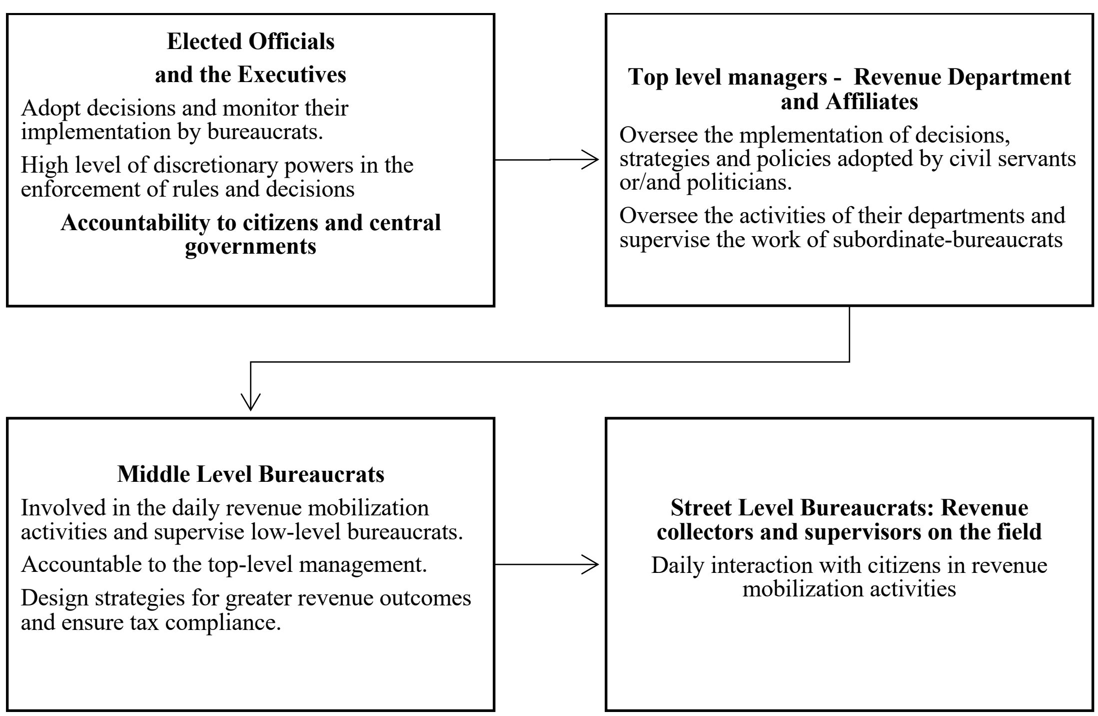
3.1. Actors in Accra and Nairobi

The research findings in Accra and Nairobi helped identify four groups of actors whose strategies and actions shape revenue mobilization outcomes. Chart 8 gives an overview of these actors and their actions. The first group comprises local political elites, including representatives in local assemblies and the executives. They are elected by citizens or, in the case of Accra, appointed by the central government. Local political elites make decisions and oversee the implementation of the financial decentralization rules designed by the central government and IOs. From an institutionalist perspective, local political elites are the main actors due to the powers conferred on them through elections and by the central government through decentralization policies. This includes a high level of discretionary powers in the enforcement of rules and decisions. Local political elites are accountable to citizens and the central government, especially on matters pertaining to the management of public funds.

The second category comprises top-level managers, such as heads and deputy heads of departments, who are involved in revenue mobilization activities. The actors in this group are appointed by politicians; they monitor the implementation of decisions, strategies, and policies adopted by civil servants and/or politicians. They also oversee the activities of their departments and supervise the work of subordinate-bureaucrats. Finally, this group of officials is accountable to politicians and may be subject to political influence in highly politicized administrations.

The third category comprises middle-level bureaucrats mainly from the various units of the Revenue Department and other departments involved in revenue mobilization activities. Middle-level bureaucrats implement the decisions adopted by politicians and top-level managers. They are involved in the daily revenue mobilization activities and the supervision of lower-level bureaucrats. They are accountable to the top-level management, which compels them to design strategies to optimize revenue mobilization outcomes as an indicator of good performance while ensuring tax compliance. Top and middle-level bureaucrats have a degree of discretion related to developing new strategies and applying rules to meet the level of performance demanded by local political elites.

Chart 8: Actors Involved in Revenue Mobilization Activities



The fourth category of local bureaucrats comprises “street-level bureaucrats,” such as revenue collectors and their supervisors. Street-level bureaucrats interact daily with taxpayers and execute decisions delegated to them by middle-level bureaucrats. Their interactions with citizens affect the image of the city government and can potentially tarnish or improve the reputation of the city.

All these actors interact within the confines of decentralization rules and the political context. These contexts compel elected officials to be accountable to citizens and central governments and enforce the rules and procedures. The policy of decentralization and political contexts induce bureaucrats to comply with the requirements of financial decentralization. In the final analysis, these rules require and motivate citizens to comply with tax payment as a civic duty.

3.2. Revenue Mobilization in Accra and Nairobi

The first research question – why are local actors unable to meet their revenue targets – draws upon the findings of local taxation studies in SSA countries (Jibao and Prichard 2015; Fjeldstad et al. 2014; Adefeso and Saibu 2013; Akpan 2011; Shah 2004; Smoke 2001). Research findings confirm that Accra and Nairobi are typical cases of cities that face the challenges of achieving revenue targets. The method of analysis used to verify this claim is done using process tracing and various comparative tests.

The fiscal decentralization policy grants Accra and Nairobi the right to raise revenue from over 100 taxable items for each city. In Accra, the Local Governance Act, 2016 outlines the local revenue structure called Internally Generated Funds (IGF). The specific revenue items and fees are detailed in a document called the 'Fee Fixing Resolution' (Government of Ghana 2016, 64). The Fee Fixing Resolution is drafted every year by the city's Assembly, in consultation with citizens. Once the Accra Metropolitan Assembly votes to accept it, the Fee Fixing Resolution becomes law and forms the legal basis on which Accra can legally levy taxes. In Nairobi, the County Government Public Financial Management (PFM) Act, 2013, sets out the revenue base and revenue estimates guidelines. The detailed description of all revenue items is included in the Finance Bill, approved by the County Assembly every year (Government of Kenya 2012c).

The fiscal year in Accra runs from January to December, whereas in Nairobi, this starts in July and ends in June of the following year. Interviews with Accra and Nairobi city officials and financial reports revealed that six revenue sources: property/land rates[8], building permits, business licenses, advertisement and billboard fees, market fees and parking fees, contribute about 80% of the total revenue of each city. These revenue sources constitute the focus of this doctoral analysis.

Three methods are used to assess the ability of Accra and Nairobi to meet their revenue targets and assess the degree of local financial autonomy. The first method compares the percentage of the revenue reported as having been mobilized with revenue targets and the trend in revenue mobilization in nominal and real values. In the first method, the second assessment of revenue mobilization outcomes contrasts, in nominal values, the revenue reported with revenue targets. After these assessments, the second method analyses the contribution of the main six revenue sources to total local revenue to examine if they affected the trend of the reported revenue. An estimate of the variation in the contribution of the primary six sources of revenue is conducted by controlling for economic factors like the

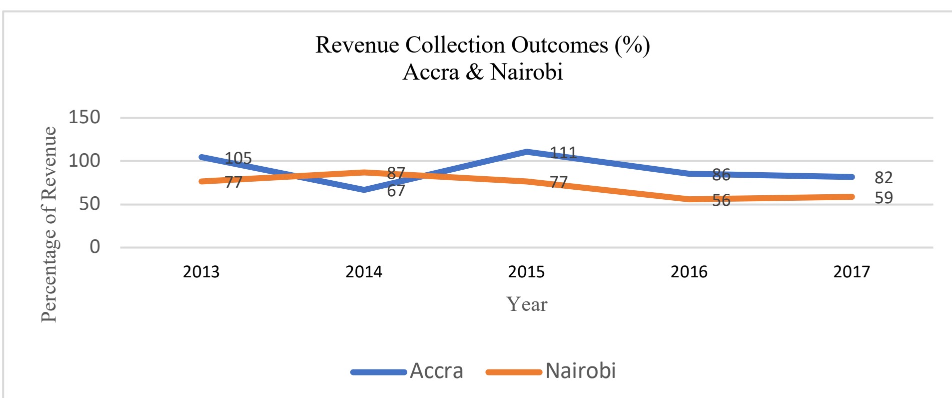
[8]Accra and Nairobi levy property rates on all movable and immovable properties. In Kenya, the land rate is based on the unimproved value of the land (Kenya Rating Act 2012). In Ghana, the property rate (the equivalent of land rate in Kenya) is calculated from the value of the property and depends on the classification of the area where the property is located. For comparison purposes, the term property rates/property taxes will be used in the analysis.

GDP and political factors such as the electoral periods[9]. Finally, the third measure compares the share of locally generated revenue and external revenue in the total collection to determine the degree of financial autonomy of each city.

3.2.1. Revenue Mobilization Performance in Accra and Nairobi

A survey of budget reports for Accra and Nairobi from 2013 to 2017 reveals the difference in the ability of local governments to meet revenue targets. Chart 9 shows that Accra collected more revenue than targeted on two occasions: 105% of revenue targets were met in 2013 and 111% in 2015. In 2014, 2016, and 2017, the revenue collected was below the percentage of the targeted revenue. In Nairobi, the revenue reported between 2013 and 2017 did not reach 100% of the revenue target. In summary, within the five years studied, Accra met its revenue targets twice, while Nairobi failed to do it even once.

Chart 9: Revenue Targets and Outcomes (%) from 2013 to 2017 in Accra and Nairobi

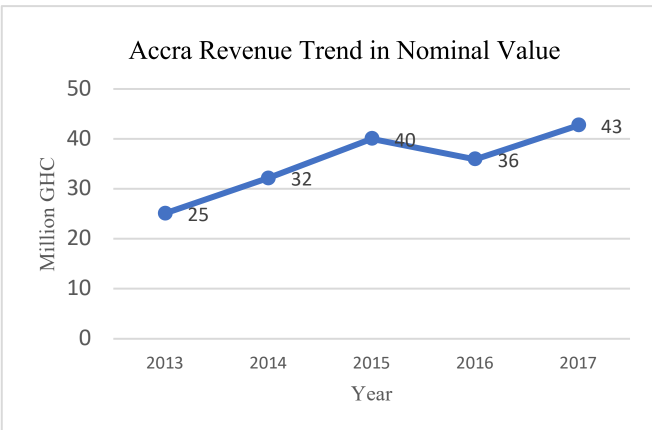


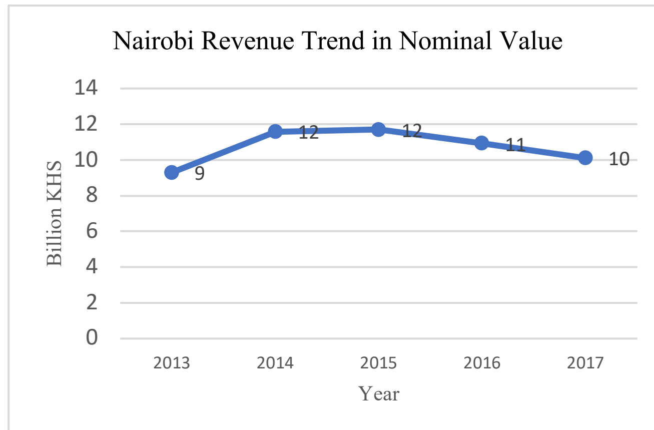
Sources: Accra Composite Budgets 2013-2017, and Nairobi Budget Review Outlook 2013-2017.

[9] Interviewees revealed that electoral periods can affect revenue mobilization performance. Therefore, this analysis examines the validity of this claim.

The comparative evaluation of the trends in revenue mobilization in nominal values between 2013 and 2017 in Accra and Nairobi shows an upward trend of revenue performance in Accra compared to a downward trend in Nairobi. Charts 10 and 11 suggest that Accra performed better than Nairobi in this respect.

Chart 10 & 11: Revenue Mobilization Trend in Nominal Value in Accra and Nairobi

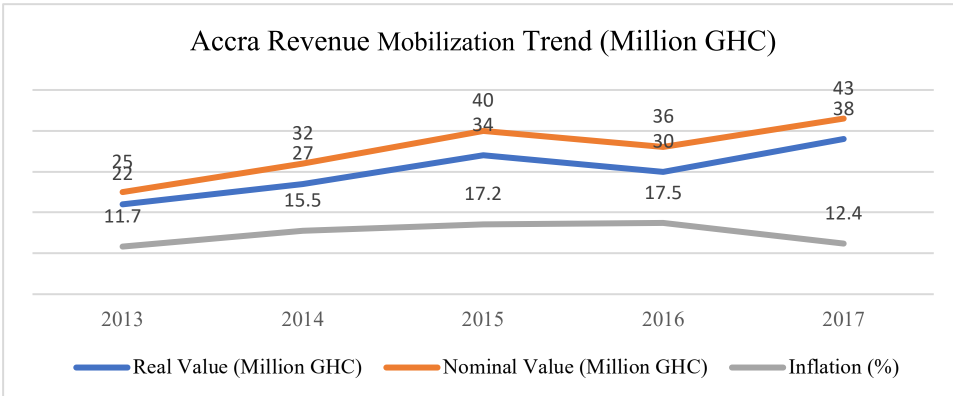




Sources: Accra Composite Budget 2013-2017, and Nairobi Budget Review Outlook 2013-2017.

Revenue increased steadily in Accra within the study period, except for 2016, when the city raised a lower amount of GHC 36 million, compared to GHC 40M in 2015. In Nairobi, the revenue increased from 2013 to 2015 because local actors raised KHS 9 billion in 2013 and KHS 12 billion in 2014 and 2015. In 2016 and 2017, Nairobi's revenues decreased compared to the previous two years. Despite this variation in revenue mobilization, the figures prove that Accra performed better than Nairobi, considering that the city met its revenue target twice in five (5) years. Also, revenue outcomes increased by 72% from 2013 to 2017. In Nairobi, even though revenue outcomes increased by 33% from 2013 to 2015, they decreased by 8% in 2016 and 9% in 2017. In Accra, these figures show an increasing trend, while in Nairobi, the budget figures show a decreasing trend in revenue mobilization.

Chart 12: Accra Revenue in Real and Nominal Values and Inflation (%)

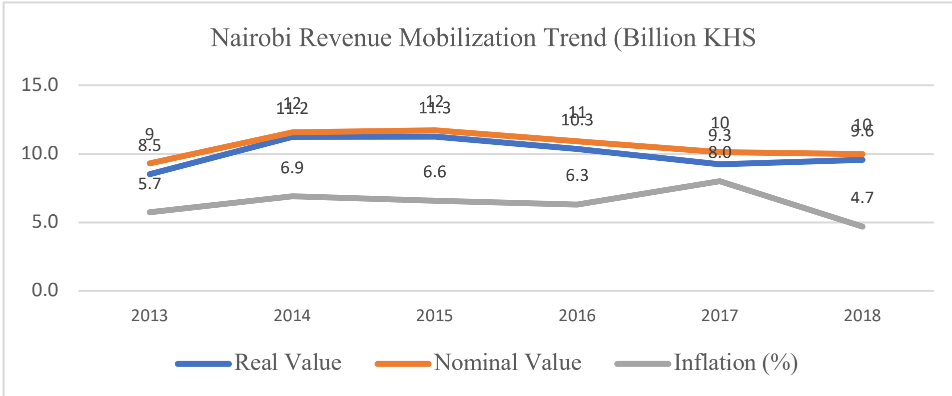


Sources: Accra Composite Budget 2013-2017 and World Bank Inflation, consumer prices (annual %) - Ghana (2013-2017) (Word Bank 2021).

The revenue mobilization assessment in real value, adjusted for inflation, reveals a similar trend in Accra as the trend calculated in nominal values. In Nairobi, the trend in revenue mobilization in real value differs slightly from the trend calculated in nominal value. By factoring the inflation rate in the revenue reported, the data in Chart 12 shows that Accra increased the amount of revenue mobilized between 2013 and 2015. Then, the revenue dropped by 11.7% in 2016 and increased again by 26.6% in 2017.

Chart 13 shows that the trend of revenue mobilization between 2013 and 2017 in Nairobi is similar to that reported in nominal value. One can deduce that the comparison of the trend in revenue mobilization calculated in nominal and real values in Accra and Nairobi reveals a similar picture.

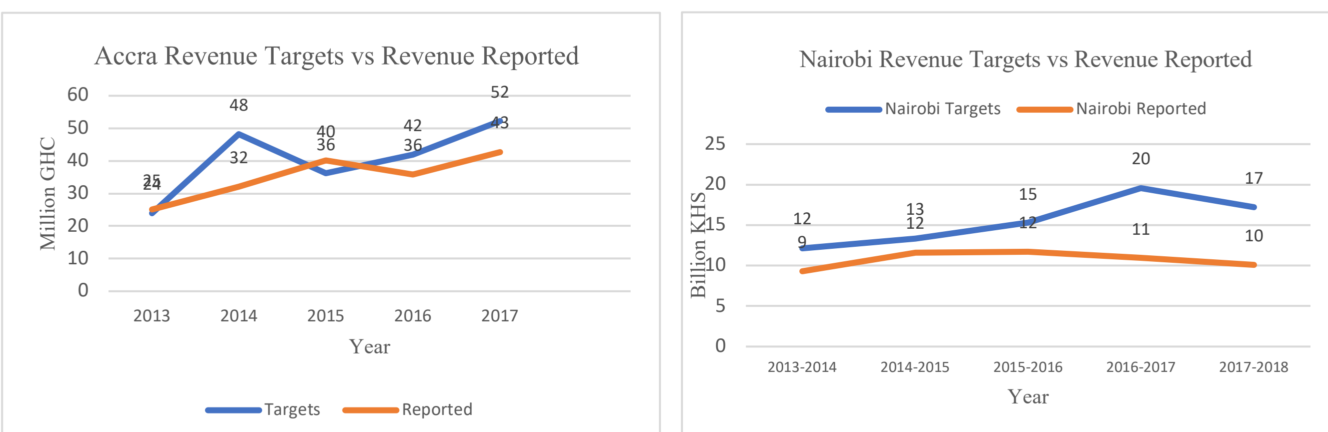
Chart 13: Nairobi Revenue in Real and Nominal Values and Inflation (%)



Source: Nairobi Budget Review Outlook 2013-2017 and World Bank Inflation, consumer prices (annual %) - Kenya (2013-2017) (World Bank 2021a)

The second method aimed at examining the ability of local actors to meet revenue targets compares the trend in revenue estimates and revenue reported. This comparison confirms a similar situation in both cities. The two cities tend to set higher revenue targets, which explains their inability to meet these targets. Charts 14 and 15 show revenue forecasts and revenue outcomes in Accra and Nairobi in nominal value. In this observation, Accra did not achieve 100% of its revenue targets for 2014, 2016, and 2017 because they were probably overambitious.

Charts 14 &15: Revenue Targets vs Revenue Reported in Accra and Nairobi



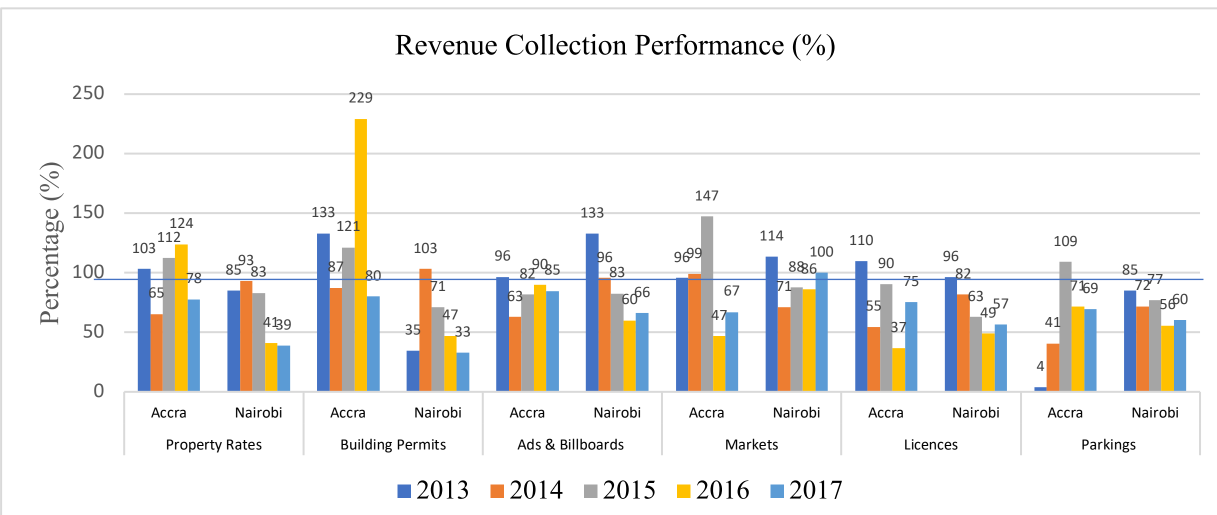
Sources: Accra Composite Budget 2013-2017, and Nairobi Budget Review Outlook 2013-2017.

These figures imply that there is a high probability of setting higher revenue targets in Nairobi, as evidenced by the gradual annual increase in revenue estimates and a decrease in reported annual revenue. These observations suggest that Accra and Nairobi are less likely to meet their revenue targets if they are set too high.

3.2.2. Variation in Revenue Reported in Accra and Nairobi

A breakdown of the contribution of the six key sources of revenue to total local revenue provides additional explanations of why Accra achieved its revenue targets in 2013 and 2015, while Nairobi could not do so in the five years studied. Chart 16 gives an overview of this difference. In 2013, Accra exceeded its revenue targets for property rates, building permits, and business license fees. Again, in 2015, the city achieved its revenue targets for property rates, building permits, market fees, and parking fees.

Chart 16: Accra and Nairobi Detailed Revenue Collection Performance



Sources: Accra Composite Budget 2013-2017, and Nairobi Budget Review Outlook 2013-2017.

Although revenue targets were not met in Nairobi, the city raised 114% of targeted revenue from market fees and 133% of estimated revenue from advertisement and billboards in 2013. Again, in 2014, Nairobi mobilized 114% of targeted revenue from market fees. Since property rates account for roughly 35% and 25% of total revenue in Accra and Nairobi respectively, Accra was able to perform better than Nairobi by maximizing its performance in property rates collection. On the contrary, Nairobi's best performance was in market and billboard and advertisement fees collection, whose contribution to total local revenues was insignificant. Apart from these differences, the reported performance for all revenue sources varied considerably in each city and across Accra and Nairobi.

3.3. The Share of External Grants in All Revenues in Accra and Nairobi

In order to gain a better understanding of the process of building local financial autonomy in both cities following the detailed analysis of revenue mobilization trends, the second method contrasts the share of local revenue and external revenue. According to Slack (2017) and Cigu (2014), local financial autonomy means a greater reliance of local governments on locally raised revenue to cover their operation and development expenditures. The degree of local financial autonomy is assessed in percentage terms, i.e., if local revenue made up 100% of the total local budget, it can be said that the local government is financially autonomous. However, if the share of locally raised revenue is less than 100% of all revenue and the local government relies on external revenue sources to finance its expenditure, that it has not achieved strong financial autonomy[10].

The decentralization of administrative responsibilities to local governments was expected to be concomitant with the transfer of technical and financial resources to execute these responsibilities (Fjeldstad 2005). Accordingly, the central government shares a portion

[10] As explained in the Methods section, financial autonomy is measured as a continuum: the closer cities get to the 100% mark, the closer they come to financial autonomy.

of the national revenue with local governments in the form of conditional grants for the performance of the decentralized responsibilities (Dafflon and Madiès 2013, 30). Additionally, local governments receive various conditional grants from IOs.

Accra receives funds from the District Assembly Common Fund (DACF) for addressing the imbalances in the regional distribution of wealth and development (DACF 2020). The DACF is made up of "a minimum of 7.5% of the national revenue set aside to be shared among all district assemblies in Ghana with a formula approved by Parliament" (Gyimah 2020)[11]. The Administrator of the DACF oversees the use of the fund by local governments and reports to the Ministry of Local Government and Rural Development on the utilization of the fund (Ibid.). Although the DACF does not specify the population criterion in the calculation of the revenue sharing formula, the population density in Accra that creates more needs for basic services entitles Accra to a greater share of the DACF compared to other local governments. In 2019, the population in Accra was estimated to 2.05 million, thus making it the second-largest populated city in Ghana after Kumasi Metropolis[12] (Ghana Statistical Services 2019). However, the population density is estimated to 5530 people per square kilometer compared to Kumasi that has a population density of 5419 per square kilometer (Worldometer 2021). Consequently, Accra receives a larger portion of the DACF transfers due to the high population density compared to other municipalities.

[11] An extensive explanation of the revenue sharing formula is less relevant in this section because the section consists of comparing the difference between revenue mobilized by local actors and revenue transfers from the central governments. However, the details of the calculation of the revenue sharing formula will be presented in the section on "the Structure of Incentives from the Revenue Sharing Formula". between 2013 and 2017 (DACF 2020). This amounted to GHC 22 million, slightly higher than the GHC 21million received by Kumasi, the most densely populated city in Ghana (Ibid.)

[12] The population in Kumasi is slightly higher than Accra with 2.09 Million people compared to Accra that has 2.05 million people (Ghana Statistical Services 2020).

In Kenya, article 202 of the Constitution stipulates that "(1) Revenue raised nationally shall be shared equitably among the national and county governments [and] (2) County governments may be given additional allocations from the national government's share of the revenue, either conditionally or unconditionally" (Constitution of Kenya 2010, 122)[13]. Therefore, counties are entitled to the equitable share grant, which is calculated at 15% of the national revenue. The revenue sharing criteria, which are calculated by the Commission on Revenue Allocation (CRA), include, among others, the county's fiscal effort as well as the size of its population (CRA 2020). The size of the population accounts for 45% of the sharing formula in Kenya. Since Nairobi is the most highly populated county in Kenya with approximately 4.5 million people, the city receives a larger share of the Equalization Funds. Unlike the tighter control in the use of funds by the Administrator of the DACF in Accra, the CRA in Nairobi plays an advisory role that aims to encourage fiscal responsibility by county governments in exchange for these grants.

Accra and Nairobi attract additional conditional and unconditional grants from IOs and the central government for development projects. The main conditional grants in Accra are the Urban Development Grant (UDG) from the World Bank and the transfer of salaries from the Ministry of Finance for city staff who are hired by the central government to work in local governments. Nairobi is also entitled to central government conditional transfers of funds from the Road Maintenance Fuel Levy Fund and the Health Ministry to finance the maintenance of public roads and the provision of health services (Odongo et al. 2014). Nairobi's budget reports show that the city was entitled to financial aid from the Danish

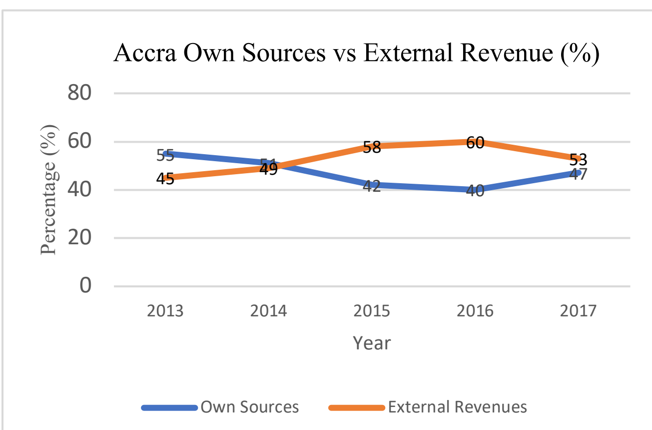
[13] A similar explanation applies in the case of Nairobi. A detailed explanation of how these transfers affect revenue mobilization outcomes will be presented later in this chapter.

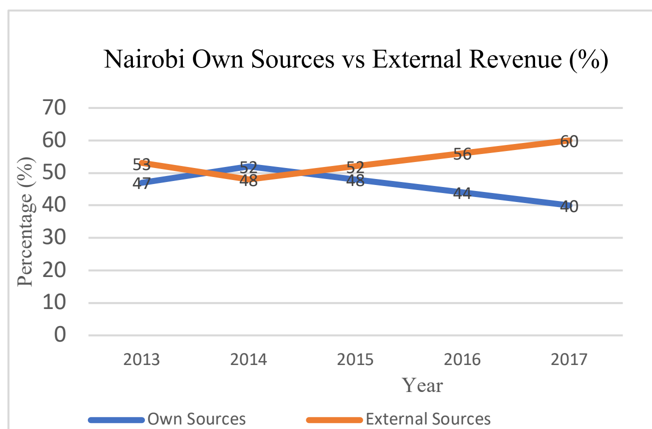
International Development Agency (DANIDA) to fund various development projects. The Ministry of Finance in Ghana and the National Treasury in Kenya ensure the disbursement of these funds to cities[14].

3.3.1. The Share of External Grants in Local Revenue

The assessment of the share of external revenue in the total revenue presents a similar picture in Accra and Nairobi. In Accra, Chart 17 shows that the percentage of locally raised revenue averaged 48.2% of all revenue while the portion of external grants averaged 53%. For Nairobi, Chart 18 shows that the share of locally raised revenue averaged 46.2% of all revenue while the share of external revenue was 53.8%. Moreover, in Accra, the proportion of funds from external sources was greater than the revenue mobilized at the local level between 2014 and 2017, while this was the case in Nairobi between 2015 and 2017.

Charts 17 & 18: External Revenue versus Local Revenue in Accra and Nairobi



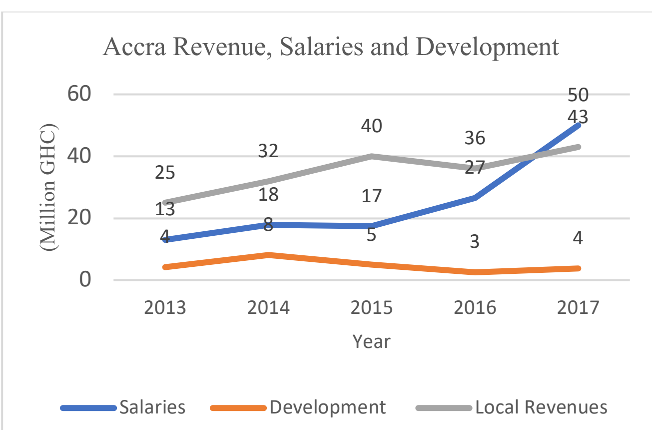


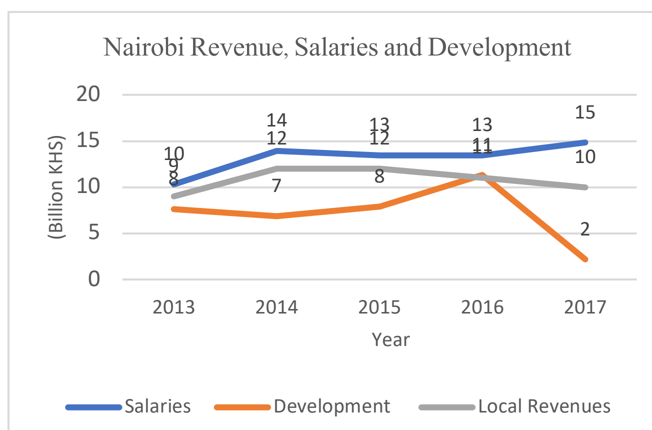
Sources: Accra Financial Statements, 2013-2017, and Nairobi Budget Review Outlook 2013-2017 and Office of the Controller of Budget reports, 2013 to 2017.

More particularly, in Accra, where the assessment of the trend of revenue mobilization in nominal value revealed an increasing trend, the share of funds from external sources in the total local revenue also followed an upward trend between 2013 and 2015 and a downward trend from 2016 to 2017. In Nairobi, the share of external revenue represents an upward trend between 2013 and 2017, while the share of local revenues decreased in the same period.

In summary, the revenue reported in Accra decreased gradually between 2013 and 2016 with a slight increase in 2017, while Nairobi's revenue also decreased from 2013 to 2017. Half of the two cities' budget was funded by revenue received as transfers from central governments and IOs. These observations confirm that Accra and Nairobi have not yet reached strong financial autonomy as defined by Slack (2017) and Cigu (2014) because central governments and IOs transfers offset more than 50% of their total budgets. The findings confirm the long-standing financial dependence of local governments on external revenue transfers (MacKinnon 2015). The dependence of the two cities on external revenue is evidenced by the fact that locally raised revenue covers the amount paid in salaries and less in development expenditures, as shown in Charts 19 and 20.

Charts 19 & 20: Local Revenue, Salaries and Development Expenditure





Sources: Accra Financial Statements, 2013-2017, and Nairobi Budget Review Outlook 2013-2017 and Office of the Controller of Budget reports, 2013 to 2017.

Particularly, in Accra, the amount of development expenditure is lower than the expenditures for salaries[15]. In Nairobi, the expenditure on salaries exceeds the amount of revenue reported between 2013 and 2017, which implies that the amount of locally raised revenue accounts for a small portion of the total revenue. Evidently, the rest of the budget is covered by other sources of revenue, including external grants. These figures reinforce the arguments that the two cities do not have strong financial autonomy because the revenue mobilized at the local level does not cover all the expenditures.

The next section seeks to explain the factors that create favorable or unfavorable conditions for financial autonomy from revenue-generating activities. The analysis employs process tracing to test the potential causes of the failure or success of Accra and Nairobi to meet the revenue targets. Potential explanations such as the GDP and the effect of elections on revenue mobilization outcomes will be examined to assess if they constitute the necessary or sufficient causal conditions to explain the inability of local actors to build financial autonomy. The process tracing will help to eliminates rival hypotheses and point out the institutional factors that contribute to these outcomes.

3.4. The Causes of Poor Revenue Outcomes

3.4.1. The Effect of Economic Growth on Revenue in Accra and Nairobi

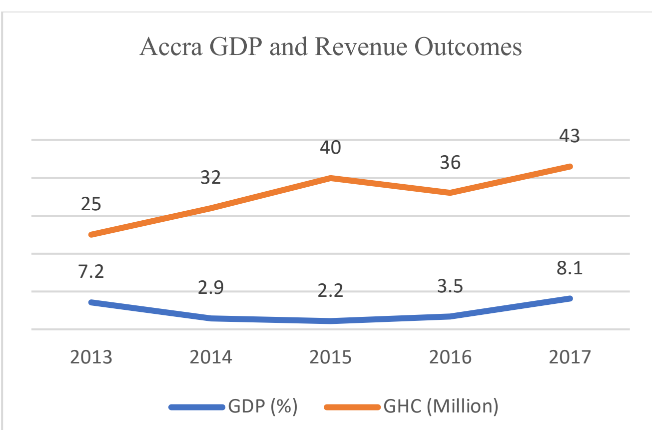
Studies that look at revenue mobilization challenges from an economic perspective conclude that economic conditions, such as economic growth (measured as a percentage of the GDP), the inflation rate or the unemployment rate, indicate the ability of governments to raise revenue (Brautigam et al. 2008; Pessino and Fenochietto 2010; Moore 2013). They

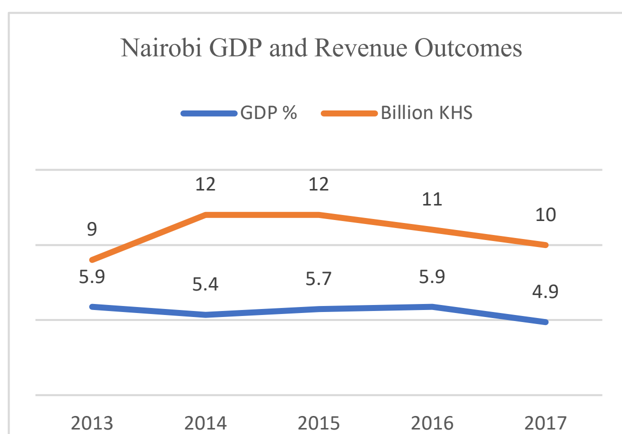
[15] The salary bill increased significantly in 2017. In fact, Accra received a large transfer of salaries the same year. A plausible explanation would be that this large transfer includes arrears from the previous years.

argue that an increase in a country's GDP indicates more economic growth and greater development over time (Ibid). Hence, economic growth contributes to the expansion of the revenue base from which governments can extract taxes. To what extent does this hypothesis apply to the cases of Accra and Nairobi?

A comparison of the trend in economic growth measured as a percentage of the GDP in Ghana and Kenya and the reported revenue in the two cities indicates a weak correlation between economic growth (% of GDP) and revenue outcomes. Chart 21 shows that while the rate of GDP growth decreased between 2014 and 2015 in Ghana, the revenue collected in nominal value in the city of Accra during the same period increased steadily. It could be argued that the upsurge in the percentage of GDP in 2017 caused an increase in revenue outcomes in the same year. However, in 2013 when the GDP was higher than the previous years, the revenue collected in nominal value was the lowest. Therefore, the percentage GDP does not support the claim that there is a correlation between economic growth as a percentage of the GDP and the ability to collect more revenue in Accra.

Charts 21 & 22: A Correlation between the GDP and Revenue Mobilization Outcomes





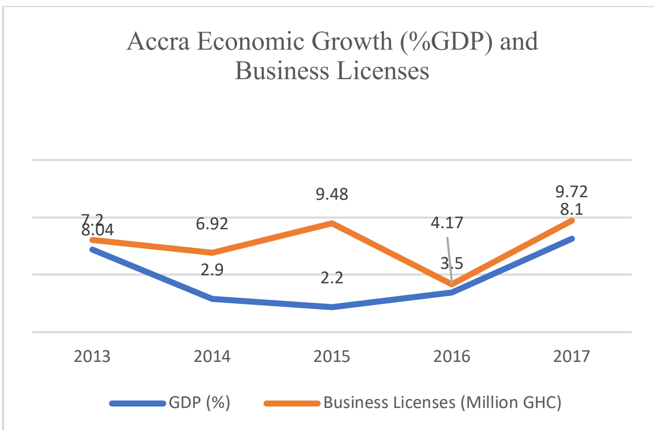
Source: Accra and Nairobi Financial Statements (2013-2017) and the World Bank Economic Data for Ghana and Kenya (2013-2017).

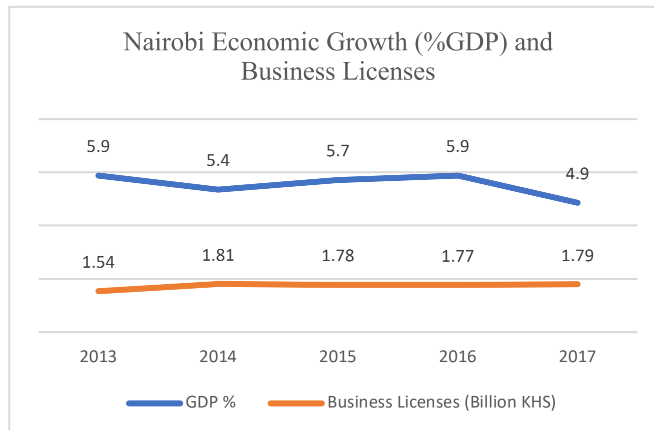
In the case of Nairobi, Chart 22 shows that while the economic growth as a percentage of the GDP fluctuated between 5.8% and 4.8% during the five-year period studied, the reported revenue increased by 33% from 2013 to 2014, remained stable in 2015, and decreased slightly between 2015 and 2017. It could be argued that the decrease in the percentage of GDP in 2017 caused a decrease in revenue outcomes the same year. However, in 2013 when the percentage of GDP was higher, revenue outcomes were the lowest, compared to the following years. Again, the comparison of the economic growth by using the GDP as the main indicator does not confirm the hypothesis that economic growth causes an increase in revenue outcomes.

Considering that all revenue sources are not affected by economic conditions, an assessment of the effect of economic growth as a percentage of GDP on business licenses and building permits - two revenue sources that are tied to economic activities - further strengthen the claim that economic growth is not correlated with revenue outcomes. Drawing on the premise that demand for business licenses and building permits would increase if economic activities were flourishing, Accra and Nairobi's business license outcomes should follow the economic growth as a percentage of the GDP between 2013 and 2017.

As shown in Chart 23, business license revenue in Accra showed a minor increase, while the percentage GDP growth decreased gradually in the same period. In 2013, the percentage GDP growth was 7%, while the revenue from business licenses was also higher. In the following three years, the trend in revenue outcomes for licenses did not follow the trend of economic growth as a percentage of the GDP. While the GDP growth was the lowest in 2015, the revenue from business licenses was the highest in that same year. In summary, the comparison of the percentage GDP and the revenue trend of business licenses does not strongly support the claim that faster economic growth causes an increase in the mobilization of business licenses. While in Accra, the percentage GDP between 2013 and 2017 has a slight U-shape, business license revenue fluctuated considerably. The data presented in Chart 24 shows a slight variation in the GDP of Nairobi and a steady trend for business license outcomes.

Charts 23 & 24: Business License Outcomes and Economic Growth as GDP Percentage

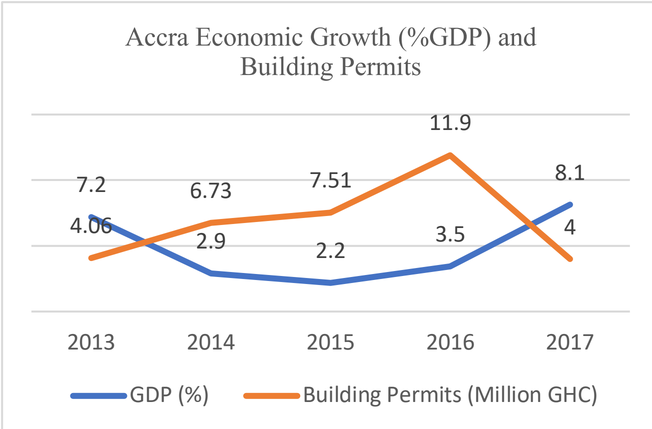


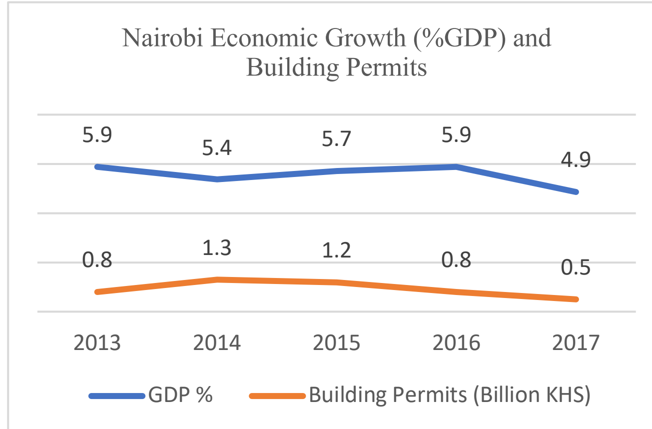


Source: Accra and Nairobi Financial Statements (2013-2017) and the World Bank Economic Data for Ghana and Kenya (2013-2017).

Lastly, the comparison of the percentage GDP and building permit outcomes in Accra and Nairobi between 2013 and 2017 follows different trends as shown in Charts 25 and 26. After 2013, the GDP growth decreased considerably from 7.2% to 2.2% in 2015, but income from building permits increased gradually during the same period. In 2017, Ghana's percentage GDP growth reached the highest percentage of 8.1%, compared to the previous years. Interestingly, the lowest revenue was reported from building permits in the same year. In Nairobi, the steady upward trend in the GDP corresponded with a gradual decrease in the reported revenue from building permits.

Charts 25 & 26: Building Permit Performance and Economic Growth (% GDP)





Source: Accra and Nairobi Financial Statements (2013-2017) and the World Bank Economic Data for Ghana and Kenya (2013-2017).

In a nutshell, the contrast between the GDP and revenue outcomes (total revenue, business licenses, and building permits) disputes the assumption that economic growth as a percentage of the GDP affects revenue outcomes in Accra and Nairobi positively. Therefore, the percentage GDP variable is neither a necessary nor a sufficient cause of the inability of Accra and Nairobi to achieve revenue targets.

3.4.2. The Effect of Elections on Revenue Mobilization in Accra and Nairobi

Another plausible explanation for the unsatisfactory result in the mobilization of revenue may be linked to promises by politicians during electoral campaigns to waive tax payments. Research participants in both cities agreed that local electoral campaigns are factors that negatively affect revenue collection outcomes. This aligns with scholarly claims that the years of elections are likely to impact revenue outcomes negatively, especially when there is a tendency by politicians to waive tax payments for some payers in exchange for votes (Dibaba 2016; Cheeseman et al. 2016). In Accra and Nairobi, research findings show that politicians have used penalty waivers as a means of encouraging defaulters to pay taxes without penalties. In contrast, other politicians will waive tax payments during political campaigns.

This is illustrated by the decisions of the two previous Mayors of Nairobi to use tax waivers to encourage compliance. During their mandates, the two mayors issued executive orders to waive penalties of property rate payments for some categories of taxpayers. For instance, in September 2015, two years after his election, Governor Kidero of Nairobi offered to property taxpayers a 90% waiver on property taxes for one month on accrued interest to encourage defaulters to comply with tax payments (Capital Business 2015). Again, in March 2016, in line with the strategy of addressing youth unemployment, the same governor announced that he would " waive permit and license charges for traders in night markets aimed at creating job opportunities for the youth"(Capital Business 2016). Similarly, the incumbent governor Mike Sonko[16] used city houses payment waivers as a campaign promise in the 2017 electoral campaign. He announced that:

> "The cost of living, especially house rent, has really gone up due to the 100% increment of taxes like land rates imposed to landlords by the county government. I have raised the matter in Senate and even went to court whereby I was enjoined by a number of resident associations in support of my suit, but the matter is still pending at the court of appeal. Once elected, I will ensure the 100% increment on basic taxes is drastically reduced and consequently bring house rents down" (Quote from the Nairobi News by Musambi 2017).

Tax waivers were used again in March 2018 when Governor Sonko issued an executive order to waive property rates for all religious organizations in Nairobi. Although the intention of waivers is, among other things, to address issues caused by the rapid urbanization such as youth unemployment, their recurrence is deplored by bureaucrats and the central government because it has a detrimental effect on the capability of the city to

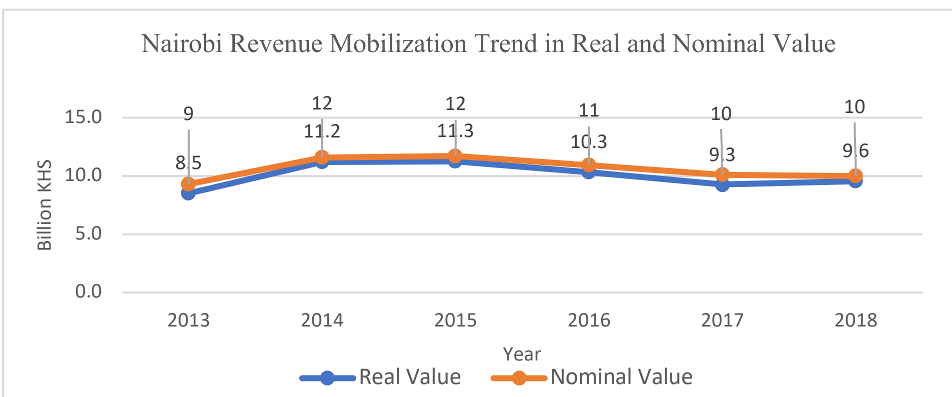
[16] Mike Sonko was impeached in December 2020 for four charges brought against him including gross violation of the constitution, abuse of office, misconduct and crimes against national law (Oduor 2020).

meet its revenue targets. This political approach was also criticized by the central government in its 2017 National Policy to enhance local revenue as a practice that does not meet constitutional requirements (The National Treasury 2017). In fact, tax waivers prevent cities from collecting property rate arrears or other waived fees even though arrears and interest are considered in the revenue targets.

Like Nairobi, tax waivers are used formally in Accra by politicians at the national level and informally by local politicians for various reasons with the objective of attracting sympathy and support from potential voters. For instance, in March 2017, a few months after the presidential elections, Minister of Finance in Ghana declared the abolition of market tolls paid by some street vendors in various local assemblies, including Accra (Ibrahim 2017). This waiver was intended to ease the difficulties in the economy, especially for these street vendors who were considered to be vulnerable workers. Likewise, several participants admitted that politicians use, in an informal manner, tax waivers for informal economic actors during electoral periods to win more votes. According to an official from the Revenue Department, "during elections, they (politicians) tell the people not to pay taxes in exchange for their votes. This is the top-level management influence […] they are linked to some people in the market who will not want to pay. At the end of a political year, our revenues drop (Interview 2, Accra, October 2018). Therefore, it can be argued that tax waivers are an important variable in both cities and are used at the discretion of politicians either to encourage compliance or to foster more political sympathy, mostly at times of elections.

To corroborate the causal link between elections and revenue mobilization outcomes, the following analysis compares the revenue raised before, during, and after the election period and before, during, and after the tax-waiver periods. During this period, Nairobi city had two elections - in March 2013 and August 2017. The elections of March 2013 correspond with the beginning of the new devolution system, which granted county governments more financial powers. From the evidence gathered, Nairobi governors waived taxes in September 2015 for property rates, in March 2016 for market fees, and again in March 2018 for property rates[17]. Yet, budget reports for the fiscal year of 2012-2013 show that Nairobi raised KHS 2.24 Billion from property rates compared to KHS 9 Billion raised in 2013-2014 (Nairobi Budget Outlook Review 2013-2017). Political factors could not be directly linked to this significant increase since politicians were not elected to apply their discretion on tax waivers. The analysis will consider revenue raised in 2017, where politicians used their discretion to waive taxes.

Chart 27: Nairobi Revenue Outcomes in Real and Nominal Values



Source: Nairobi Budget Review Outlook from 2013 to 2017 and World Bank Inflation, consumer prices (annual %) – Kenya (2013-2017).

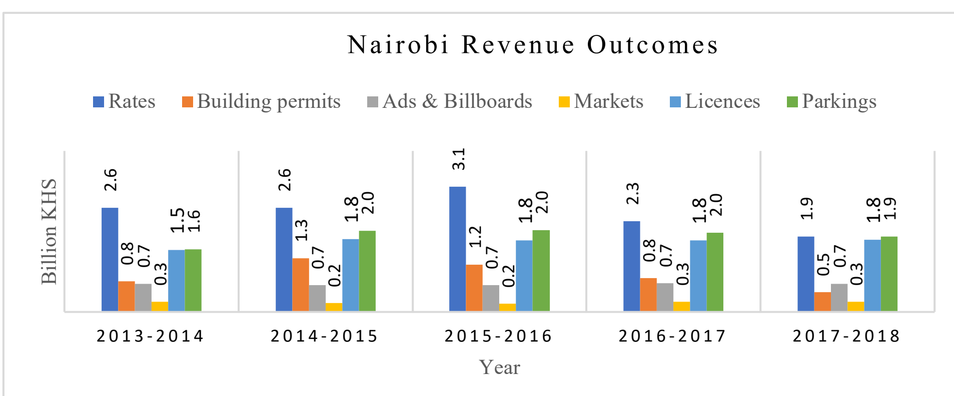
Chart 27 shows that during the financial year of July 2017 to June 2018, the revenue raised in real value in Nairobi decreased by 9.7% compared to the previous year and

[17] In this case, the assessment of tax waivers will take into account the periods of September 2015 and March 2018. It is more likely that the effect of waivers for March 2018 will be reflected in the 2018-2019 budgets. However, the data on Property Rates for 2018-2019 rates in Nairobi is not yet available online.

increased slightly by 3.2% during the financial year of 2018-2019. This variation increases the likelihood that elections had a negative effect on revenue performance since the revenue mobilized during the electoral year was lower than the revenue raised in the previous and the subsequent years.

By looking specifically at revenues that were subject to waivers, the conclusion seems different. In Nairobi, waivers were applied for rates in September 2015 and market fees in March 2016. Hypothetically, the first waiver for rate penalties should influence property rate outcomes during the fiscal year of 2015-2016, while the second waiver in 2016 should impact market fees during the fiscal year of 2016-2017. Budget data in chart 28 show that despite the waiver on property rate penalties in 2016 in Nairobi, property rates revenue increased by 13.2%. Revenue from the same source decreased by 16.2% in the next year. On the other hand, collection from market fees remained the same as in 2014-2015. The collection from the same source of revenue increased by 50% in the following year. In both cases, tax waivers did not seem to have a detrimental effect on revenue collection performance according to research participants, reports, and scholars.

Chart 28: Nairobi All Revenue Outcomes

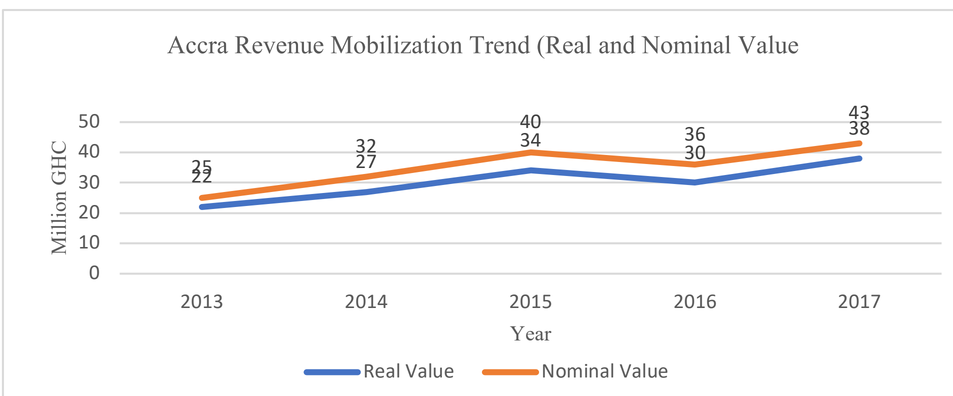


Source: Nairobi Budget Review Outlook from 2013 to 2017

Accra held only one local election in September 2015 and a presidential election in December 2016. The waivers for a specific category of informal traders were announced in March 2017. Hypothetically, if 2015 was an electoral year for local governments, the revenue raised in that year should be lower than the previous and the following years. Tax waivers would dissuade citizens from paying taxes during election campaigns.

Chart 29 shows that during the financial year of 2015, the revenue in Accra, calculated in real value, went up by 26.6 % compared to the previous year. Again, the removal of taxes for some street vendors during the 2016 presidential elections was expected to affect revenue mobilization outcomes the same year, although the effect should be less significant. Street vendors pay a daily fee, which makes a minor contribution to all local revenue, compared for instance, to the share of property rates.

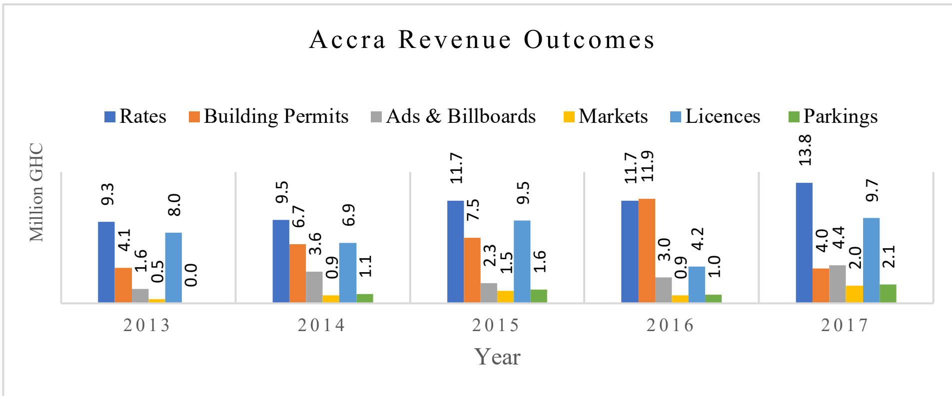
Chart 29: Revenue Collection Outcomes in Real and Nominal Value in Accra



Source: Accra Composite Budgets from 2013 to 2017 and Inflation, consumer prices (annual %) – Ghana (2013-2017).

A thorough assessment of the share of each revenue source in the total revenue in Chart 28 in Accra reveals that the low revenue reported in 2015 compared to 2014 could be justified by lower performance in collecting fees for business licenses. Indeed, the revenue from market fees was lower. However, this is not enough to explain the overall difference in all revenue mobilization between 2014 and 2015. It should be noted that the fee waivers for street vendors were announced in March 2017.

Chart 30: Accra All Revenue Outcomes



Source: Accra Financial Statements from 2013 to 2017.

Hypothetically, this change should be reflected in the 2017 market fees performance. On the contrary, the revenue mobilization trend in market fees shows that Accra increased its revenue from market fees by 122% in 2017 despite the waiver announcement (Chart 28). This comparative assessment disputes the claim that elections have a negative impact on revenue outcomes in Accra.

If economic and political factors do not provide plausible explanations for the inability of Accra and Nairobi to meet their revenue targets, what other factors account for these outcomes? The overall assessment of revenue mobilization trends in both cities lead to the observation that the higher targets set by the cities increased the likelihood of poor revenue mobilization performance. The next section addresses the issue of the methods of setting revenue targets affect revenue outcomes in Accra and Nairobi.

3.5. Setting and Adjusting Revenue Targets

The legal framework of financial decentralization policies in Kenya and Ghana outlines the responsibilities and skills of local actors, including the methods of setting revenue forecasts. From an institutional point of view, Mahoney and Thelen (2009) affirm that compliance with institutional rules will be successful if the rules are clear and understandable for the actors in charge of applying them. However, the ambiguity in these rules will lead to different interpretations by the actors. These interpretations will have effects on policy outcomes. Furthermore, compliance with institutional rules is shaped by several conditions, including the power and discretion of actors and coalitions of politicians and bureaucrats. In the case of Accra and Nairobi, one can hypothesize that if the rules to set revenue targets are ambiguous, local bureaucrats with the support of politicians will set the targets according to their own preferences or to match the financial realities of their jurisdictions. In turn, the strategies to set revenue targets based on local actors' discretion will affect revenue mobilization outcomes. This assumption is assessed by using legal decentralization documents, budget data, and interviews with local and central government officials from Accra and Nairobi.

3.5.1. Strategies for Setting Revenue Targets

The legal guidelines of the decentralization policy in Accra and Nairobi establish ambiguous rules pertaining to the formula for setting revenue targets. In Accra, the Local Governance Act of 2016 only provides some guidelines for submitting budget estimates. Article 123 (2) states that "each District Assembly shall, before the end of each financial year, submit to the Regional Co-ordinating Councils, the detailed budget for the respective district that states the estimated revenue and expenditure of the District Assembly for the ensuing year" (Local Government Service-Ghana 2016, 64). In Kenya, the Public Financial Management (PFM) Act 2012, article 118 (1b) assigns the responsibility for setting revenue forecasts to the County National Treasury. The article specifies that the National Treasury shall provide "the updated economic and financial forecasts with sufficient information to show changes in the forecasts in the most recent County Fiscal Strategy Paper" (Government of Kenya 2012d, 122). The County Fiscal Strategy Papers do not add more clarifications to the formula for forecasting. They only contain the annual projections of revenue in nominal values. Based on these findings, one can argue that the legal documents lay out general rules for revenue forecasts and possibly open up space, in their current state, for interpretation by the actors who apply these rules.

Interviews with central government and local bureaucrats in Accra and Nairobi provided supplementary information on the methods used to set the revenue targets. They confirmed the inconsistency in setting revenue targets. In Accra, bureaucrats from the Revenue Department affirmed that revenue targets are calculated based on the previous year's performance. A subsequent interview with an official from the Budget Department clarified that the forecast takes into account the previous year's performance, to which an increment of 2.5% is added (Interview 9, Accra, October 2017). Accra officials acknowledged the challenges of accurately predicting the forecasts due to the lack of reliable data. A central government official echoed these opinions by adding that "estimation is very difficult. Most of the time, local actors guess-estimate" (Interview 3, Accra, October 2017). It can be argued that in the face of the ambiguity of legal rules which do not clarify the increase in percentage terms of revenue targets, bureaucrats in Accra set targets based on their own methods, which is simply to forecast revenue by adding a percentage increase.

In Nairobi, central government officials from the Office of the Controller of Budget affirmed that revenue targets are based on the previous year's performance, to which an increase of 13% to 15% is added (Interview 7, Nairobi, March 2018). When the same question was put to Nairobi officials, bureaucrats from the Budget Department explained that the budget is predicted using a scientific method that considers the risk factors [uncertainties] for each revenue source (Interview 37, Nairobi, April 2018). Another official from the Revenue Department added the following: "we see what we achieved last year, we add a percentage […] we set targets that we cannot achieve" (Interview 46, Nairobi, April 2018). Therefore, Nairobi does not use a clear formula to set revenue targets. Like Accra, Nairobi officials noted that the revenue targets are sometimes difficult to predict and take into consideration the level of predictability of each revenue source. In fact, revenues from property taxes can be predicted more accurately because they are levied on registered taxpayers. However, market revenues, for instance, can vary since they are raised daily from unregistered vendors.

More insights from central government officials in Nairobi indicated that, despite the suggested formula by the Office of the Controller of Budget, Nairobi officials tend to set higher revenue targets. A central government official shared that "Nairobi sets unrealistic budget forecasts; they never achieve their targets. They are not following the trend, they increase the budget up to 15-17% [...] Many times, they have deficits, and they rely on funds from the central government for their expenditure" (Interview 42, Nairobi, March 2018). The opinions of officials in Nairobi and the central government indicate the existence of ambiguity in revenue forecasts which leads the city officials to use their discretion in setting revenue targets.

In summary, primary documents and participant interviews provide enough evidence to argue that the rules of setting revenue targets in both cities are ambiguous, and this leads Accra and Nairobi officials to set revenue targets based on their own methods. In the face of the ambiguity of rules, revenue targets can be set in accordance with local actors' preferences, discretion, or incentives. Therefore, if economic conditions, including the economic growth measured in GDP, and elections do not provide sufficient evidence to explain the inability of Accra and Nairobi to meet their revenue targets, the plausible cause for setting higher revenue targets would stem from constant adjustments in the budget data. This adjustment is the by-product of the ambiguity of the rules guiding the budgeting process. The next section examines the institutional factors that could induce Accra and Nairobi officials to constantly adjust the revenue targets.

3.5.2 The Degree of Predictability of Local Revenue Sources

Seen from an institutionalist perspective, the different methods to set revenue targets in Accra and Nairobi reflect ambiguity in the rules for setting budget targets. This ambiguity leads to the interpretation of decentralization in a way that is adapted to the actor's realities or preferences. More precisely, local actors in Accra and Nairobi interpret the rules based on their specific contexts, such as the difficulty in obtaining reliable revenue potential data and they attempt to forecast revenue sources with different degrees of predictability.

An in-depth analysis of the outcomes of revenue targets using the degree of predictability of each revenue indicates that the revenue targets are set according to the incentives and preferences of local actors. Table 4 presents an overview of the hypothetical degree of predictability of the six revenue streams discussed in this analysis. Predictability is assessed by taking into account the capacity to register taxpayers in order to build an accurate database.

Table 3: Degree of Predictability of Main Revenue Sources

Revenue Stream	**Source of Revenue**	**Ability to Create a Taxpayers Database**	**Degree of Revenue Predictability**
Property Rates	Individuals and businesses	High	High
Business Licences (Formal Economy)	Businesses	High	High
Building Permits	Individuals and Businesses	Moderate	Moderate
Advertisement and Billboard Fees	Businesses and individuals	Moderate	Moderate
Market Fees (Informal Economy)	Market and Street vendors	Low	Low
Parking Fees	Individuals and Businesses	Moderate	Moderate

Revenue predictability can be divided into three categories: high, moderate, and low. This classification is based on the assumption that if the revenue source is drawn from a list of registered taxpayers who pay their taxes on an annual basis, the degree of predictability of that revenue source will be high. This is the case, for instance, of property taxes. If the revenue source is drawn from registered taxpayers who pay their taxes sporadically, the degree of predictability will be moderate. This can be the case of building permits that are levied throughout the year on individuals who wish to build properties. When these individuals apply for building permits, their information is saved in the records of the cities. Finally, data is difficult to gather on fees or taxes collected daily on unregistered taxpayers, and the degree of revenue predictability will be lower. Fees on markets and parking are two examples. Revenue from property rates and business licenses are highly predictable, given their inherent nature (they are paid by registered individuals) and the ability of local actors to gather the taxpayers' data over time. Other revenue sources, such as market fees, will be difficult to predict because they are collected from unregistered payers.

Interviews with bureaucrats in Accra and Nairobi provided more indications on difficulties to predict accurately revenue targets for property taxes, business permits, parking and market fees as well as business licenses. These claims corroborate the assumption that revenue targets might be adjusted constantly, regardless of the degree of revenue predictability. In Accra, a bureaucrat from the Revenue Department explained that "our targets are hard to meet. We have a database for property and business licenses, but it is not updated frequently, we do not have the right information. We do not predict parking fees because it is not a fixed environment, but we know how many cars will park in a day. They are not realistic data though" (Interview 2, Accra, October 2017). Another official confirmed how they could predict revenue from business licenses, since they have listed the number of businesses (Interview 9, Accra, October 2017). Finally, a bureaucrat who works in one of the city's sub-metros added that the Revenue Department at the head office fixes the targets for businesses based on the number of businesses present in a specific residential area (Interview 17, Accra, November 2017).

In Nairobi, for instance, revenue from parking can be easy to predict, according to a bureaucrat from the Budget Department. He shared this point in the following statement: "we measure the revenue potential, especially for parking lots by calculating the frequency of the demand for parking" (Interview 37, Nairobi, April 2018). The registration of property owners allows the city to maintain an accurate database from which rates are estimated. Finally, an official from the Parkings Department shared that the top-level management sometimes feels that bureaucrats set low revenue targets for parking. Therefore, they will increase the figures in the final revenue forecasts (Interview 52, Nairobi, April 2018). Furthermore, the formalization of revenue mobilization procedures, including the registering of taxpayers, implies that property rates and business licenses could be easy to predict. These opinions indicate that revenue sources have different degrees of predictability. Furthermore, despite the various degrees of predictability, the revenue targets for some of the highly predictable sources do not follow a clear logic. The collected data provided more information on the methods for setting revenue targets for the six main revenue sources.

3.5.3. Revenue Targets for the Main Revenue Sources

In Nairobi and Accra, property rates[18] constitute a source of revenue with a higher degree of predictability because they are levied on immovable (fixed) properties. The rate for a property in Accra is calculated with reference to at least 25% of the depreciation value of the property and on the basis of a rate impost, which varies for different areas; it is calculated based on the socioeconomic status or development of each residential area (Agboklu 2019). In Nairobi, the rate is based on an unimproved or undeveloped site value of the land, which is up to 4%, in addition to a tax rate determined by the city (Government of Kenya 2012a, sec. 6).

Data on property rates, including the list of property taxpayers, is drawn from the valuation roll. The tax laws in Kenya and Ghana recommend that local governments update property valuation rolls every ten (10) years. Once the valuation rolls are produced, they must be approved by the Ministry of Lands in Kenya and the Land Commission in Ghana. After their approval by these agencies of the central government, they are put to the ballot and voted on at the Cities' local assemblies. After this vote, the cities assume the legal authority to levy property rates. Within the next ten years, local governments can conduct a

[18] Property rates are called Land rates in Kenya. For comparative purposes, I will use the term "property rates" or "property taxes" to describe the same source of revenue.

supplementary valuation every year to include new properties in the valuation rolls. Subsequently, the cities refer to the property valuation rolls to charge property rates, based on the category of properties. Nairobi levies property rates on residential, commercial, and agricultural plots, whereas Accra charges property rates on residential, commercial, and industrial properties (Government of Kenya 2012a; Accra Metropolitan Assembly 2017a).

Residential properties in Accra are divided into three classes. First-class properties are located in the wealthiest neighborhoods of the City, where property owners can afford to pay a higher rate. The second class comprises properties located in less wealthy residential zones, where citizens can afford to pay a lower rate than that of first-class residents. The third class is composed of the poorest areas of the city, where owners live in smaller or compound properties. Third class residents pay less than half of the rates paid by first class property owners. According to the bureaucrats of Accra and Nairobi, it is difficult to levy property tax on residents in poor neighborhoods because the owners are either difficult to locate or cannot afford to pay. The formal property valuation processes, which allow Accra and Nairobi to build up a payers list from property valuation rolls combined with the design of the legal bases to levy these taxes make this revenue source highly predictable.

Business license fees, also called Unified Business Permit (UBP) in Nairobi or Business Operating Permits (BOP) in Accra, are paid yearly by any individual who intends to start a formal business activity. The application for a business license is an opportunity for local governments to gather enough data on the number of businesses in their territory. Similarly, the law requires the businessperson to inform the city, in case of closure of their business activities. Compliance with the two requirements - application for business license and notification of closure of business – facilitates the building of an accurate database on payers of business license fees and increases the degree of predictability of this revenue source. Despite this rule, interviews with Accra and Nairobi bureaucrats suggest that compliance with business license rules is often low[19] because it is common for an individual to open a business before applying for a business license.

Similarly, economic difficulties that lead to the closure of businesses can cause fluctuations in their number. To offset this low compliance and the risk factors such as the fluctuation of the economy in order to design an accurate database for revenue licenses, revenue collectors perform routine inspections in various areas of the city to ensure that all businesses operate with a permit. Although these factors affect the degree of predictability, it is still possible to make a rough calculation of revenue estimates from business licenses, thus making this revenue source highly predictable.

Building permits, advertisement and billboards fees, and parking fees can be levied at any time during the fiscal year. Accra and Nairobi can predict, with moderate accuracy, the revenue generated from these fees. The by-laws of Accra and Nairobi require citizens to apply for a building permit or advertisement and billboard authorization before the commencement of any business activity. In fact, building permits are paid once to obtain a building permit. Likewise, when an individual wants to advertise, they must pay the advertisement and billboard fee once for a license valid for one year. If they wish to renew the posting of the advertisement, they will have to reapply the following year. Compliance over time with the by-laws of the cities by citizens would allow the city administrators to accurately predict the amount of revenue to be raised from this source. Accra and Nairobi

[19] This information was shared by bureaucrats. The content of primary documents did not corroborate this point. It would be possible to verify this claim by measuring the degree of fluctuation of business licenses data if the information was accessible.

bureaucrats agreed that compliance with the application of a signage permit is often low. Similar to business licenses, individuals can start building without applying for a license, and the data is captured in the database when revenue collectors do routine checks to enumerate the numbers of properties being built with or without a building permit. To increase the degree of predictability for building permit fees and advertisement and billboard fees, participants from Accra and Nairobi cities admitted that they conduct random inspections within the limits of their technical and human capacity. Also, compliance with parking fees will depend on the presence of city inspectors at the parking places. An official from Nairobi lamented on the low compliance of payment of business licenses fees in these terms: "on our side, we send officers to see if they have paid […], but we do not have enough human capacity to verify this information" (Interview 64, Nairobi, February 2018)". A bureaucrat in Accra mentioned the same type of challenge. He explained that "people on the field tell us when businesses are closing down. We also take the time to verify this information" (Interview 2, Accra, October 2017). In sum, the fact that Accra and Nairobi maintain a list of taxpayers for business permits and advertisement and billboards should allow them to calculate the annual trend over time. At the same time, the uncertainty related to compliance with the by-laws and the nature of business permits and advertisement billboard make these revenue sources moderately predictable.

Even though parking fees are highly volatile because they are levied on unregistered payers and the frequency of parking occupation can vary, the revenue for parking fees are estimated on the basis of the number of parking lots available in a city. To increase the degree of predictability of the revenue sources, Accra and Nairobi resort to making rough estimates of the expected revenue from those two sources. Parking fees are calculated based on the number of parking spaces and the frequency of daily occupancy of each parking spot. For instance, Nairobi has roughly 125,000 parking spaces. Officials estimate 4 to 5 cars in each space per day to set the daily targets. In Accra, officials estimate an average of 12-15 cars a day in each parking space. For these reasons, parking fees can be moderately predictable.

Lastly, market fees are paid by street vendors and unregistered traders who work in the informal economy sector. The high degree of volatility of these fees combined with the inability to design a database for market fees renders them difficult to predict. Therefore, market fees have a low degree of revenue predictability.

If the degrees of predictability of the six sources of revenues vary from high to low, the revenue targets are expected to follow the same trend. However, the financial statements and budgets of Accra and Nairobi do not corroborate this point. Failure to support this claim reinforces the assumption that revenue targets may be set without a logical explanation, making it challenging to assess the collection performance accurately. The following section lays out the reasons for the strategic adjustment of revenue targets are strategically adjusted and the institutional factors that induce this strategy.

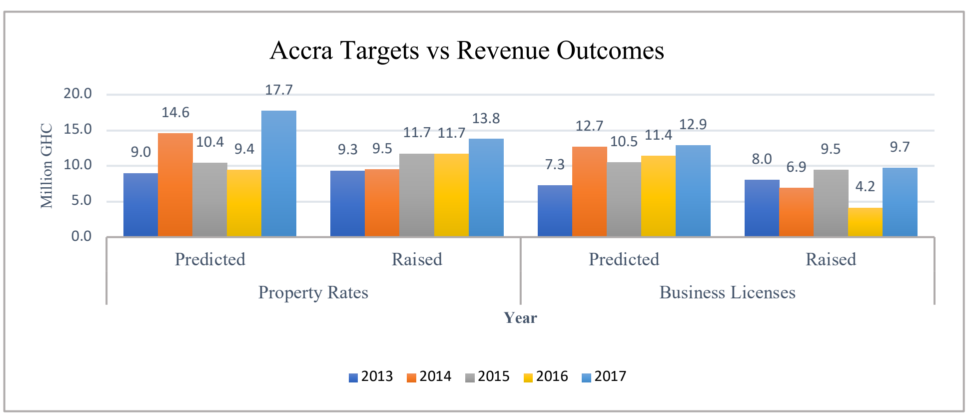
3.5.4. Probabilities of Revenue Targets Adjustments in Accra and Nairobi

The claim that revenue targets are strategically adjusted in Accra and Nairobi is tested by evaluating the trend of revenue estimates and sources in the two cities between 2013 and 2017. If revenues are predicted following the degree of predictability combined with the percentage increase mentioned by Accra and Nairobi officials, the targets for property rates and business licenses and outcomes should not vary too much due to their high degree of predictability. There should be a moderate variation in revenue targets and outcomes for parking and building permits and advertisement and billboards. There should be more variations in revenue targets and outcomes for market fees because they are not easily predictable. It was found that the percentage increase of 2.5% mentioned by Accra officials and the 17% increase mentioned by Nairobi officials is also calculated in order to understand the extent to which the revenue reported in the budgets corroborates this calculation method.

Property Taxes and Business Licenses

First, chart 31 shows that predictions for property rates in Accra increased in 2014 by 56%, decreased by 28.7% in 2015, and had a sharp increase of 88% from 2016 to 2017. This is contrary to the claim that the predictability of property rates will lead to a small variation in the prediction of revenue targets because these incomes are easily predictable. On the other hand, the reported revenue from this same source increased steadily during this period, even though the revenue reported was below target for most of those years.

Charts 31: Accra Property Rates and Business Licences Targets and Outcomes

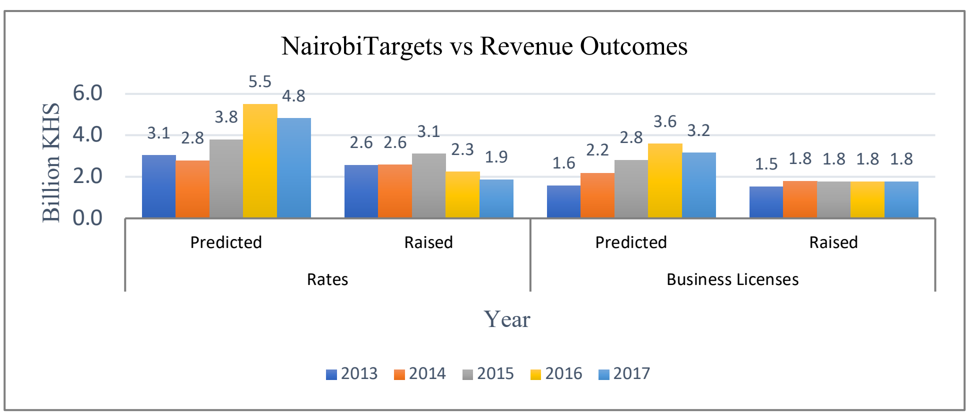


Source: Accra Financial Statements (2013-2017)

The right column of the same chart shows that revenue predictions for business licenses increase by 73% in 2014, decreased by 17% in 2015, and increased again gradually from 2016 to 2017. A comparison of the revenue targets and the revenue reported reveals that the revenue targets for the period between 2013 and 2017 were higher than the revenue mobilized during the same period. Despite their high degree of predictability, the official budget predictions represent a moderate variation, contrary to the expectation of a small variation for property taxes and business licenses.

The financial data of Nairobi is similar to that of Accra in terms of comparing the revenue predicted with the amount mobilized. Chart 32 indicates that property rates targets decreased slightly in 2014 compared to 2013, increased by 44% from 2015 to 2016, to drop again by 12.7% in 2017. This trend is not consistent with the small variation in the prediction of property taxes.

Charts 32: Nairobi Property Rates and Business Licenses Targets and Outcomes

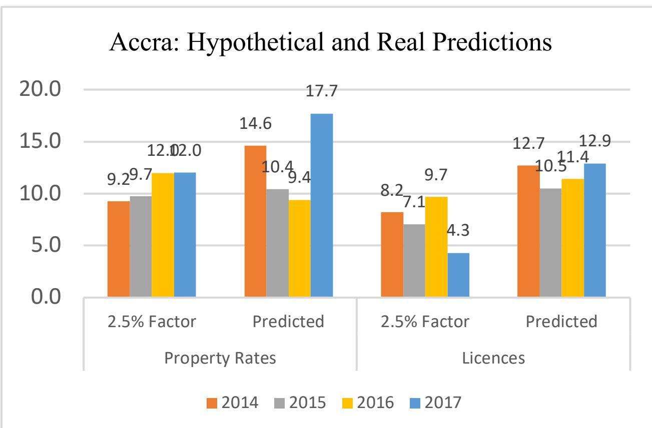


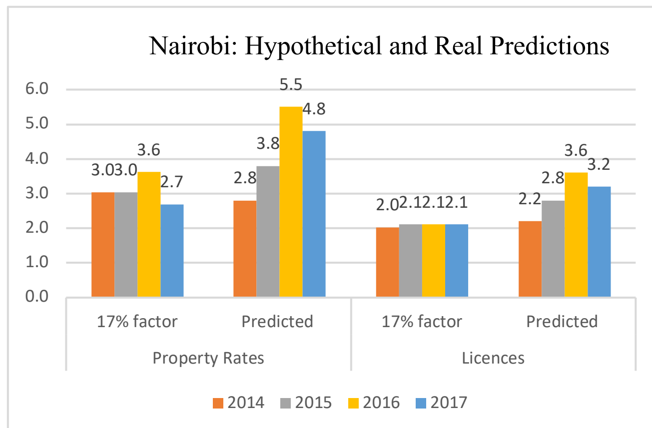
Nairobi Budget Review Outlook (2013-2017).

On the other hand, the reported revenue increased and was below the revenue targets in the first two and the last two years. Similarly, revenue predictions for business licenses increased steadily between 2013 and 2016. In 2017, the targets decreased by 11%. This trend could confirm that the high degree of predictability of business licenses will lead to predicting the revenue for this same source with a small variation. However, the fact that the revenue reported between 2013 to 2017 is below target for the same period shows that target setting was not performed with reference to the revenue collected the year before.

Considering the increase of 2.5% in Accra and 17% in Nairobi, the analysis of revenue targets in both cities further confirms that property taxes and business licenses are subject to manipulation in the reporting system of revenues[20].

Charts 33 & 34: Hypothetical and Real Targets for Property Rates and Business Licences





Source: Accra Financial Statements (2013-2017) and Nairobi Budget Review Outlook (2013-2017).

Charts 33 and 34 give an overview of the revenue targets compared to the potential revenue targets by factoring in the calculation the 2.5% increase in Accra and 17% increase in Nairobi. At first glance, the revenues that could have been estimated for property rates in both cities are lower than the targets reported in the official budgets. The same applies to business licenses, which reinforces the case of overestimation of revenue forecasts for property rates and business licenses despite continuous unsatisfactory performance. Higher

[20] Factors like the rate of late payers for property taxes or economic factors could affect this variation.

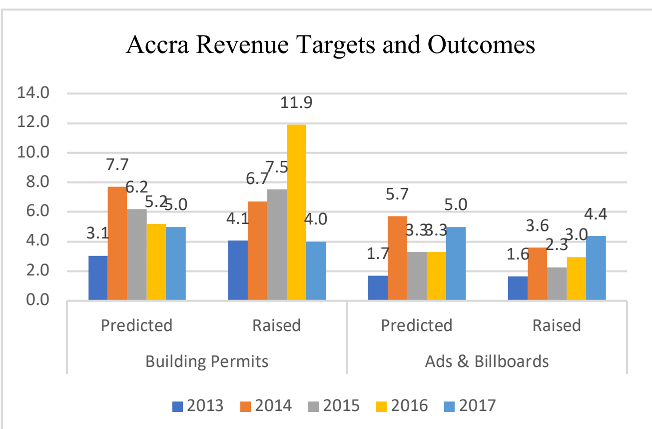
revenue targets that can be easily adjusted offer clues to explain the failure local governments to meet revenue targets.

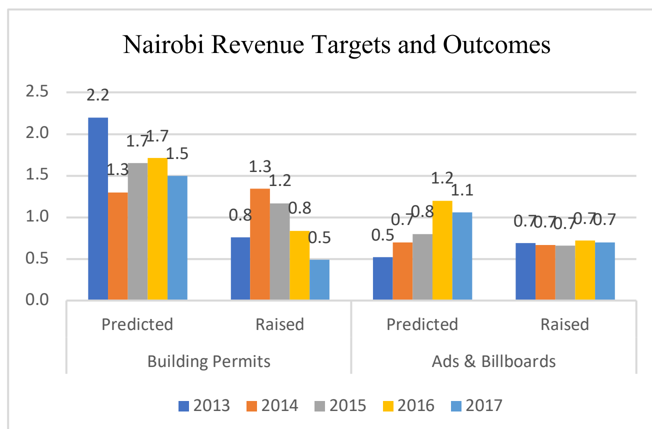
Despite the variations in estimating revenue, Accra and Nairobi share a similar tendency of overestimating the targets for property rates and business licenses and reporting lower outcomes for the same sources. Failure for this research evidence to provide a logical explanation, the overestimation of highly predictable revenue despite the potential lower outcomes constitutes strong evidence that revenue targets and outcomes for property taxes and business licenses are prone to adjustments.

Building Permits and Advertisement and Billboard Fees

A comparative analysis of revenue targets and outcomes for building permits and advertisement and billboard fees reveals several differences between Accra and Nairobi.

Charts 35 and 36: Building Permits and Advertisement and Billboard Fees





Source: Accra Financial Statements (2013-2017) and Nairobi Budget Review Outlook (2013-2017).

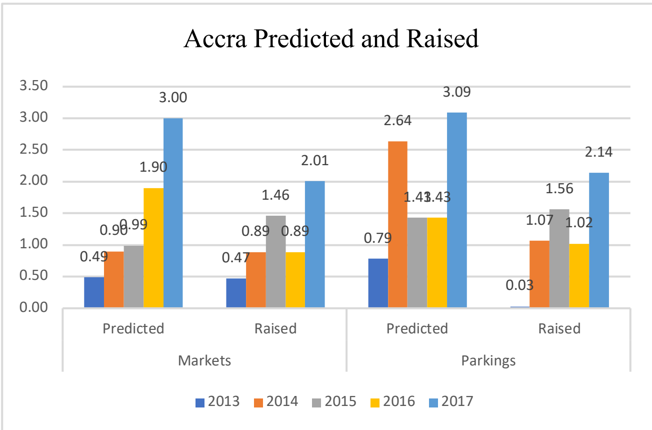
Chart 35 shows a tendency to set lower targets than the revenue outcomes in Accra. Additionally, the targets were lowered between 2014 and 2017. Simultaneously, the revenue reported (outcomes) for the same period increased gradually from 2013 to 2016 and decreased sharply by 63% in 2017. This explains why Accra was able to achieve its revenue targets for building permits between 2013 and 2017. The right side of Chart 35 shows that advertisement and billboards fee targets were set higher than the revenue reported between 2013 and 2017. For instance, where the targets could have been set lower in 2014 following a performance of 1.6 M GHC in 2013, the revenue estimates were set at 5.7 M GHC, which represents an increase of about 250%. These budget numbers do not present a logical explanation for repeatedly estimating higher revenues for advertisement and billboards, although actual collection continued to decline.

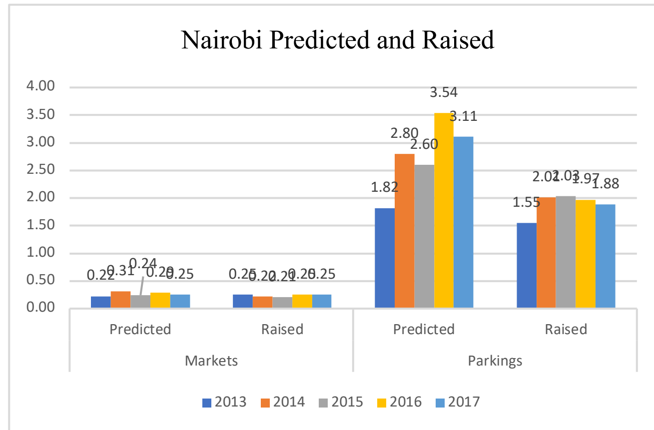
An examination of revenue estimates for building permits and advertisement and billboard fees in Nairobi shows a tendency to set higher revenue targets (see Chart 36). Similarly, the revenue reported for the two sources was lower than the targets. It appears that the targets are set with moderate variation, which confirms the assumption of a moderate level of predictability of these revenue sources. However, the lower collection of revenue between 2013 and 2017 does not provide a logical explanation of the reasons for setting higher targets. These findings lead to the conclusion that similar to property taxes and business licenses, revenue targets for building permits and advertisement and billboards could be constantly adjusted at the discretion of local actors.

Parking and Market Fees

A comparative analysis of revenue targets and revenue performance for market and parking fees presented in Charts 37 and 38 reveal additional differences between Accra and Nairobi. In Accra, revenue targets from market fees were set higher than the outcomes during the previous five years. Furthermore, these estimates represent a strong variation between 2015 and 2017. For instance, the revenue estimates for market fees in 2016 increased by 90% compared to the previous year. Then in 2017, the forecasts were set higher by 57% compared to 2016. Similarly, the revenue reported (in the right column) increased from 2013 to 2016, decreased by 39% in 2016, and increased again by 125% in 2017.

Charts 37 & 38: Revenue Targets and Outcomes for Parking and Market Fees





Source: Accra Financial Statements (2013-2017) and Nairobi Budget Review Outlook (2013-2017).

This data confirms the tendency to overestimate revenue targets. However, the variations in the predicted and collected revenue confirm that the difficulty in predicting market fees will lead to a high variation in revenue targets.

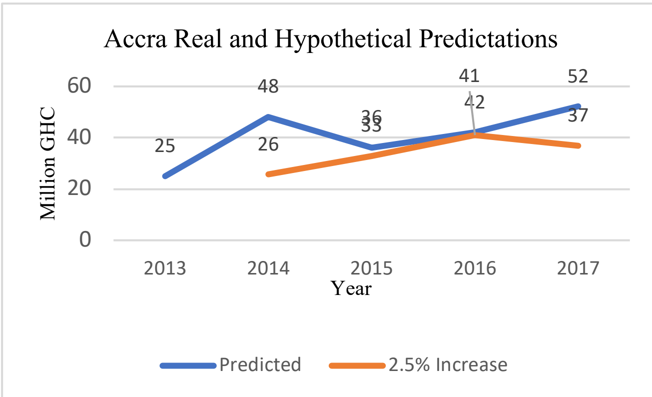
The budget figures in Chart 38 show a minimal variation between the revenue targets and the revenue reported for market fees in Nairobi. However, the revenue reported for market fees remained the same, although it could be subject to higher economic risks and volatility because it is generated from the informal sector. Despite the high volatility of this revenue source, both forecasts and outcomes remained steady. Thus, even though there could be different variations in market fee targets between Accra and Nairobi, both cities tend to overestimate revenue targets for this source, which leads to the idea that market fees are prone to target adjustments.

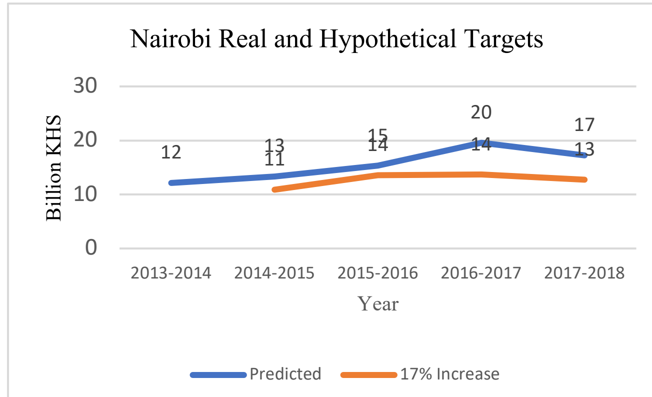
Charts 37 and 38 show that parking revenue targets were set higher in Nairobi, while the collection reported continued to be lower. This difference is more striking in Nairobi where the outcomes were consistently below expectations. Whereas it was assumed that parking fee targets would have a moderate variation, the budget data show that the predictions vary considerably especially in the case of Nairobi. It can be argued that parking fees are prone to target adjustment since these figures do not provide a logical explanation for setting the targets higher despite lower collection during the same period. The next section presents a comparison of the total revenue targets, including the analysis of all revenue streams to support the claim that target adjustment is not limited only to the six key revenue sources.

3.5.5. Revenue Targets and Performance for all Revenues in Accra and Nairobi

Charts 39 and 40 confirm the tendency for Accra and Nairobi to set higher revenue targets, which are beyond their ability to collect. The data in chart 39 shows that in 2013, Accra mobilized a total revenue of GHC 25.10 Million. Using the rule of 2.5% increase, the predictions for 2014 should have fluctuated between GHC 25 Million and GHC27 Million. However, the targets for 2014 were set at GHC 48.18 Million, which represents an increase of 92% over the outcomes for the previous years. Such a higher increase led to the lowest reported revenue outcome of 67% in the five years analyzed. During the following two years (2015 and 2016), revenue targets increased moderately compared to outcomes. In 2017, predictions were 45% higher than the revenue collected in the previous year, and it rose to 82%. Overall, these budget figures support the claims that revenue targets are continuously set higher despite regular failure to collect the expected amount.

Charts 39 & 40: Accra and Nairobi Real and Hypothetical Revenue Targets





Source: Accra Financial Statements (2013-2017) and Nairobi Budget Review Outlook (2013-2017).

Chart 40 shows the alignment of revenue predicted in Nairobi with the overprediction claim, similar to Accra. For instance, in 2014, the total revenue predicted was 43% higher than the revenue collected in 2013. In the following years, the prediction fluctuated between 30-40%. In the last two years, there was again a tendency to set higher revenue targets, and this resulted in worse performance in revenue collection. Thus, in 2016, Nairobi predicted a revenue of KHS19.75 Billion, which represented an increase of 67% over the previous year, but achieved only 56% of the target. In 2017, revenue targets were set at KHS17 Billion, which represented an increase of 57% over the previous year's collection, but the city achieved only 59% of the target. By factoring the 2.5% increase, Chart 40 indicates that the targets could have been lower than the actual revenue targets in the five years. Similarly, Chart 40 indicates that if local actors in Nairobi had raised the revenue targets by 17%, the targets could have been lower than what was reported in the official budgets.

The meticulous analysis of budget data presented in the previous section provides answers to the question of "why local actors in Accra and Nairobi fail to meet their revenue targets." First, local actors in both cities do not meet their revenue targets because they set higher targets that is beyond their capacity to achieve. Second, local actors in both cities have not developed a consistent method for setting revenue targets, which leads to using discretion to estimate the targets for a given financial year. In fact, the budget figures suggest that there is no logic or method in setting revenue targets and supports the claim of central government officials that Accra and Nairobi set unrealistic revenue targets. A combination of these two factors explains the failure of Accra and Nairobi to meet their revenue targets and the two cities remain in a situation of perpetual dependence on external revenue sources.

The adjustment of revenue targets was not anticipated, but it helps explain the inability of local actors to meet revenue targets. This variable was uncovered inductively, after extensive interviews with participants from Nairobi and Accra as well as an analysis of budget data. Additionally, the underlying explanation for the adjustment of revenue targets is supported by the institutionalist theories, in particular a soft version of rational choice. The subsequent section lay out the institutional factors that induce local actors to adjust revenue targets based on their discretion and their effects on local financial autonomy building in the long run.

3.6. Rules, Incentives and Discretion in Revenue Mobilization Processes

From a rational point of view, institutional theories posit that institutional rules, incentives and the discretion delegated to institutional actors induce them to alter the rules in ways that meet their preferences (Mahoney and Thelen 2009; Hall and Taylor 2016). Furthermore, in the face of the ambiguity, the change of institutional rules to meet the preferences of actors will be made possible when it is done by a coalition of actors, such as bureaucrats and politicians (Mahoney and Thelen 2009). Drawing on these claims, one can argue that these institutional features – the ambiguity of the rule and the structure of incentives - encourage actors in Accra and Nairobi to adjust the budget figures for personal and organizational purposes.

Drawing on these theoretical premises, this section unravels the institutional mechanisms that drive the tendency to adjust revenue targets. These tendencies are the by-product of institutional rules, incentives and discretion. If institutional rules, especially those that entail significant resources, are ambiguous, they will face compliance challenges by the actors in charge of applying those rules (Mahoney and Thelen 2009). Interviews and primary source documents from Accra and Nairobi show that local actors tend not to comply with formal rules, especially when they involve resources that have significant distributional consequences. Indeed, the rules governing revenue mobilization transfer fiscal powers to local actors to mobilize revenue from important revenue bases in order to finance development projects. The enactment and compliance with these rules entail the active role of politicians, bureaucrats, and taxpayers. From a rational approach perspective, they will attempt to comply or interpret these rules in ways that match their preferences. The bureaucrats who are accountable to the top-level management would try to enact these rules to achieve better performance in revenue collection. If there is a high degree of politicization at the top level of management, these bureaucrats will enact/enforce revenue mobilization rules to match politicians' preferences which are driven by their political interests. If greater revenue mobilization contributes to the ability to provide more services and enhance chances for re-election, politicians will be motivated to support bureaucrats in their efforts to mobilize more revenue. However, if the rules can be altered to favor specific groups through tax waivers, politicians will alter the rules to benefit these groups. Finally, taxpayers will comply if they expect to receive benefits in exchange for tax compliance. On the contrary, if the benefits received are not commensurate with their expectations, taxpayers are more likely to resist tax payment. Finally, the distributional nature of revenue mobilization rules is exacerbated by weak accountability systems that cause less transparency and accountability in public funds management (Olowu 2003b). The actions, perceptions, and preferences of the actors who interact within the fiscal decentralization context underlines the distributional consequences of local revenue mobilization rules. This section outlines the actions, preferences, and perceptions of bureaucrats and politicians adopted to respond to the ambiguity of institutional rules and incentives. The other political factors that can affect revenue mobilization and the role of taxpayers will be examined in Chapter Five.

The examination of the legal and formal rules surrounding the mobilization of local revenue shows that neither the Local Governance Act 2016 in Accra nor the PFM Act 2012 in Nairobi provides an explicit and clear formula for budget forecasts[21]. The ambiguity of budget forecast rules causes local actors to interpret the rules to match their organizational contexts and preferences. In other words, local actors will set revenue targets simply as a budget formality and follow their preferences. Furthermore, empirical findings indicate that the ambiguity of the rules is linked to the structure of incentives generated by the national revenue sharing formula, the degree of conditionalities of CGs and IOs' grants and transfers, and the transfer process of those funds into local government accounts. More precisely, the revenue sharing formula grants significant amounts of resources to cities, and the conditionalities associated with obtaining these funds provide fewer incentives to achieve

[21] This point was mentioned in section.

better local revenue mobilization performance. Finally, the transfer process of these grants often takes time, and local actors spend revenues at source while awaiting external revenue transfers. The combination of these variables confirms that revenue targets are adjusted as a response to fiscal decentralization rules. The strategy of revenue target adjustments in Accra and Nairobi led to outcomes that were much below targets. This strategy could explain the continuing dependence on external revenue between 2013 and 2017. The next section offers a detailed explanation of the institutional factors that induce target manipulation strategies.

3.6.1. The Revenue Sharing Formula and Other Institutional Incentives

The comparative analysis of revenue data in Accra and Nairobi indicates that the inconsistencies in setting revenue targets support the case of target adjustment. In light of these findings, one can argue that the manipulation of revenue targets is induced by the incentives generated by the revenue sharing formula and IOs financial assistance conditions. First, if the improvement of revenue mobilization performance by local governments is not part of the main condition for financial assistance, local actors would be demotivated to exploit the maximum potential of the revenue base, because they are guaranteed continuous unconditional financial assistance. Secondly, if the achievement of high revenue targets by local governments is used as a condition for financial assistance, local actors will improve revenue mobilization to obtain IOs and central government grants.

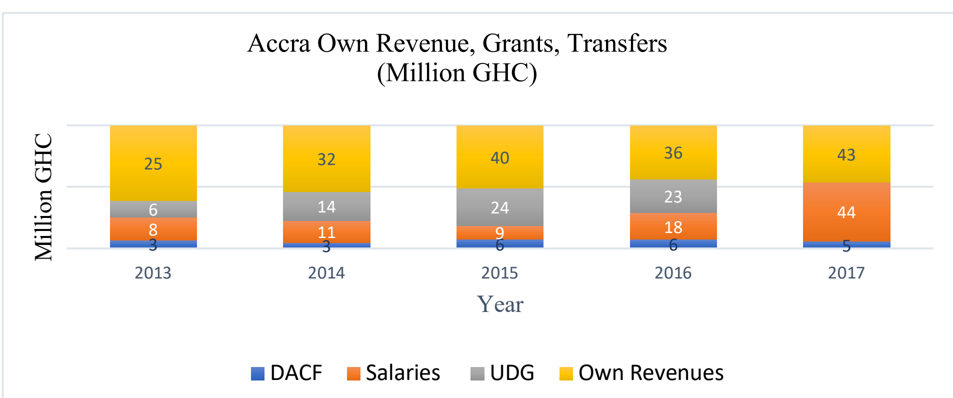
Research findings in Accra and Nairobi confirm these assumptions. In fact, the structure of the sharing formula of the national revenue does not impose strict conditions on Accra and Nairobi for receiving them. In turn, the low level of conditionality creates more incentives for Accra and Nairobi to manipulate revenue targets and the reported outcomes since these transfers are always available to fund a portion of the budget. Therefore, the manipulation of revenue targets is a by-product of fiscal decentralization rules and procedures.

Scholars show that decentralization policies involve the transfer of financial, administrative, and political powers and responsibilities to local governments. The transfer of responsibilities was meant to be concomitant with the transfer of financial resources to carry out these responsibilities (Dafflon and Madiès 2009; Oates 1993; Smoke 2001). In Accra, the transferred resources include administrative support from the central government and financial support by sharing national revenues by the central government with all local governments. Also, central government bureaucrats were transferred to local governments for administrative support. This transfer was followed by an annual transfer of substantial funds to pay their salaries.

In addition, parliament allocates annually "not less than five percent of the total revenue of the country to the District Assemblies for development" (Government of Ghana 2016, secs. 126, 65). The sharing of national revenues to the District Assemblies is overseen by the District Assemblies Common Fund (DACF). This central government agency subsequently distributes it to local governments, using a sharing formula approved by the Parliament. The sharing formula considers four (4) factors: health services, education services, water coverage, and tarred road coverage (District Assembly Commun Fund 2019). Since Accra has higher population density than other local governments, it is entitled to a larger share of the DACF. , With a total national population of 29.7 million people, Accra is the second most populated municipality in Ghana with a total of 2.05 million people (World Bank 2019a; Ghana Statistical Services 2019). However, the population density is estimated to 5530 people per square kilometer compared to Kumasi that has a population density of

5419 per square kilometer (Worldometer 2021). By comparison, Accra City received the largest share among the 16 urban municipalities of the Greater Accra region (13%) of the transferred revenues between 2013 and 2017 (Ministry of Finance 2013). This amounted to GHC 22 million, slightly higher than the GHC 21 million in revenue transferred to Kumasi Metropolitan Assembly (Ibid.). Therefore, if the DACF grants consider the need for services such as health, education, or water coverage, this gives Accra an advantage in receiving a higher share of the national revenue to use these funds to provide these services to its large population. Furthermore, as will be argued in the subsequent sections, the guaranteed transfer of this revenue based on Accra's demographic characteristics may potentially demotivate local actors to improve revenue outcomes to obtain these grants. Chart 41 indicates the salary transfers received by Accra between 2013 and 2017, in contrast with other fiscal grants such as the Urban Development Grant (UDG), the District Assembly Common Fund (DACF), and locally raised revenue. The budget data indicates that the transfer of salaries increased in 2016 and 2017, thus implying that governmental transfers cover a portion of Accra's operating costs in addition to expenditures.

Chart 41: The Share of External and Internal Revenues in the Total Budget in Accra



Source: Accra Financial Statements (2013-2017); DACF Annual Reports (2013-2017).

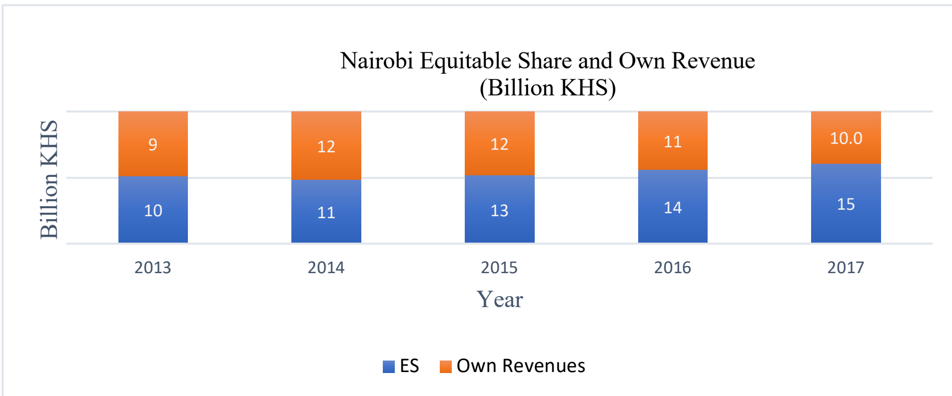
Accra and Nairobi attract additional financial assistance from the central government and IOs to address development challenges. For instance, Accra city is among Ghana's urban municipalities, entitled to the Urban Development Grant (UDG) from the World Bank. The UDG is a performance grant to fund the development priorities of local governments[22]. The UDG is provided to urban municipalities based on, among other criteria, budget reform, revenue management, and social accountability (World Bank 2011, 6). The financial aspects of these criteria look at the ability of urban municipalities to improve their revenue mobilization performance.

In Kenya, the Commission on Revenue Allocation (CRA) is responsible for sharing national revenues, called equitable share (ES), among county governments, based on a formula approved by Parliament. The formula takes into account the population size (45%), the basic equal share (25%), the poverty gap (20%), land area (8%), and fiscal responsibility (2%) (Commission on Revenue Allocation 2021). Similarly, in the total national population of 51.5 million, Nairobi has an estimated population of 4.7 million, and thus it is the highest populated city in Kenya (World Bank 2021b). Thus, between 2013 and 2017, Nairobi received the highest share of the equitable fund, which is the highest disbursement among all the counties due to its population (Office of the Controller of Budget 2020). Like Accra, the demographic characteristic of Nairobi puts the city in a more advantageous position than other counties because the city receives the highest share of equitable funds to cater to its population needs. Moreover, these revenues are transferred without any condition associated with the improvement of local revenue. Chart 42 shows that the number of equitable funds transferred to Nairobi occupied a large chunk of the total revenue in Nairobi; the transfer

[22] The UDG program ended in 2018. It was replaced by the Ghana Secondary Cities Support Programme (GSCSP) effective since February 2019 (World Bank 2018).

exceeded locally raised revenue between 2013 and 2017, except in 2014 when the share was below the revenue raised at the local level. Nairobi has also attracted different categories of funds, including the Danish Cooperation fund and other conditional grants from the central government related to healthcare expenses in the county.

Chart 42: Equitable Funds and Local Revenue in Nairobi



Source: Nairobi Budget Review Outlook (2013-2017) and The Office of the Controller of Budget Annual Reports (2013-2017).

In both cases, the fund transfers increased every year and constituted a larger share of all revenues than the locally generated revenue. The increases in the trend of local revenue mobilization between 2013 and 2016 in Accra and the steady reported outcomes in Nairobi confirm that external revenue transfers create incentives for Accra and Nairobi officials to potentially report a lower revenue collection. This restrain in revenue mobilization is explained by the continuous guarantee of transfers because conditionalities are not associated with better revenue collection performance.

Like other SSA cities, the fast-growing urbanization rate causes a continuous movement of people from rural areas to urban centers, thus engendering more development challenges for Accra and Nairobi (McCarney and Stren 2003; Myers 2017; Resnick 2014). Furthermore, the conditionalities of DACF in Accra and the equitable funds in Nairobi are based on the social and economic characteristics of these cities and not fiscal performance. They ensure guaranteed support tied to the growth of the population and the policy challenges of the cities. These funds are used to address social development challenges. Based on these facts, it can be argued that the regular availability of external revenue transfers serves as an incentive for cities to make fewer efforts to mobilize more local revenue. Interviews with participants in both cities support this claim. For instance, a central government official in Ghana claimed that "Accra is not committed to raising more revenue. They have the potential to raise more, but they don't want to […] They receive transfers from the central government and given the size of the population, they get more money" (Interview 20, Accra, November 2017). A civil society actor agreed that grants and transfers from the central government deter Accra and other municipalities from paying more attention to exploit the potential sources of revenue. He stated: "local governments are unwilling to take full responsibility; they ask who will help them. They keep a dependence attitude […] If they (local actors) do not consider IGF (own revenue) as the main source, they won't increase it" (Interview 24, Accra, November 2017). These quotes illustrate the propensity of Accra to put fewer efforts in the mobilization of local revenue since they continue to receive a large share of the national revenue for implementing development projects.

In Nairobi, an expert in public finance commented that the city counties depend on equitable shares and conditional grants instead of their own revenue (Interview 45, Nairobi, March 2018). His comments were reiterated by a former city/county official who agreed that there is "no efforts to raise revenues in the new system (devolution system) in Nairobi. They wait for the central government to help. Previously, when we had to rely on our own revenues, we identified the methods to collect them, wrote reports, and then collected them. In the old system (decentralization system), you had to collect revenue to function" (Interview 54, Nairobi, April 2018). These interviews support the assumption that local actors in Nairobi are less likely to be motivated to raise more revenue if they perceived external transfers as the main sources of funds to cover a large section of their expenditure budget.

Furthermore, the revenue sharing formula for the external grants is an additional explanation poor revenue collection in both cities. The opinions of local public officials revealed their dissatisfaction with the amount of revenue transferred. A bureaucrat from Nairobi described this dissatisfaction with these words: "the central government devolved many responsibilities, but not the resources to execute them. Now we are struggling. In Nairobi, most of the revenues collected are used to pay salaries" (Interview 49, Nairobi, April 2018). This statement is supported by anecdotal evidence and debates in the media on the criteria for sharing national revenue with local governments in Ghana and Kenya. Often, this debate moves towards a demand for the central government to increase the share of national revenue to local governments instead of examining the ways in which local governments could improve the mobilization of local revenue. Overall, the social and economic realities of Accra and Nairobi place them at the top among local governments who receive the largest portion of these funds. Likewise, conditional transfers of IOs funds create a structure of incentives that trigger the manipulation of revenue targets to meet these conditions.

Failure to find a logical explanation of the constant adjustment of revenue targets and the inability of Accra and Nairobi to decrease their reliance on external revenue grants, points to the fact that a significant amount of CG and IOs funds transfers in Accra and Nairobi could potentially encourage local actors to report and emphasize their poor revenue collection performance in the official budgets. Strategically, this will ensure uninterrupted transfer of external grants to fund development expenditures in the two cities. Furthermore, the degree of conditionalities associated with these fund transfers incites the actors to adjust the budget data in order to meet these conditions. A combination of these factors explains the revenue performance presented in the official budget reports and raises the question about the real potential of the revenue base in Accra and Nairobi. This question can only be answered through an extensive research that is beyond the scope of this doctoral research.

3.6.2: The Strategy of Spending at Source at Portion of the Revenue Mobilized

Using an inductive method of data analysis, research findings showed that another potential cause of the target adjustment could be the tendency of local actors to spend at source a portion of the revenue mobilized. Spending at source refers to the act of using part of the revenue mobilized without including it in the official budget reports. The revenue spent remains untraceable, which results in the alteration of the officially reported revenue.

Spending at source by local actors was evidenced in official documents and reports, and also by several central government officials in Nairobi. In Accra, only three research participants anonymously reported this practice. In both cities, research participants explained that spending at source is a well-established strategy tolerated by the city's leadership because it benefits the whole city governance system. The revenue spent at source can be used as travel bonuses for city officials or to manage unexpected crises or events. An interview with an assembly member in Nairobi uncovered an additional explanation for spending at source. He explained that the difficult financial situation in the city and the delays in the transfers of external revenue are the reasons behind the practice of spending at source. He said the following:

> "we inherited an indebted county. The city council used to survive on its own. Now, they (the city's administration) are struggling to pay salaries. They were focusing on net salaries (the money that goes to the people instead of the salaries with the benefits like retirement etc.). They kept accumulating these late payments. Now the city has accumulated 10 billion […] The money for expenditure comes in tranches. And it is just enough to pay the operation costs, the salaries etc., but it does not go into development programs. For instance, the city receives 12 billion from the government and 11 billion in revenue collection that comes depending on the period. We consider that every month, the city can spend at least 1 billion. From that 1 billion, 1.4 billion goes into the salaries monthly. So, the city survives in bank overdrafts. The money is received in tranches and we are not able to implement projects; they are budgeted and put in the reports, but the implementation is another story. They put them there just to abide by the law. With this new devolution system, it can be easy to lose focus" (Interview 58, Nairobi, April 2018).

Additionally, a central government official in Nairobi added that "there are situations where they use the money at source, which is illegal. Part of the money is lost; it does not get to its destination" (Interview 41, Nairobi, March 2018). Several instances of spending at source were reported by the Controller of Budget (COB), newspapers, and middle-level bureaucrats. For instance, the COB budgets of 2013 to 2016 persistently reported the use of locally collected revenue at source, which goes against constitutional principles of fiscal responsibility. A quote from the 2014-2015 report mentions that "the county [Nairobi] has persistently utilized locally collected revenue at source contrary to Article 207 of the Constitution […], which stipulates that all funds raised or collected on behalf of the County government should be deposited in the county revenue fund account" (Controller of Budget, 189, 2014-2015). In the subsequent years, the media scrutiny of Nairobi's finances revealed inaccuracies between revenues expected and reported. The *Daily Nation Newspape*r reported that given "51 collection points whose haul is received directly by the county may have generated more in the financial year ending June 30 (2018) than captured in official records" (Mutua 2018).

In Accra, a participant anonymously claimed that the financial statements do not reflect the reality because the figures are altered to show a well-planned budget, even though all the money raised or used is not reflected in those documents (Interview 31, Accra, January 2018). Thus, these claims show the ambiguities linked to the budget planning rules, and how the financial reality of Accra and Nairobi compel local actors to alter these budgets to meet urgent public needs (funding urgent public needs) or personal needs (corruption and collusion). In the long run, the two cities remain dependent on external budgets, and the inability to tap into the full potential of financial resources could be an incentive for not reporting the revenue collected transparently.

These findings are sufficient evidence of the adjustments of revenue targets caused by the practice of spending a portion of the revenue at source. This expenditure is not reported and can cause confusion and inconsistencies in the budget data if these had been initially entered in the predictions. The budget adjustment hypothesis is supported by the ambiguity of the rules concerning the setting of revenue targets and the institutional contexts, which have unclear rules that create space for the coalition of actors (Accra and Nairobi bureaucrats and local politicians) to interpret them in ways that suit their financial and local government realities. Conclusively, this evidence adds to the list of explanations for the failure of Accra and Nairobi to meet their revenue targets. It is not surprising because the base for assessing their revenue performance is inconsistent.

3.7. Conclusion

In conclusion, this chapter explained revenue mobilization outcomes in Accra and Nairobi between 2013 and 2017. The first section offered a descriptive analysis of revenue mobilization outcomes and the share of external transfers to local revenue. In answering the main research question of "why local actors in Nairobi and Accra fail to meet the revenue targets?" several potential causes were explored, and some answers identified as potent causes. The most plausible explanations include the setting of ambitious revenue targets and adjusting them. The reasons for this tendency are the structure of the incentives included in the sharing formulas of national revenue with local governments and the conditions for obtaining financial assistance from central governments and IOs. Also, the weak financial capacity of Accra and Nairobi, as well as delays in the transfer of external funds induce local actors to spend some revenues at source. Target manipulation and the practice of spending at source stem from the institutional context of decentralization rules. More specifically, the rules regarding revenue forecasts are ambiguous. In turn, local actors take advantage of this ambiguity to adjust the targets based on their discretion to suit their convenience and interests. The following chapter gives a detailed account of the bureaucratic and organizational capabilities required for revenue mobilization activities.

CHAPTER FOUR: ADMINISTRATIVE CAPACITY IN ACCRA AND NAIROBI

An important part of the fieldwork conducted for this dissertation was devoted to interviews with Accra and Nairobi bureaucrats in order to understand the causes for failing to build strong financial autonomy. Interviews were conducted with local and central government officials involved in different roles and at different stages of the process of assessing and collecting taxes. This chapter reports the findings from interviews, combined with primary source documents to understand how the processes of regular and routine operations and the interactions of bureaucrats shape the course of revenue collection activities and outcomes. The chapter provides more answers to the two main research questions: 1) Why do local actors fail to meet their revenue targets? and 2) How do local actors mitigate these challenges?

Three theoretical assumptions are examined. First, the degree of bureaucratic capacity in terms of the primary requirements of human, technical and technological resources influence the ability of local actors to mobilize revenue. Second, the degree of organizational capacity also impacts the ability of local actors to use bureaucratic capacity for effective revenue mobilization. Organizational capacity refers to the coordination and collaboration among bureaucrats from different departments in charge of the same programs. Inadequate organizational capacity of bureaucrats in the two cities exacerbates the shortcomings affecting the revenue mobilization processes. Third, if new revenue mobilization processes are entrenched in past policies and administrative procedures, the latter will either act as barriers or enablers for greater revenue mobilization. The findings shift away from the generalized arguments that SSA local governments bureaucracies are inherently weak due to the lack of enough human, technical, technological, and infrastructure resources required to perform routine bureaucratic tasks (Akudugu and Oppong-Peprah 2013; Adu-Gyamfi 2014; Di John 2006; Cheeseman and Burbidge 2016; Kiser and Sacks 2011).

The findings reveal that bureaucracies in Nairobi and Accra are complex machineries, possess competent human resources and enough technical and technological capacity to perform specific tasks. At the same time, the capacity is not visible when applied to specific tasks. Therefore, where these capabilities are available, their optimal deployment depends on the organizational abilities of the actors to work together in order to achieve the desired goals. Consequently, poor collaboration among bureaucrats in the departments can stall or slow down the achievement of specific objectives. Yet, research revealed that the interests and incentives of bureaucrats are the driving factors that shape their willingness or unwillingness to collaborate. Exploring the role of organizational capacity in revenue mobilization activities underscores the fact that hard capacity, such as competent human resources, are not sufficient to perform bureaucratic tasks effectively. Other factors, such as the relationship between bureaucrats who perform these tasks, can foster or undermine the process. In addition to the organizational challenges faced by Accra and Nairobi, the two cities have weak bureaucratic capacity to perform specific revenue collection tasks, and this explains their inability to achieve revenue mobilization outcomes. This is essential for enforcement tasks that require a significant amount of human, technical, and technological resources.

A set of factors rooted in institutional theories explain the variation in bureaucratic and organizational capacity. On the one hand, the ambiguity in certain bureaucratic processes does not provide clear guidance on the procedures for undertaking specific revenue-generating activities. Therefore, bureaucrats perform routine tasks that, in several cases, are not consistent with the rules and regulations. From an organizational capacity perspective, the ambiguity of rules bolsters the non-collaborative attitude of bureaucrats. They tend to work in silos, and this does not facilitate collaboration where multiple departments have to work together on specific tasks. On the other hand, new revenue mobilization rules are imposed on bureaucratic organizations with pre-existing rules and practices, thus generating tensions between the new and old rules. This is particularly obvious in the case of using IT systems for revenue collection alongside manual procedures and the requirement to mobilize property taxes on outdated valuation rolls. In most cases, bureaucrats resist the use of IT systems. Also, rules and regulations governing property valuation are complex, expensive, cumbersome, and they date back from the colonial era. This observation confirms the assumption that if new revenue mobilization processes are entrenched in past policies and administrative procedures, the latter will either act as barriers or enablers of the effective mobilization of revenue.

The section on property tax will provide detailed explanation of the challenges from a historical institutionalism perspective. The findings are theoretically rooted in path-dependence policy processes since revenue mobilization activities continue to evolve in response to changing environmental conditions, but in ways that are constrained by past decisions, trajectories, and choices (Thelen 1999, 387). The findings also underline the rational calculation of local actors – revenue collectors – who adopt particular strategies to meet their preferences and the extent to which this ends up undermining effective revenue mobilization.

The inductive data analysis method revealed other aspects of weak bureaucratic capacity such as the limited human, technical, and office resources, working conditions, and workspace for bureaucrats in the various decentralized departments in Accra and Nairobi. The working conditions appear to be mainly related to the technical resources available to bureaucrats. At the same time, the workspace plays a significant role in their motivation and productivity. These two variables were not postulated in the original research design and could prompt public administration scholars to consider them in theorizing state capacity. Finally, these findings confirm the theoretical assumptions of researchers for examining the effect of political factors on bureaucratic capabilities (Skocpol 1995; Weaver and Rockman 2010; Di John 2006; Jibao and Prichard 2016). In Accra and Nairobi, the bureaucracy serves as veto points for politicians, as it allows them to exercise their influence on the actions and strategies to satisfy political interests. The political factors that shape the bureaucratic and organizational capacity will be explained in detail in Chapter Five.

The remainder of the chapter is organized as follows. The first section describes the challenges of gathering and managing taxpayers' data. The second part reports on the problems of bureaucratic and organizational capacities involved in revenue mobilization activities. These include collaboration and the use of information systems for creating an accurate taxpayers' database and supporting human resources in revenue mobilization activities. This is followed by examples of the data management and mobilization process for property taxes and business licenses. The third part examines the causes of weak performance in revenue mobilization and the strategies used by collectors to divert revenue. The last section explains the relevance of the working conditions and workspace in local governments in Accra and Nairobi and their effect on revenue-generating activities.

4.1. Bureaucratic and Organizational Capacity in Accra and Nairobi

The concept of bureaucratic capacity entails the availability of human resources capable of performing tasks entrusted to them, and technological (IT systems) and technical resources to enhance revenue mobilization activities. The organizational capacity refers to the ability of bureaucrats to understand and comply with the rules and procedures of revenue collection, accurately assess the potential of the revenue base for making forecasts and setting realistic revenue targets. It also involves the development of new strategies to improve revenue performance, instill a tax compliance culture, and train and supervise frontline agents for applying rules and procedures. This capacity depends on the institutional coherence of mandates, with the requirement that all parts of the organization work coherently to achieve the goals of revenue mobilization.

Accra and Nairobi possess competent and qualified middle level bureaucrats who have the ability to perform revenue collection tasks. Furthermore, the two cities have the necessary technical and technological tools to assist them. However, some IT tools are not sufficient in number of frontline bureaucrats who need to use them. The technical resources that Accra possesses are among others, vehicles for revenue collectors and supervisors to use in the field during enforcement activities[23]. Enforcement is not fully effective in the two cities because they do not possess a sufficient number of frontline bureaucrats to detect tax defaulters in all parts of the city.

At the same time, the two cities do not have the financial capacity to conduct property valuation. Failure to conduct property valuation results in under-performance of property tax collection which is based on out-dated valuation rolls. The underlying point of

[23] The two cities conduct enforcement towards the end of the fiscal year, in order to compel tax defaulters to pay their dues.

the non-updated property valuation roll is that these processes are rooted in path-dependent processes and do not encourage reforms. Thus, one can argue that there is a variation in the bureaucratic capacity as Accra and Nairobi have the expertise to conduct routine day-to-day some revenue activities, while at the same time lacking sufficient human and technological resources to perform specific tasks.

4.2. The Bureaucratic Context in Accra and Nairobi

4.2.1. The Use of IT Systems in Revenue- Generating Activities

Revenue mobilization activities involve several administrative steps that require enough human, financial, technical, and technological resources. An effective IT system can play a major role in these processes. The taxation process starts with the collection of information on taxpayers, followed by mobilization and the reporting of the revenue collected. Scholars affirm that gathering information on taxpayers simplifies the assessment of the potential of financial resources and the localization of taxpayers across the city (Chigwata 2017; Franzsen and McCluskey 2012; Obeng-Odoom 2017).

To effectively manage revenue mobilization administration, IT systems were adopted in the early 2010s in Accra and Nairobi with the assistance of IOs like the World Bank and central governments to enhance administrative procedures and the management of financial data. It is believed that IT systems can enhance bureaucratic capacity through the digitization of administrative information, the compilation of financial and taxpayers' data in a single database, the automation of bureaucratic processes, and the increase of traceability and transparency in the management of public funds (Sliuzas 2003; Olowu 2003; Boisard et al. 2014; Haruna and Vyas-Doorgapersad 2014). In Accra and Nairobi, IT systems are used in various revenue mobilization activities pertaining to the digitization of taxpayers' data and the automation of revenue collection processes. In spite of similarities, Accra and Nairobi have differed in the adoption of IT systems. Accra has a lagged behind, while Nairobi was able to adopt IT systems at a higher rate.

The central governments of Ghana and Kenya play a leading role in pushing for the adoption of IT systems, and the higher uptake in Nairobi was due to political support in that area. At least 6.5%[24] of research participants agreed that the current mayor[25] was keen to enforce the use of IT resources. According to a top-level manager, "the top management was able to put their foot down and insist that it happens [and] the new mayor is willing to keep automation. It was part of his campaign promises. Now we have moved from cash to cashless methods" (Interview 64, Nairobi, May 2018). His claims underline the significance of political support in the successful implementation of reforms (Di John 2006; Jibao and Prichard 2015b).

In both cities, IT systems boil down to the use of an Intranet system for administrative tasks, the development of the website where the city uploads press releases, or other documents like annual budget reports, application forms for the various city permits (business licenses, building permits, etc.), and the use of Internet platform and apps for tax payment. Besides, revenue collectors use point of sale (POS) devices for the electronic issuance of receipts for some revenue sources, including market or parking fees. These devices are connected to the computer systems at the head office of the city, where supervisors can track the number of transactions completed every day by revenue collectors. Furthermore, in Accra, performance and budget reports of 2012 to 2015 underlined the

[24] This represents three participants, mostly top-level officials who, due to their proximity with the executive, could speak about the political will in implementing IT.
[25] At the time of the research the city was led by Mike Sonko from 2017 to 2020. He was removed from office in December 2020 following accusations of money laundering and terrorism. More information here.

adoption of IT systems by mentioning that the city purchased 20 Dell desktop computers and 150 POS devices for revenue collectors (Accra Composite Budgets 2012 - 2015). Yet, these POS devices are not sufficient for the number of revenue collectors that the city uses for daily revenue collection activities.

In the attempt to gather accurate property tax data in Accra, the city spearheaded the Street-Naming and Property-Addressing project since 2012, with the financial and technical support of the World Bank and the Ghana Land Administration Project. The street naming project relies on geographic information systems (GISs) to identify properties, parcels, and streets available in the city's jurisdiction (Pott 2017). It is expected that the property identification process done through GISs will allow the city of Accra to update the list of properties on its territory and tap into the revenue potential of property rates. Finally, deposits from payments for permits, fees, and property rates to the city's bank account is also one of the main objectives of the automation of revenue collection processes.

In Nairobi, where the IT uptake is higher compared to Accra, the automation of revenue mobilization transactions refers to the use of the Local Authority Integrated Financial Operations Management (LAIFOM) System[26], a centralized tax payment system within the Revenue Department that automates revenue collection processes. This system registers payers and issues invoices and payment receipts to taxpayers. Furthermore, the automation of revenue collection activities was done through the increased payment of fees at the Bank and through the MPESA mobile payment app and other online payment platforms such as Jambo and Ejiji Pay. Some IT tools require Internet connectivity, while others like POS devices and MPESA can be used without Internet connectivity. Moreover,

[26] The LAIFOM was replaced by the Integrated City Management System in 2019.

according to a middle-level bureaucrat, Nairobi started the digitization of property rate files in 2018 in the hope of building an accurate database on which new property valuations could be based (Interview 59, Nairobi, May 2018). There are indications of the variations in the adoption of IT systems in Accra and Nairobi.

Computerized systems capture the data through the listing of the categories of taxpayers to print and distribute invoices and collect payments. Data on property rates and business license can be gathered easily because properties are registered in the city's registry. Furthermore, operating a formal business requires a permit that is issued by the city. The registration process of property rates and business licenses allows the city to build a database for these revenue sources, assuming that properties have been appropriately valued to determine the rate of property taxes and that businesspersons applied for a business license before commencing their business. Additionally, local actors can only collect revenue from properties and businesses after printing the bills that indicate the amount due. The bill printing facilitates the tracking of taxpayer information in a computerized database. The other revenue sources - market and parking fees, building permits, advertisement, and billboard fees –are extracted from sporadic activities, making the data collection intricate. Furthermore, these fees can be collected at any time of the year, depending on the starting date of the activity. Besides, there is no guarantee that the activity will last long. Consequently, the database for market, parking, advertisement, and billboards fees, and building permit sources varies considerably throughout the year and requires continuous update.

Thus, IT systems in Accra and Nairobi are used alongside manual systems in revenue mobilization activities. Additionally, the systems are new and fragmented, as evidenced by the various IT tools and systems used for revenue mobilization in both cities. The following section assesses the extent to which IT systems improved bureaucratic capacity in the two cities.

4.2.2. The Impact of IT Systems on Bureaucratic Capacity

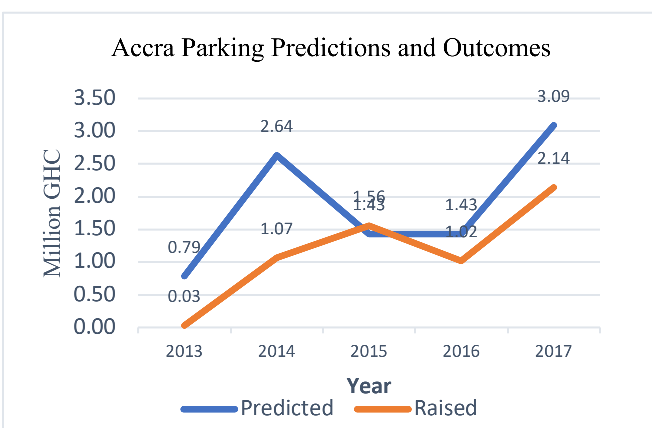
Scholars claim that the use of IT systems is expected to enable the gathering of accurate data on taxpayers, the maintenance of an easily accessible system, the tracking of the movement of revenue collected, and the curbing of corrupt practices in revenue collection by reducing the need for collectors to carry cash (Sliuzas 2003; Olowu 2003b; Boisard et al. 2014; Haruna and Vyas-Doorgapersad 2014). Similarly, automation and digitization of revenue collection processes would augment the capability of Accra and Nairobi to gather and share taxpayers' data among departments in a timely manner. It is assumed that the information collected during payment transactions is saved in the database server and updated when deemed necessary.

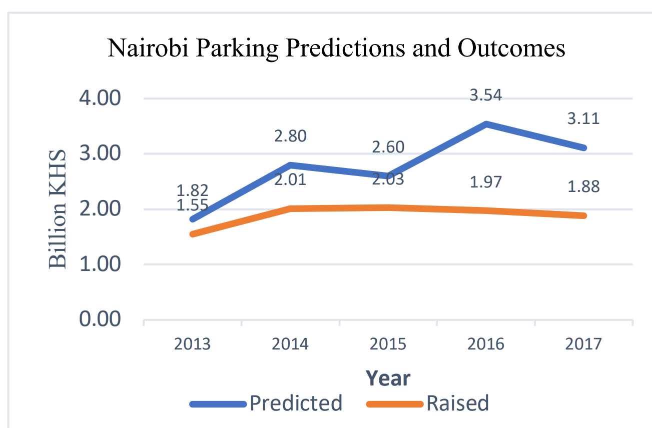
Participant interviews asserted that bureaucratic capacity and the ease of collecting taxes have improved due to the use of IT systems. Notably, the use of POS devices for market or parking fees in both cities enabled monitoring by supervisors. A supervisor in Accra illustrated the benefits of monitoring in this way: “when some guys [revenue collectors] are not working, I can see that on the computer and I will call them to ask what is going on” (Interview 2, Accra, October 2017). It is obvious that the monitoring augments effectiveness and swiftness in revenue mobilization activities.

In Nairobi, visits to city offices during field research allowed us to observe the IT infrastructure and the systems allowed tracking of the movement of money through computerized systems. The systems showed that all revenue activities done through automation are recorded in a centralized database that can be monitored by top-level bureaucrats. Furthermore, city officials believe that mobile money payments such as MPESA have boosted the automation of market fees. Taxpayers can use MPESA for payment, and the fee paid is transferred to the city's bank account. Then, the city synchronizes payments by matching the amounts deposited at the bank with the names of taxpayers invoiced.

It can be argued that IT systems partially augmented the bureaucratic capacity of Accra and Nairobi by reducing the number of manual transactions conducted while accelerating the pace of revenue mobilization activities in a day. The IT departments continuously and effectively gather information on taxpayers, and the Revenue Department tracks financial transactions, under the conditions that both departments collaborate in sharing taxpayer and financial data. However, when measuring the impact of IT systems on revenue mobilization outcomes, the assessment parking and market revenue performance does not lead to plausible evidence of the contribution of IT systems to revenue performance. Charts 43 and 44 show that the revenue reported for parking fees was below the targets between 2013 and 2017.

Charts 43 & 44: Parking Revenue Predictions and Outcomes in Accra and Nairobi

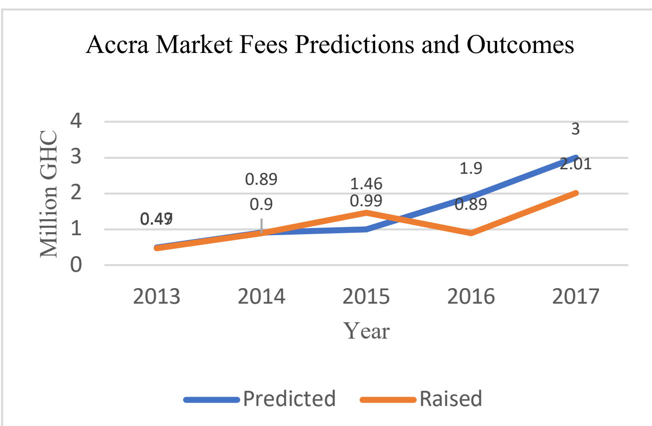


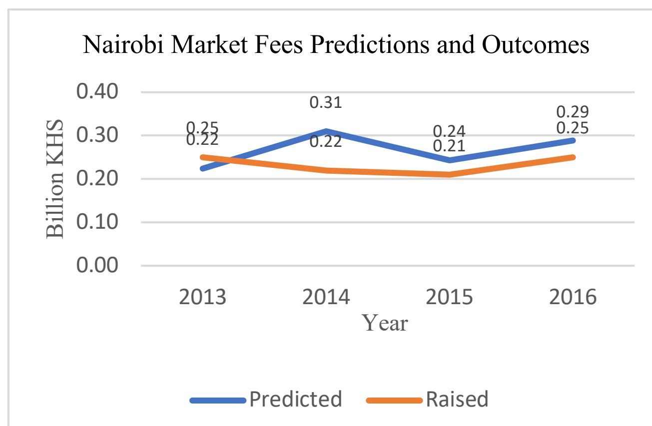


Source: Accra Financial Statements from 2013 to 2017 and Nairobi Budget Review Outlook from 2013 to 2017.

These findings are even more striking in the case of Nairobi, where the data shows a significant gap between the revenue predicted and the revenue raised for parking fees between 2015 and 2017, despite the full automation of parking fees collection in 2014. In Accra, the reported revenue gradually increased from 2013 to 2015, decreased in 2015, and increased again in 2017. Similarly, the trend analysis for the collection of market fees do not reflect the positive impact of IT systems on revenue mobilization outcomes. The revenue reported for market fees in Accra was close equal to the revenue predicted for 2013 and 2014 (see Chart 45). The next year, the city reported higher revenue outcomes than predicted. Eventually, the revenue reported was lower than the predicted amount for the years 2016 and 2017. Chart 46 indicates that the revenue reported from 2014 to 2017 was below target in Nairobi.

Charts 45 & 46: Market Fees Predictions and Outcomes in Accra and Nairobi





Source: Accra Financial Statements from 2013 to 2017 and Nairobi Budget Review Outlook from 2013 to 2017.

Considering that automation took place during the period of 2013 to 2015 in the two cities, it is fair to argue that the use of IT systems did not positively impact the mobilization of parking and market fees. Moreover, the fact that the predicted revenue tends to continuously be higher than the revenue mobilized in most cases reinforces the claims that the revenue targeted and the revenue reported for these two revenue sources are subject to target adjustments and the practice of spending at source of a portion of the revenue mobilized. Failure to establish a causal link between budget data and the use of IT systems compels us to resort to interviews and primary source documents to explain why IT systems did not have a significant impact on revenue outcomes. The following section provides a detailed account of the potential explanations.

4.2.3. Collaboration Challenges in Taxpayer Management through IT Systems

Contrary to the expectation that IT systems will improve data gathering by digitizing taxpayers' information and the automation of revenue collection processes (Boisard et al. 2014), these research findings indicated otherwise. In particular, IT systems faced the challenge of poor organizational capacity, as illustrated by the problems of collaboration among the relevant departments in charge of gathering and sharing data on taxpayers. This is further complicated by resistance from bureaucrats who either do not trust the system or subvert it because it undermines the opportunistic behaviors of street-level bureaucrats. Finally, the technical and technological infrastructure required to implement these systems is insufficient and minimizes the enhancement of bureaucratic capacity.

Budget reports confirm that Nairobi automated the taxation management system of 36 out of 136 revenue streams (Budget Review Outlook Nairobi, 2017). Payments in cash are declining in Nairobi because they are made at the Bank or through online payment apps. Likewise, in Accra, even though there is no indication of the number of automated revenue sources, the use of manual revenue collection systems alongside other advanced systems results in partial digitization and automation of these processes for some revenue sources.

Taxpayers are still given a choice between manual payment at the city's cash desk, collection of cash payments by revenue collectors, and automated payments through the Bank.

The partial automation and digitization of taxpayer data led to a fragmented database as evidenced by the comments of research participants. For instance, a middle-level bureaucrat in Nairobi painted a vivid picture of the fragmentation of the IT system by explaining how a person who applies for a building permit at the Urban Planning Department will have to pay property rates or any other fees related to the application of the building permit to the Revenue Department (Interview 60, Nairobi, April 2018). This process produces two sources of data storage for one payer, which may complicate the access to data by a particular department due to poor collaboration among bureaucrats. Other bureaucrats in both cities echoed these claims. According to a top-level manager in Nairobi, "the IT system captures only the information from the Revenue department. It does not integrate all information from all departments. Data is fragmented. We need the support of other departments in gathering the data" (Interview 64, Nairobi, May 2018). The same obstacle was pointed out by an IT Department official from Accra, who shared that "the system we have is not connected to all departments. Each department collects the data and brings it to us" (Interview 5, Accra, October 2017). After receiving the data, the IT Department could store it in a central database that should be accessible to all departments. However, they fail to do so mostly due to the absence of a central database accessible to all departments.

A proper compilation and sharing of data among departments would mitigate the adverse effects of fragmentation. However, research findings indicate that developing an accurate taxpayer database is more complex than it seems. The compilation of taxpayers' data is an interdependent administrative task that is contingent on collaboration among departments. Thus, the fragmentation of a database system can be offset by the organizational capabilities of bureaucrats to collaborate in sharing data among relevant departments.

The management of taxpayers data refers to the issue of horizontal management (Sproule-Jones 2000). He argues that when the management of policy programs is done by more than one organization, it requires collaboration among the departments for effective implementation (93). The Development and Building Permits unit in Accra and the Lands and Urban Planning Department in Nairobi compile data on building permit applications when citizens apply for them. The data collected is stored in the city's manual books or computer systems, depending on the storage method. In both cities, other units such as the Rating Department compile data on property ownership, calculate the amount that each property owner will pay in property taxes, and transmit it to the Revenue Department for issuing invoices. This data sharing method refers to what Sproule-Jones (2000) calls pooled coupling. Each department is responsible for "one or more of the activities that comprise a program (data compilation and sharing). If one unit fails or stalls its implementation, the other units can still proceed, although the overall pace of the [the policy process] may slow down" (Sproule-Jones 2000, 99). In the cases of Accra and Nairobi, poor collaboration slows down the data sharing process, and negatively impacts the ability of the Revenue Departments to build an accurate database of taxpayers.

Interviews with Revenue Department participants in Accra and Nairobi revealed that collaboration is a key factor in effective revenue mobilization. Bureaucrats confirmed that their departments must collaborate with the Information Technology (IT) Department[27] and the Budget Department on matters related to the compilation of taxpayer data and revenue forecasts. Collaboration entails permanent or regular coordinated actions among the relevant departments. Participants interviewed commented that the organizational context is characterized by a culture of inadequate collaboration. Poor collaboration leads to the inability to compile accurate data on taxpayers, and this affects the compilation of data on the potential revenue bases.

Despite the need for pooled coupling in data sharing, poor collaboration among different departments for budget forecasts severely impacts the data sharing process. Reluctance to collaborate indicates poor organizational capacity, which negatively affects the ability of Accra and Nairobi to optimally use IT systems. Inadequate collaboration in data sharing occurs when some departments, in possession of taxpayers' data, are reluctant to share it with the Budget or the Revenue Departments. The views of a bureaucrat from the city of Accra substantiated the problem as follows: "we need the data to prepare the budget and some directors are not cooperating. So, we use the previous year's data to predict your next year's expenditures even if this might not reflect what you need for the new financial year" (Interview 9, Accra, November 2017). This issue was restated by another middle-level official who shared that "we deal with non-updated data. The MIS department (the equivalent of the IT department in Accra) should give us the data. However, this takes time, and the information does not get here properly" (Interview 2, Accra, October 2017). In Nairobi, a middle-level official noted that "the data system is not accessible to the people in

[27] The Departments that deal with information technology is called the Information Communication Technology (ICT) in Nairobi and Management Information Systems (MIS) in Accra. For this comparative analysis, I will use the term IT Department for both units.

the Revenue Department because of the fear of losing some information" (Interview 51, Nairobi, April 2018). These interviews reiterate the problems of collaborations, which, in many cases, slow down the process of data gathering because information does not flow swiftly between the relevant departments involved in revenue mobilization activities.

In sum, the organizational culture marred by inadequate collaboration among departments restricts the ability of IT systems to facilitate the sharing and access of taxpayers' data among the departments involved in tax-generating activities. Furthermore, although Sproule-Jones (2000) suggests implementing high-level informal collaboration rules for pooled coupling of data management, this research did not find informal collaboration rules in the two cities. It is true that inadequate collaboration among departments does not stop revenue collection activities, but this shortcoming stalls the process of building a centralized and accurate database system. Failure to build an accurate database deters the cities from maximizing taxation because the revenue predictions are based on inaccurate or outdated data.

The challenges of data sharing raise questions about the effectiveness of IT systems in improving tax administration in general. This issue corroborates the findings of Peterson's (2001) analysis of the sustainability of IT systems in developing countries. He argues that IT systems require proper management, resources, and staff. However, in many developing countries, bureaucrats are more preoccupied with the management of ongoing operational demands, coupled with the juggling of multiple reforms (Peterson 2001, 143). Concerns of modernization of the SSA bureaucracies and good governance introduced several reforms, including the adoption of New Public Management practices or public financial management systems. Therefore, the adoption of IT systems in some countries failed because it stretched already strained capacity and threatened operational capacities. The cases of Accra and Nairobi illustrate the ineffectiveness of IT systems, insofar as these systems are implanted in an organizational context marked by a lack of collaboration, which is an indicator of poor management of organizational capacity.

4.2.4. The Resistance of Bureaucrats and Taxpayers to the Use of IT systems

The evidence presented in the previous sections shows that the sustainability challenges of IT systems in complex bureaucratic systems stem from poor organizational capacity. In addition, research findings reveal that IT systems face resistance from some bureaucrats and revenue collectors, whose autonomy and discretionary powers in interactions with taxpayers were reduced by IT systems. For instance, the constant tracking of revenue collectors' activities by their supervisors leaves them less scope for accepting bribes in exchange for tax payment waivers.

In Nairobi, a report from the Kenya Auditor-General in 2016 underscored several inconsistencies between the potential revenue from parking fees and the revenue reported in the budget, thus implying the manipulation of these systems by their users. The Auditor-General found that:

> "the automated system was noted to be down for significantly long durations, necessitating use of manual ticketing which is prone to manipulation. Site visits to the parking areas on diverse dates in financial year under review revealed that vehicles were normally double-parked which is an indicator of revenue collection excess of a parking area's potential. However, examination of revenue returns for four parking areas indicated annual revenue of Khs 19, 896,433 for the 2015-2016 financial year against revenue capacity of Khs 26,496,000, thus resulting in a deficit of Khs 6.599,567 [...]. Consequently, value-for-money for the computerization of the parking areas may not have been realized" (Office of the Auditor General 2018, 3).

This quote illustrates that, contrary to the expectations that automation would increase parking revenues in Nairobi based on a fair estimate of the number of parking spaces available, the reported revenue for this source does not indicate this expected increase. Instead, the report implies the possibilities of collusion and corruption between taxpayers and revenue collections in several parking areas of the city. Besides, the Nairobi Budget Review Outlook reports of 2014 to 2017 highlighted, among other issues, the low level of awareness of the Nairobi e-payment platform and user resistance to technology by citizens and revenue collectors. If IT systems threaten the interests of some actors who benefit from the manual systems to engage in corrupt activities, they will resist their use.

The limited number of POS devices for a large number of revenue collectors in Accra perpetuated the use of manual revenue collection processes for revenue collectors who are given a choice. This illustrates an example of user resistance to technology, especially in contexts where the technological capacity is limited. A middle-level bureaucrat illustrated the limited IT capacity in his department in the following terms:

> "we have 43 revenue collectors, and 16 supervisors and we only have 18 POS devices. The means are not enough. Revenue collectors share the machines among them. Basically, there is more improvisation in collecting revenue […] we are trying to enforce strictly the use of IT systems because we do not achieve enough. But you see, we run the system in parallel with the manual system. Collectors have the choice between the IT and the manual system and if they are given the choice, they will of course choose the manual system" (Interview 2, Accra, October 2017).

This example was reiterated by a top-level manager who shared that: "People felt comfortable using the manual system. So, it was difficult to introduce IT systems. They don't understand the importance of using IT. People should take it as a supporting tool. Then we will be able to digitize everything" (Interview 5, Accra, October 2017). Hence, revenue collectors and taxpayers take advantage of the IT systems infrastructure, including the limited number of equipment to maintain manual revenue collection with which they are familiar and comfortable.

Furthermore, in both cities, interviews underlined that resistance to technology stems from the lack of trust in IT systems by those who are familiar with manual systems. A top-level manager explained the resistance to IT systems by elderly officials in this way: “the elderly people are not willing to follow because they do not trust the system. This is a challenge to the full automation of our processes” (Interview 46, Nairobi, April 2018). The lack of trust in the system was mentioned by a central government official from Accra who said that “IT is good, but the security of public funds is an issue. If someone hacks the system, how to ensure that we protect our data?” (Interview 3, Accra, October 2017). A top-level official in Accra added that:

> “People do not want to use the technology. One day, some people told me that the computers were not working. We went and found out that they just did not want to use them. I wrote a report on the issue. It is for the management to decide what to do. More often, the management (the executive) does nothing which leads to demotivation” (Interview 5, Accra, October 2017).

These similar patterns of user resistance to technology in both cities confront the expectations of IT systems advocates. They draw attention to the organizational context in which these technologies are employed and state that the interests and incentives of IT systems users play a significant role in their effectiveness. Even if these systems are adopted, they are not used effectively due to resistance from their users. Against the optimism of those who claim the benefits of IT systems their adoption can be hampered by the pre-existing organizational culture and the resistance of actors.

4.2.5. Inadequate Infrastructure for IT Systems Sustainability

Research data showed that IT systems are adopted in a bureaucratic context that lacks the necessary infrastructure to ensure their effectiveness. For instance, in cities, the exploration of participant interviews and reports outlined Internet issues as a factor that hinders their effectiveness in revenue-generating activities. A top-level manager in Nairobi summarized the issue as follows: “the Revenue Department has an old system inherited from local authorities. It has not been replaced and the maintenance is a major challenge” (Interview 47, Nairobi, March 2018). According to another top-level bureaucrat: “when it comes to technology, the central government should come up with a system understandable to everyone, even the smallest unit such as the ward. Like MPESA, it is understandable even by my grandmother. The system should also be uniform and easy to use” (Interview 64, Nairobi, May 2018). A think tank representative in Accra summarized the challenges of using IT systems: “using technology has become a challenge in many MMDAs [local governments]. This was the initial obstacle that flaws the subsequent activities. The cities are unable to build a simplified system to keep updating the database” (Interview 21, Accra, January 2018). These interviews imply that adopting new reforms may seem innovative. Still, their impact in the organizational context in which they are adopted depends on human and technical factors and infrastructure to sustain them.

In summary, Accra and Nairobi's research findings underline the variation in bureaucratic capacity. On the one hand, IT systems increase the bureaucratic capacity of cities. However, the pre-existing bureaucratic context that lacks the necessary infrastructures to ensure their effectiveness, the limited IT devices for revenue collectors, the absence of formal or informal rules to foster collaboration in data sharing among departments and the resistance of bureaucrats to integrate IT systems in their daily practices limit the impact of these systems on revenue mobilization administration outcomes. These findings cast doubt on the claims of scholars that the adoption of IT systems will augment the bureaucratic capacity of local governments.

The following sections discuss specific situations to demonstrate the impacts of variations in bureaucratic capacity on revenue mobilization administration and outcomes. The cases of property taxes and business licenses are used to illustrate this point. These sections also report on cases of reinforcement, typical of weak bureaucratic capacities and finally, the problems in decentralized units.

4.2.6. The Complexity of Property Tax Administration and Collection

Property taxes exemplify a revenue source that is not mobilized to the maximum, despite their significant potential for local governments, particularly cities (Dafflon and Madiès 2009; Adu et al. 2019; Joseph-Raji 2015; Jibao and Prichard 2016; Prichard and Fish 2017). Research findings show that the property tax revenue is not raised effectively due to the limited bureaucratic and financial capacity to build an accurate database for property tax owners, the ambiguity and rigidity of the rules guiding the administration, the path-dependent characteristics of property valuation rules that prevent significant reforms, and the conflicts of interests between the central and local government actors who are in charge of administrating property tax valuation and mobilization. Besides, high degrees of noncompliance exacerbate these challenges[28]. As a result, cities face challenges in valuing property taxes according to the law, which leads to levying property taxes based on outdated

[28] The compliance issue will be explained in detail in the "Enforcement" section.

valuation rolls that do not capture the approximate number of all properties in their jurisdictions.

Property Valuation

Both cities levy taxes on private and commercial properties. From an administrative point of view, effective mobilization of property taxes requires gathering data on these taxes, particularly the number of taxable properties, the owners, and the valuation of the properties. However, the inability of Accra and Nairobi to gather an accurate database on the number of properties and their owners constitutes a barrier to its effective administration and mobilization. Unlike other revenue sources, assessing the tax rate imposed on property owners requires specific procedures that entail legal and technical skills and expertise from local and central government agencies involved in these processes. These procedures encompass the compiling of valuation rolls by cities or central government agencies and their approval by the central government. In Ghana, property valuation is conducted by the Land Commission, while in Kenya, the law authorizes county governments to hire a third party – either the Ministry of Lands or a private firm – to conduct the valuation. In both countries, the final valuation rolls must be approved by the central government (Ministry of Land in Kenya and Land Commission in Ghana) to confer local government the legal right to levy property taxes. Therefore, property valuation constitutes a critical step in gathering property data because it allows the cities to calculate the rate to impose on owners of properties subject to valuation.

Additionally, the law recommends local governments to update the land/property valuation every ten (10) years in Ghana and Kenya (Government of Kenya 2012; Local

Government Service-Ghana 2016). Within ten (10) years, local governments can conduct a supplementary property valuation to add new properties or update the current valuation rolls. A supplementary valuation can be prepared more regularly in case of significant changes in ownership of property.

The financial reports gathered during field research reveal that the last property valuation was compiled in 2006 in Accra and in 1982 in Nairobi. The Nairobi 2018 County Fiscal Strategy Paper indicated that the number of properties increased from 30 000 in 1982 to 170 000 in 2018. In those numbers, only 30 000 properties were properly valued (CFSP 2018). Official reports in Nairobi show that about 40% of properties are not registered, and if they were correctly assessed, “Nairobi can raise KHS 9 billion” from property rates (CFSP 2018). So far, the revenue collected from property rates between 2013 and 2018 amount to an average of 1.80 Billion KHS, which is lower than the estimated potential (Nairobi Budget Outlook 2013-2107). A number of 140 00 properties were added to the list through a supplementary valuation, but they have not been subject to a formal valuation required by the Law every ten (10) years. Consequently, the rate imposed on these properties tends to be lower than their real value if these properties were assessed appropriately.

In Accra, an official from the Revenue Department affirmed that Accra levies taxes on 85 000 properties listed in their records. Documents obtained from an anonymous research participant showed that at the beginning of the Street-Naming project in 2012 to enumerate properties using GIS, there were an estimated number of 120 000 valuable properties in the city’s records. This is an additional 73 000 (40%) of properties expected to be merged with the 85 000 properties listed by Accra. Hence, failure to update the property rolls prevents Accra and Nairobi from building an accurate database to mobilize the full potential revenue from property taxes.

Research findings show that property tax administration procedures are entrenched in past policies and administrative processes, and the latter may act as barriers or enablers for the collection of tax. More precisely, primary source documents gathered show that the legal basis for levying property rates in Nairobi is encompassed in the Kenyan Valuation Rating Act (Cap 266) adopted in 1956 and the Rating Act (Cap 267) implemented in 1963. These laws are over 50 years old and gives rise to questions of adaptability to contemporary realities.

In Ghana, the valuation of properties is incorporated in the Local Governance Act of 2016 section 46, 8. This section mentions that the valuer must be the Land Commission or another entity appointed by the Land Commission (Government of Ghana 2016, 71). Although the Law on property valuation in Ghana is more recent than in Kenya, the valuation procedures are rigid and cumbersome. Up until recently, they consisted of a manual enumeration of all properties in each jurisdiction. Besides, property valuation requires a significant number of enumerators and vehicles to take them to the different locations of the cities to enumerate properties. Manual valuation also requires technical resources such as notebooks and pencils for recording details of the properties. From a historical institutionalism perspective, the legal rules guiding property valuation in Nairobi are path dependent. Their outdated and rigid nature constitutes barriers to reforming these processes to render them more effective and consistent with the new fiscal decentralization practices. Yet, new decentralization rules contain provisions that actors use to reduce the constraints of the ability of local actors to effectively administrate property taxation.

In Ghana, the new decentralization rules allow local governments to adopt a fee fixing resolution for collection and payment of fees and rates, including property taxes from their revenue sources. The fee fixing resolution is adopted by the city's Assembly with the approval of citizens to serve as a legal basis for levying fees and taxes. From an institutionalist point of view, the fee fixing resolution grants the power to Accra city to determine the rate of property taxes without undergoing a formal property valuation process. As a matter of fact, Accra did a supplementary valuation after 2006 on old valuation rolls. Considering that the supplementary valuation does not rule out the legal requirement of conducting a new valuation in 2016, the fee fixing resolution circumvents this requirement. Ultimately, Accra city can continue to impose property taxes on outdated valuation rolls since the fee fixing resolution serves as the legal ground to that end. Similarly, in Nairobi, the Rating Act, adopted by the City's assembly, serves as a legal basis for levying fees, including property taxes, thus circumventing the legal requirements for levying this source of revenue based on updated property valuation rolls.

The Limited Financial Capacity to Value Properties

Likewise, the lack of financial capacity to meet the expenses for the valuation compels the two cities to levy rates on old valuation rolls. Research findings show that property valuation is an expensive process that requires both cities to pay either a private valuer or the central government to do the valuation of properties. However, the lack of financial means prevents Accra and Nairobi from paying for the valuation. An informant from Nairobi explained that "in 2016, we started the valuation process. But valuation has not been achieved and the valuation is an expensive process". (Interview 59, Nairobi, May 2018).

In Accra, an informant shared a similar opinion that "there is no willingness to update the database on property rates. Also, AMA needs to pay for the land valuation, and the city does not have enough money" (Interview 5, Accra, October 2018). Likewise, an official from the Land Commission argued that the Land Valuation department is willing to renew the valuation rolls if the city requests it. This official said, "the last time that we did the valuation for AMA was in 2006. We do the valuation on request from the city, and they haven't approached us. The money to do the valuation is very high" (Interview 30, Accra, January 2018). This quote reflects the inability of the city administrators to renew the valuation rolls due to financial reasons.

Administrative Challenges in Identifying Property Owners

Two (2) specific cases drawn from an interview in Nairobi and participant observations in Accra help identify some of these challenges related to the levying of property rates due to the inaccurate database and the inability to update the valuation rolls. According to a middle-level bureaucrat, the lack of updated data does not allow the city to identify commercial building owners. This official deplored that "some companies are trying to avoid paying rates when the owner of the land is a business instead of a person. We cannot bill a business […] The issue is in court now" (Interview 38, Nairobi, February 2018). In most cases, the properties are registered in the name of companies instead of owners. Since the city cannot invoice a company for the payment of property rates but only the owners of the property, failure to identify the owners makes it difficult to send invoices for payment.

In Accra, a situation that illustrates the challenge of levying rates on commercial buildings was also observed during fieldwork. Accra starts its enforcement measures to collect revenue from late property taxpayers at the end of the year. This can be done by revenue collectors and supervisors or by adding the task force that includes police officials to the team. Towards the end of the year 2017, the task force team, composed of supervisors, revenue collectors, and police agents, went into a crowded area to collect property rates for late payers who own commercial buildings. The task team started with one commercial building with several shops rented to businesspersons who had already paid their business licenses. The strategy of Accra city was to lock the shops of the businesspersons who already paid for their business licenses to put pressure on the owner of the building to pay his overdue property taxes. However, this strategy did not yield the expected results but instead degenerated into a violent situation. The businesspersons resisted the locking up of their shops, claiming that they had already paid for their business licenses. Legally, they were in good standing with the city. About an hour later, a supervisor from the head office intervened to calm the situation, and the task force had to leave the location. Later, after some investigations by the supervisors, the task force was informed by the head office that the owner of the commercial building had already paid rates, thus implying that the task force team did not have updated information on the late ratepayers. Such a situation adds to the challenges related to building an accurate database for property ratepayers and the ability of the different units of the city to share in a timely fashion the data on taxpayers.

More so, the inability of Accra and Nairobi to update property valuation rolls creates situations that would induce citizens to not comply with property tax payments. In fact, research participants from Nairobi expressed concern over the legal loophole that allows some taxpayers to contest the payment of property taxes. According to an upper-level manager in Nairobi, “the city has a weak legislature for levying fees. We have a rating act and a finance act. But there is no law on the levying of fees. There are some litigations in court for non-payment. There is about 20% of rates that we are unable to collect” (Interview 36, Nairobi, February 2018). These comments were reiterated by an official from the Ministry of Lands who said that “Nairobi is not following the law. The valuation is done at the request of counties. It is done every ten (10) years. Otherwise, the city charges based on expired valuation, which becomes illegal […] this can be contested by property owners” (Interview 56, Nairobi, April 2018). Therefore, the legal ambiguity surrounding the levying of property rates has opened up opportunities for tax non-compliance from some ratepayers, considering that the out-dated legal basis cannot enforce them to pay property taxes.

Conflicts of Responsibilities between the Central Governments and Local Entities

Further inquiries on this matter with central government and cities’ actors suggested that the inability of Accra and Nairobi to update the valuation rolls stems from conflicts of responsibilities between central government agencies and local governments. The conflict of responsibilities is the consequence of implementing new decentralized fiscal rules requiring collaboration between different levels of government on the old rigid rules, without provisions in legal frameworks of informal rules to encourage collaboration. Before the decentralization policies of the 1990s, the administration and mobilization of property taxes was the responsibility of central governments (Dafflon and Madiès 2009). Decentralization reforms led to the transfer of property tax collection to local governments while maintaining the valuation responsibilities with the Land Commission in Ghana and the Ministry of Lands in Kenya. Thus, the administration of property tax data requires collaboration in data sharing of land titles to list the name of owners and valuation between the two levels of government. Considering that property taxes are a key source of local revenue that can be subject to corruption and collusion, the transfer of property taxation responsibilities to local governments may deter central government actors from collaborating with local governments since they are deprived of their responsibilities and opportunities to engage in collusion.

Illustratively, interviews with research participants in both cities hinted that collaboration with central government agencies in the administration of property taxes, including data sharing, is not done properly because the latter still hold a resentment due to the responsibilities that have been taken away from them. An official from Nairobi illustrated the difficult relations with the Ministry of Lands as follows: "there is a lack of communication between the Land Office and Nairobi. In our record, we retain the mother plot. However, the land office (Ministry of Lands) has an updated plan. They do not share it with us. There is a lack of information sharing when some documents should come to us" (Interview 38, Nairobi, February 2018). In response to this claim, an officer from the Ministry of Lands explained that the lack of collaboration among the two governments can be explained by the attitude of Nairobi bureaucrats. This official explained the situation using the valuation of property taxes as an example. According to this official,

> "The last valuation done for Nairobi was in 1982. There was another one done in 2001 but it was thrown by Court. The valuation made by the private valuers were not following the law. They must be verified by the Ministry of Lands. So, it got rejected. The private valuers were interested in the money. They did not adhere to the regulation and they only valued private lands, not the public ones. There are some technicalities that the valuers did not know […] When it is done by a private firm, county governments pay more, but with the Ministry of Lands, we charge them 2 to 2.5% of the total value of property rolls. They can pay in tranches" (Interview 52, April 2018).

Nairobi decided to hire a private contractor for the valuation rolls instead of asking the Ministry of Lands. As a result, the valuation from the private contractors did not meet the requirements and was not approved by the government. These comments were confirmed in a draft policy released by the central government on the hiring of private firms. The policy states that "procurement outside the public sector remains unregulated and apart from quality issues, there are concerns about evaluation during tendering and prohibitive fees charged by independent practitioners, which led to a waste of public funds" (The National Treasury 2017, 9). Comments from actors at both levels suggest that Nairobi actors should approach the relevant agencies (i.e., the Ministry of Lands, in order to understand the provisions of the law on property valuation, which city officials do not do. Simultaneously, the underlying opinions of central governments officials suggested that central governments are knowledgeable of the solution to ease property tax administration. Nevertheless, they do not relay the information to the city.

One can argue that the actions of central government actors correspond to what Poteete and Ribot (2011) call "repertoires of domination", defined as "as the sets of routine claim-making actions available to actors as they seek to gain, expand, or defend positions of dominance vis-à-vis particular types of other actors" (440). The authors show how these tactics were used in Senegal and Botswana in the case of decentralization of revenue streams associated with natural resources. Insofar as decentralization promulgates a sharing of powers and responsibilities between the local and the central government, the dominant actors in the process, i.e., the central government, use different strategies to "limit meaningful shifts of authority associated with decentralization" (440). While these tactics are implemented in different forms, in the case of Accra and Nairobi, they take the form of a deliberate lack of collaboration in the administration of property taxes.

The Specific Case of Cash-in-Lieu-of-Rates

Nairobi presents a unique situation that depicts the ways in which the central government continues to maintain its powers on some of the devolved responsibilities. This is particularly the case of the collection of a revenue source called Cash-in-Lieu-of-Rates (CILORS). This revenue stream is embedded in an institutional framework marked with loophole that prevents Nairobi actors from levying a special property rate on central government properties.

Before the new devolution system, Nairobi, under the old Local Authorities system, levied cash in Lieu of Rates (CILOR) on central government buildings located in its jurisdiction. In the name of the Government of Kenya, the city would send an invoice to the former Ministry of Local Government for transmission to the Minister of Finance to disburse the amount owed. The new devolution system failed to address the legal process of levying CILOR by county governments since no provision in the Law indicates the process for levying CILOR. Nairobi and central government officials confirmed this finding. On the one hand, Nairobi officials asserted that they cannot meet their revenue targets partially due to the unpaid CILOR sums. As a matter of fact, an official from the Revenue Department indicated that the central government had accumulated an amount of KHS 5.6. billion in unpaid CILOR. This amount was confirmed by an official from the Ministry of Lands. Participants explained that the inability to recover these sums stems from the lack of clear procedures in the new devolution laws.

First, the provision for the payment of CILOR was not reviewed in the new devolution framework. Consequently, Nairobi officials kept using, unsuccessfully, the previous method of claiming CILOR. This loophole in the new devolution system was clarified by an official from the National Treasury as follows:

> "CILOR was paid under the local governance Act. There is no law that governs the way of receiving the money under the new system, there is no provision for the payment of this money and there is no regulation in place since the Ministry of Devolution no longer controls the counties, no one knows where to send the claim" (Interview 51, Nairobi, April 2018).

Secondly, government agencies such as the National Treasury and the Ministry of Lands that work closely with county governments turned a blind eye to this situation. For instance, a central government official explained the confusion surrounding the levying of CILOR in this way*: "*county governments keep harassing individuals, like the Ministry of Lands and other institutions, instead of the government […] The claim should be sent to the government of Kenya, not any ministry*" (*Interview 56, Nairobi, April 2018). Further inquiries with the same agent shed light on the fact that claiming CILOR is related to the update of land valuation rolls. The agent added:

> "Nairobi claims 60 billion, but to get the money, they have to make a claim with new valuation rolls and the maps […] and we can authorize the payment. They will send the payment to the Ministry of Lands, then we will write to the Ministry of Devolution which takes it to the National Treasury for authorization. But we haven't received any claim. CILOR needs a new policy, and regulation to guide the payment" (Interview 56, Nairobi, April 2018).

These findings show that the case of CILOR remains an important issue that highlights the consequences of ambiguous rules that leads local actors to interpret those rules in ways that matches their understanding and preferences. The rule interpretation induces local actors to factor CILOR sums in their revenue targets and arrears. The failure of the central government to address this loophole results in the inability of local actors to claim these funds. Over the years, the consistent inclusion of CILOR sums in budgets and government non-payment caused local actors to report lesser revenue than the targets for property rates consistently.

It should be said that the problems of collaboration between central governments and local governments in charge of administering the same program are exceptional to cities, which are also national capitals. This challenge could be exacerbated by the financial and political interests involved in the management of the cities. Again, the implicit messages behind research participant interviews in both cities suggest that the real problem is rooted in the lack of collaboration between the city and the Land Commission.

IT Solutions to Effective Property Valuation

In the face of the aforesaid challenges, there have been attempts to reform using IT systems to digitize property tax data and the automation of property valuation processes using electronic tablets to enumerate the characteristics of properties and GIS systems to identify all properties in a specific territory. In both cities, the reliance on IT systems to digitize property tax data is expected to help local actors draw their estimates from an accurate database. The digitization of property data in Nairobi and the numbering of properties in Accra through the Street-Naming Project using GIS put on hold plans to update the valuation rolls. Since this data is recorded manually, the digitization, including the use of GIS to capture in a centralized system the number of properties in the cities, will enable Accra and Nairobi to record in a central database the exact number of existing properties that will constitute the base for new property valuations. Consequently, the digitization of property data envisioned as an innovative method to effectively manage property tax data, confronts challenges such as the rigidity and cumbersome property valuation processes. The success of IT solutions in property tax administration can be beneficial in the long term as it will allow the cities to build an accurate taxpayer database. Still, the complexity of these reforms, combined with existing bureaucratic challenges prevents reform attempts.

In summary, the case of property rates illustrates a complex process that fails to succeed because the attempts to reform the administration of property valuation are slowed down by the rigid institutional contexts in which these processes unfold and the reluctance of power actors (including the central government) who prevents the attempts to reform for fear or losing more powers and responsibilities (Poteete and Ribot 2011). This process evolves within a context marked by bureaucratic powers and conflicts and failure of coordination. Overall, these challenges are rooted in the institutional framework that contains rules making reforms to succeed. Therefore, particular understandings of path dependency can be relevant to understand this problem. Attempts of Accra and Nairobi actors to navigate through these rules are constrained by the limited collaboration with central governments, which seeks to maintain its prerogatives on property valuation. Finally, this process is thwarted by inadequate technical, financial, and human resources.

4.2.7. The Administration and Collection of Business Licences

Business licences are another revenue source that is not mobilized effectively due to weak bureaucratic and organizational capacities in its administration. Accra and Nairobi draw a large portion of local revenue from business licenses because they attract many economic activities as the largest cities and national capitals. Every business is expected to obtain a license to begin operation. Yet, interviews with research participants suggested that Accra and Nairobi do not raise the full revenue potential from business licenses due to the low level of compliance with the legal requirements of applying for licenses and the small number of inspectors to investigate and enumerate the number of businesses in the city.

Accra and Nairobi rely on the compliance of taxpayers to apply for a business license in order to compile the list of business license payers. In some instances, the compliance is forced as illustrated by a middle-level bureaucrat in Nairobi who explained that:

> "We rely on the people to give us the information. Most of the time, a person will apply for a loan at the bank. To give the loan, the bank must verify some information such as the number of people hired, if the business is registered in the city etc. The bank requirements will force that person to apply for a business permit […] we rely on the owner of the business or the Bank to get the information. And we do not have enough capacity (inspectors) to verify this information" (Interview 38, Nairobi, February 2018).

These comments illustrate the lack of compliance by some business owners to apply for licenses and how this leads to the inability of the city to build an accurate database of owners. Moreover, in both cities, the non-compliance with the legal requirements for operating a business prompted the city to implement more measures to mitigate their expectations that businesspersons will deliberately apply for licenses. Consequently, both cities occasionally conduct random inspections of the number of businesses in their jurisdiction in order to record them in the database. This can be done during regular revenue mobilization activities or as a task solely dedicated to monitoring business activities in the cities. The distribution of invoices for property taxes is mostly done door to door, and revenue collectors may discover businesses that operate without a license in the process. In such cases, they will report the non compliants to the Revenue Departments and compel the owners to pay for business licenses. Alternatively, the city can carry out enforcement operations to ensure that business owners have paid for their permits or have applied for them.

Yet, this monitoring does not always yield positive results for several reasons, including the limited organizational capacity. Budget reports and Revenue Department officials in both cities confirmed that the incompetence of revenue collectors or inspectors leads to the gathering of incorrect information about the business. Therefore, even though the city has enough human resources, the incompetence hinders the optimal use of these resources. The gathering of inaccurate information causes the Revenue Department to list the business under the wrong categories. Ultimately, cities levy fees that may not accurately reflect business categories and also bears the risk of creating a database with errors.
Overall, Accra and Nairobi fail to exploit their revenue potential for business permits due to inadequate or incompetent human resources and the noncompliance by taxpayers with the city's requirements for operating a business. Property taxes and business licenses are used as examples to illustrate the challenges of gathering correct taxpayers' information, but this can be applied to all revenue sources for which citizens pay a yearly fee or rate. These challenges underline the weak and disorganized capacity of local governments to conduct administrative activities. Yet, the cities often use enforcement activities to mitigate the challenges of raising effectively local revenue and tackle tax noncompliance. The following section lays out the challenges and strategies of enforcement implemented by Accra and Nairobi.

4.2.8. Enforcement Strategies and Challenges

Fiscal decentralization researchers argue that noncompliance is one of the leading causes of poor revenue collection in developing countries (Ali et al. 2014; Besley and Persson 2014; Feld and Frey 2007; Kelly 2012). In Accra and Nairobi, the rate of non-compliance affects mostly property taxes because the payments made are often more significant than a source of income such as parking lots or business permits. Failure to pay property rates constitutes a substantial loss of revenue. For instance, the 2016 budget report in Accra indicates that the city collected only 20% of the overdue property taxes (Accra Metropolitan Assembly 2016b). The 2015 Nairobi County Fiscal Strategy Paper (CFSP) stated that the city has accumulated over the years, KHS 66.9 billion in overdue property taxes (Nairobi City County 2015a). Again, in Nairobi, the 2019-2020 CFSP justified the poor performance in revenue mobilization by the weakness in enforcement measures while suggesting the development of creative enforcement strategies to reduce the number of defaulters (Nairobi City County 2020, 17).

Legally, local governments have the right to take tax delinquents to court to settle the matter. This hard enforcement measure does not always lead to the expected outcomes. Yet, enforcement measures used in both cities comprise soft and less expensive measures. which consist of persuading late payers to comply with tax payments. These measures are implemented throughout the year, and more efforts are made towards the end of the financial year to achieve the revenue targets. Considered as an effective and less expensive strategy to increase tax compliance than taking matters to courts, research findings show that soft enforcement measures are not successful due to the low organizational capacity of cities to adopt innovative enforcement strategies. At the same time, enforcement measures do not lead to optimal results because of the limited human resources to reach taxpayers in all areas of the city as well as to deal with corrupt activities by frontline workers.

Empirical findings show that enforcement involves the mobilization of human resources - the task force including revenue collectors, supervisors, and sometimes a security team - and technical resources such as vehicles to take the task force to the field. Accra and Nairobi rely on different strategies, including shaming or publicly exposing non-compliance to enforce tax payment. Studies on shaming and public exposure of tax delinquents show that these strategies increase tax compliance to some degree. For instance, Perez-Truglia and Troiano (2018) conducted a survey in the United States of America and found that publicly shaming tax delinquents yielded mixed results. This tactic worked on those who had a lower debt than those who have a higher debt because the latter were in a difficult financial situation to pay their debts (17). Therefore, enforcement strategies can have mixed results depending on the category of taxpayers. In the case of Accra and Nairobi, the research did not involve taxpayers, which compels us to report the causes of poor enforcement from the perspective of local and informal actors.

In Accra and Nairobi, enforcement measures include, among other strategies, the public exposure of the non-compliant, which is similar to the shaming tactic illustrated by Perez-Tuglia and Troiano (2018). An official from Accra explained this tactic in the Class A residential area in these words: "sometimes we put big signs on the gate or the property to show publicly that someone hasn't paid. Since most of them are big people [meaning lawyers, professors, engineers, etc.], they will run to the office to pay" (Interview 13, Accra, November 2017). Besides, it is common to see inscriptions with red paint on property walls in the city like "Stop work! Produce Permit" for citizens who may be building without a building permit. It is expected that this shaming tactic would compel tax delinquents to pay the fees or rates owed to the city**.** In Nairobi, shaming tactics are used on property rate payers when the city clamps down on the properties of defaulters or publishes the list of late property taxpayers in the newspaper (Nairobi News 2018). Failure to comply with tax payment grants the cities the right to take the defaulter to court. Other measures of enforcement in Accra and Nairobi, include locking up stores for business license defaulters or restricting access to a property in the case of late payment.

Concurrently, anecdotal evidence from research participants shows that shaming tactics may not be effective in collecting late payments due to corruption. Often these inscriptions are made when the owner of the property cannot be found on site. But if they can be found, there is a way for front-line officials to help the property owner get away with this problem by taking bribes, which could cost a much lower amount than the outstanding fees.

In Nairobi, the Kenya Auditor General (KAG) report of 2015-2016 reported that weak enforcement measures for parking fees led to the inability to collect an additional 38% of revenue from parking fees (Office of the Auditor General 2018, 3). Likewise, 39% of vehicles clamped for non-payment of parking fees were released without payment (Ibid.). The report expounded that lenient enforcement is caused by the limited number of supervisors on the field to monitor the enforcement processes, thus allowing revenue collectors to take bribes to release the vehicles. Whether shaming tactics work or not, Accra and Nairobi actors claimed that these tactics induce tax delinquents to pay their dues. However, primary source documents did not corroborate these claims.

Moreover, interviews and budget reports show that enforcement measures could be improved if the two cities had enough human resources to perform these tasks. Accordingly, Accra and Nairobi possess limited human resources dedicated to enforcement. There is an insufficient number of staff, mostly revenue collectors, available to conduct enforcement on the entire area of the cities. An official in Nairobi illustrated the shortage of human resources as follows "Nairobi has about 5-6 million people a day. 4.8 million are residents, and we have about 1300 people to collect revenues" (Interview 36, Nairobi, February 2018). This claim suggests that a limited number of revenue collectors are available to conduct enforcement across the city. Since enforcement is a periodic activity performed mostly towards the end of the fiscal year, it is difficult to suspend regular revenue-raising activities in order to use revenue collectors for this matter.

While limited human resources and the tendency of frontline officials to take bribes from tax delinquents are similar factors that weaken the effect of enforcement on revenue outcomes, Accra and Nairobi adopt different approaches to deal with these problems. In Accra, enforcement activities involve the use of force, mostly on informal traders. In Nairobi, public officials shared that engaging with taxpayers in the context of public participation strategies would yield better results. In sum, aggressiveness towards taxpayers is more prevalent in Accra compared to Nairobi.

Confrontational Relations between City Authorities and Taxpayers

Research on the interactions between city actors and the informal sector point to the fact that the collaborative attitude by the city towards this group of taxpayers will induce more tax compliance (Lund and Skinner 2009; Fjeldstad 2006). At the same time, this collaborative attitude will allow city actors to tap into the revenue potential from the informal economy. On the other hand, an aggressive approach towards informal traders will induce lower tax compliance. Accra and Nairobi's approaches to taxation of the informal sector confirm this claim. In both cities, aggressive approach towards taxpayers from the informal sector during enforcement was found to discourage compliance with tax payment.

In Accra, enforcement activities can degenerate into violent situations in the interaction between revenue collectors and informal traders, depending on the behavior of the task force or the degree of resistance from taxpayers. Accounts of aggressive enforcement measures were given by informal actors, especially in Accra. Informal traders reported that revenue collectors and their supervisors tend to be aggressive towards them during the daily collection of fees. A street vendor in Accra stated:

> "we often fight with local authorities because they do not allow us to do our business… they are aggressive, they can come in the morning when sometimes we haven't sold anything then we ask them to come back later. When they come, you will hear saying "they are coming" and we will run. They sometimes beat us […] they [AMA] think what we do is illegal. We often tell them this is our home; the population is growing and there is a high unemployment rate" (Interview 10, Accra, November 2017).

The same perception was confirmed by a vendor from one of the main markets in Accra. He added that:

> "with AMA we are friends and enemies. Revenue collectors sometimes misbehave. Ticket collectors beat them, especially in the morning when they come to collect the fees. We reported this to the city, and they said that this will not happen again, but it was not the case […] we don't believe that the money we pay directly goes to AMA" (Interview 8, Accra, October 2017).

Aggressiveness is enhanced by the high volume of informal trades in the street and the objective of City authorities to clean the city. Accra has embarked on a city beautification project called the Sustainable Greening and Beautification Project, aligned with the President's effort to make Accra the cleanest city in Africa (Aryeetey 2018). It involves, among other actions, sacking from the street vendors considered as illegal, while at the same time seeing them as potential taxpayers from whom to collect daily fees. This is also to satisfy citizens who find it difficult to move along the city's sidewalks due to their occupation by street traders (Online Today 2018).

A top-level bureaucrat whose thoughts align with this goal commented that "street vendors shouldn't be on the street; they are selling for people who have shops in the markets. We spend a lot of time sacking them and clearing the streets" (Interview 13, Accra, November 2017). In the same line as Crentsil and Owusu's study on the relationship between informal traders and city authorities, it can be argued that the fact of levying fees from this category of payers that the city considers as illegal, ends up legitimating their activities (Crentsil and Owusu 2018).

In Nairobi, the aggressive approach occurs when the city sends the task force to sack street vendors from the streets. As explained by a member of NISCOF, "they (Nairobi officials) are sacking us by sending task forces. We want places in the market, we can even pay business permits. we don't want to be street vendors forever" (Interview 40, Nairobi, March 2018). He further acknowledged the aggressive attitude by revenue collectors towards informal vendors, which is similar to what Dragsted-Mutengwa (2018) called crackdowns as a relational form of urban Governance in Nairobi. The author shows that the efforts to remove street vendors from the street in Nairobi induce some aggressive behaviors from city officers, while subsequently coming up with informal arrangements in the form of bribes to allow informal traders to sell on the streets once the crackdown activity has passed. Hence, the aggressive interactions with informal traders combined with the pocketing of a portion of market fees increases the mistrust of citizens in Accra and Nairobi's ability to transparently manage public funds.

One can infer that the tactics of sacking informal street traders are similar to the Broken Window theory popularized in the 1990s in New Year City, USA to enhance the quality of life. The theory posits that "minor physical and social disorder if left unattended in a neighborhood, causes serious harms" (Harcourt 1998, 292). Therefore, tackling these small crimes will prevent more serious crimes (ibid). In Accra and Nairobi, informal trading is considered illegal, causing cities to use aggressive means to sack traders from the streets.

Despite the illegality, cities levy taxes on these payers, which shows a paradoxical approach among the city authorities towards informal traders.

Research participants claimed that aggressive enforcement is sometimes necessary to enforce tax compliance on the city administration's side, but they were skeptical regarding their efficacy. At least four (4) research participants in Nairobi mentioned that enforcement measures are insufficient to foster tax compliance. A top-level bureaucrat commented that, "We use the task force, but you cannot have a task force forever. When the task force is gone, people go back to their old habits. There should be sustainable measures, on top of the task force such as public sensitization" (Interview 47, Nairobi, March 2018). Nairobi participants suggested that public participation activities should be used to foster tax compliance.

The challenges of undertaking effective enforcement activities illustrated in this section highlight the problems of lack of bureaucratic capacity and the role of collectors in revenue mobilization. The following section presents a detailed analysis of the role of collectors that contribute to the inability of Accra and Nairobi to mobilize revenue effectively.

4.3. Corruption and Revenue Diversion Strategies

Fiscal decentralization scholars argue that corruption, in the form of bribes and kickbacks, contributes to the loss of revenue because it encourages local public officials to waive tax payments for some citizens in exchange for personal considerations (Manamba and Massawe 2017; Fjeldstad 2005; Thornton 2008; de Sardan 1999). Indeed, corruption has caused revenue loss in several developing countries, and Accra and Nairobi are no exceptions. However, studies on the relationship between corruption and revenue losses overlook crucial factors, like the incentive structure generated by institutional and political contexts, in enabling these corrupt practices (Oates 2008). Thus, if the institutions are not strong enough to compel local actors to follow the laid-down (formal) rules of revenue mobilization, informal rules will emerge, and corrupt practices, in the form of revenue diversion, will prevail. These findings provide a supplementary explanation of the link between corruption and revenue loss. Far from being a stand-alone factor, corruption is enabled by the politicization of bureaucracy in Accra and Nairobi, and high discretionary powers of revenue collectors, and the institutional incentives generate corruption in revenue mobilization. Corruption and the by-passing of revenue mobilization rules are facilitated by political interference in bureaucracy, which allows revenue collectors to act with impunity. The highly politicized bureaucratic context that is reflected in political hiring, especially into revenue collection positions, enables corrupt practices like institutional subversion strategy. If there is weak enforcement of the rules of revenue mobilization, the perception that this weakness is caused by the lack of political leadership will induce corruption practices that would hinder effective mobilization. These strategies will be reinforced by the high degree of discretion of street-level bureaucrats in applying policy rules and their poor working conditions. The very nature of street-level bureaucrat positions gives them a considerable degree of discretion and more leeway in applying policy or reform rules. Besides, working conditions and low wages could serve as incentives to engage in corruption.

It was theoretically assumed that the working conditions of bureaucrats will induce or dissuade them from indulging in corruption and revenue diversion practices, and the findings of this dissertation confirm this claim. In this context, revenue collectors use the subversion strategy to indulge in corruption and revenue diversion. According to Mahoney and Thelen

(2009), subversion occurs "when rules remain the same but are interpreted in new ways" (17). Essentially, street-level bureaucrats are likely to apply the rules differently if they are not motivated by the right incentives. Additionally, the institutional discretion and their relative autonomy will shape their willingness to comply, enforce, or alter revenue mobilization rules. The strategies of street-level bureaucrats are reinforced by their high degree of discretion and an institutional context, marred by weak structures of political monitoring, transparency, and accountability.

4.3.1. Diversion and Corruption in Revenue Mobilization

Accra and Nairobi have two categories of revenue collectors: commission-based and full-time revenue collectors. Commission-based collectors receive a commission on the revenue collected, while the full-time collectors receive a salary, which is not linked to their performance. They are given revenue targets daily, especially for parking and market fees. The setting of revenue targets is based on the daily collection trend. Revenue collectors in Accra and Nairobi collect taxes and fees manually or through POS devices. In Accra, revenues collected daily are submitted to the supervisors at the head office of AMA or the sub-metros with receipts as proof of payment. The supervisors tally the amount submitted with the amount indicated on the accompanying receipt and then record the total amount in a cashbook. Subsequently, the revenue collectors take the money to the Accounting Department.

In comparison with Accra, the volume of manual transactions in Nairobi has decreased substantially due to the city's assimilation of IT systems in many aspects of its economic life. Revenue collectors handle less cash. In Accra, taxpayers, more often, interact directly with revenue collectors, whereas in Nairobi, taxpayers are given more payment choices, including mobile money transfer and bank payments.

While the formal rules outline the process of collecting and reporting revenue, most important of which is the reconciliation of payments receipts, research findings in Accra and Nairobi indicate that revenue collectors had crafted subversion (different interpretation of rules) strategies that encourage corruption in the mobilization processes. These rules allow them to hide portions of mobilized revenues for personal use whenever possible. In Accra, revenue collectors use a method called “carbon shift.” This entails reporting less than the collected amount by putting a card between the original receipt and the duplicate (carbon copy) when writing a receipt for the cash collected. This is done to prevent the actual amount written on the original receipt from appearing on the duplicate. A lesser amount is later written on the duplicate sheet and reported as the actual amount collected. Thus, in addition to formal rules that guide revenue mobilization processes, street-level bureaucrats interpret these rules differently by altering transactions with taxpayers to hide portions of the revenue mobilized.

Overall, in both cities, most participants from Revenue Departments explained that they could not mobilize enough revenue due to what they call “leakages in the system”. Leakages refer to the diversion of a portion of the revenue by the collectors. For example, an agent from the Parking Department in Nairobi explained that there is often collusion between the drivers who use the parking services and the revenue collectors (Interview 52, Nairobi, April 2018). In other words, revenue collectors can take bribes from individuals in exchange for a reduced fee for parking in the city. He provided an example of this collusion by describing the following: “if someone is parking at 3 pm, while parking places are paid until

4 pm, the revenue collector will offer a payment discount to the driver and not issue a receipt for this transaction" (Interview 32, Nairobi, April 2018). Rationally, the deal becomes a win-win situation between the driver and the revenue collector since the amount raised will go into the pocket of the revenue collector. At the same time, the payer saves money by paying less than the amount required for a parking space in the city.

In both cities, research participants gave accounts of several instances of corruption in the collection of market and parking fees, where revenue collectors can levy a lesser amount and not issue any payment receipt. Considering that revenue collectors in both cities interact with unregistered taxpayers, such as market and street vendors, citizens requiring parking spaces, and advertisers requiring billboards and other means to advertise their products, they enjoy a high level of discretion. In turn, this allows them to decide to what extent they can apply the formal rules of revenue collection or interpret them differently by taking bribes. Noticeably, the lack of records on payment for these sporadic revenue sources allows front line workers to take advantage of this situation to take bribes in exchange for accepting lower payments from taxpayers.

In Nairobi, participants from the Revenue Department indicated that pocketing a portion of the revenue collected occurs more often with market and parking fees. This claim was confirmed by a market vendor from Nairobi, who recounted how he witnessed several incidents where vendors conduct their business by paying a lower fee to the revenue collector without any proof of payment (Interview 40, Nairobi, March 2018). In the opinion of another participant, human interaction in the revenue collection process is harmful, and the city is trying to reduce it (Interview 54, Nairobi, April 2018). Accounts of the study participants in both cities attested to the fact that corruption causes loss of revenue.

Further inquiries on the causes of corrupt practices by revenue collectors revealed that the poor terms of their engagement (working conditions) induce them to take bribes. A revenue collector in Accra, for instance, shared that “we do not have health benefits, transportation allowances, etc. it is less motivating to work well” (Interview 14, Accra, November 2018). These remarks reflect the conditions of revenue collectors, who go into the field to collect revenue, while sometimes working long hours, and often pay for their transport, in exchange for minimal salary.

4.3.2. Incentives and Other Measures to Encourage Revenue Collectors

Observations in Accra showed that revenue collectors pay for their own transportation to go to the field to collect revenue. Several efforts have been made to facilitate travel. For instance, Accra made 12 mini-busses available for revenue collection since 2014 (Accra Metropolitan Assembly 2014b, 12). Observations made in Accra showed that these vehicles are used for enforcement activities involving the transportation of a large number of staff in the field. Otherwise, for routine revenue collection activities, collectors pay for their own transportation.

Unquestionably, if the job of revenue collectors involves the handling of large sums of money, and if they are aware that at the top of the hierarchy, there are practices of spending at source, they would also be inclined to craft strategies to pocket a part of these sums as compensation for their low wages and poor working conditions. In line with this, 11% of the study participants in Accra and 18% in Nairobi recognized that corrupt practices that hamper revenue mobilization activities are motivated by the lack of competitive wages and other forms of incentives to encourage revenue collectors to perform their tasks transparently. Research shows that incentives such as allowances, training, and other forms of motivation can make street-level bureaucrats refrain from engaging in corruption (Dal Bó et al. 2013; Ashraf et al. 2014).

This dissertation's findings also show that despite being aware of these obstructing practices, supervisors in Nairobi and Accra avoid punishing revenue collectors for wrongdoings. For instance, in Accra, a supervisor from one of the sub-metros said:

> "revenue collectors are underpaid, and many make mistakes. Right now, I am dealing with two cases of collectors who kept some money. Many of them make mistakes, and when I know that I try to talk to them to let them know that what they did was not good" (Interview 12, Accra, November 2017).

Resistance to the use of punishment stems from the responsiveness of supervisors towards the working conditions of revenue collectors. At the same time, this encourages revenue collectors to act with impunity.

In Nairobi, the sum of comments from three middle-level bureaucrats suggests that revenue collectors would not be sacked or punished for these wrongdoings. Consequently, if the institutional context is conducive to adopting these wrongdoing strategies, these actors will take advantage of this context to engage in revenue diversion and bribery. As will be explained in the next section, in Accra and Nairobi, the awareness of top and middle-level bureaucrats of the causal link between poor working conditions and corruption in revenue mobilization induced them to implement soft measures in the form of monetary incentives to deter revenue collectors from pocketing monies collected.

Soft Incentives for Revenue Collectors

Interviews with bureaucrats from Revenue Departments in both cities indicated that supervisors of revenue collectors had crafted strategies to deter revenue collectors from engaging in corruption and revenue diversion practices. Although these strategies are deemed effective to discourage corrupt practices, they are implemented sporadically, which does not guarantee their long-term success[29]. According to research participants in Accra and Nairobi, one strategy consists of giving occasional bonuses in monetary form to revenue collectors. Middle-level officials from the Revenue Departments of Accra and Nairobi mentioned that they sometimes provide revenue collectors bonuses to motivate them. A revenue officer in Nairobi suggested that street-level bureaucrats are sometimes given monetary bonuses and lunch money when they work long hours (Interview 38, Nairobi, February 2018). In Accra, a Revenue supervisor added that: "we give allowances to revenue collectors as incentives, otherwise, they will be tempted to cheat. However, transport money is not allocated in the budget" (Interview 34, Accra January 2018)[30]. The bonuses are given to cover transport costs when revenue collectors go to the field to collect revenue with the hope that they will dissuade them from pocketing a portion of the payments. Interestingly, bonuses are allocated in the cities' budgets, but the funds are rarely released, according to participants from the sub-metros in Accra (Interview 18, Accra, November 2017). In most cases, these bonuses come from supervisors' personal money[31].

When asked if these issues of encouraging revenue collectors through financial means have been communicated to the head office, another officer from a sub-metro responded as follows: "we bring these concerns to the head office in our general meetings. They always convince us that they will work on it, but it is not enough. Revenue collectors

[29]The lack of extensive data on the timeline between the adoption of these strategies and the effect on revenue mobilization does not allow to test this claim.
[30] Interviews did not clarify if these allowances come from personal money from supervisors or if it is budgeted.
[31] It is common in these contexts for supervisors to give small sums to their subordinates to pay for their transport or telephone credit. Often these amounts are equivalent to 1 or 2 Canadian Dollars. Therefore, even if these sums are budgeted, it is very likely that the tendency to give bonuses out of personal money will not prompt the institution to release this money through formal financial channels.

could work well, but they are not paid well" (Interview 34, Accra, January 2018). Research data did not provide enough responses to the inaction of the head office to address this matter. However, this could be because the city does not have the financial capacity to release these sums since most of its revenue is spent on operating costs. This could also be justified by the fact that although these sums are budgeted, releasing these funds is more complicated. Finally, it could be possible that improving the working conditions of the revenue collectors is not the priority of the administrators.

These comments demonstrate the poor and demotivating working conditions in Accra and Nairobi, and the initiatives taken by their superiors to motivate them. The payment of bonuses serves as an incentive to discourage revenue collectors from engaging in corruption and revenue diversion practices. Yet, the sporadic nature of these incentives, combined with the lack of reprimand for revenue collectors in cases of wrongdoings, and the political interference in the hiring of revenue collectors create the conditions for corruption and revenue diversion.

4.4. Decentralized Units and Bureaucratic Challenges

As mentioned at the beginning of this chapter, the inductive data analysis method revealed new independent variables that affect revenue mobilization outcomes in Accra and Nairobi at the sub-level of local governance. These variables are 1) heavy workload combined with 2) poor working conditions (including unsuitable workspace and limited technical capacities) in decentralized units of Accra and Nairobi. They show how a combination of weak bureaucratic capacity and weak organizational capacity hinders the ability of local governments to mobilize more revenue. Particularly, the poor working conditions constitute barriers to the motivation of bureaucrats to perform revenue collection tasks effectively. Ultimately, poor performance of administrative activities at the decentralized units is a credible cause of poor revenue mobilization.

4.4.1. Bureaucratic Challenges of Decentralized Units of Accra and Nairobi

For managerial purposes and to ensure the proximity of local institutions with citizens, most local governments, especially in larger cities, are composed of decentralized units located in various parts of the cities. These units are called sub-metros in Accra and sub-counties in Nairobi, and they provide basic services to citizens while also mobilizing specific types of revenue (Dafflon and Madiès 2009). Nairobi has 17 sub-counties and Accra six (6) sub-metropolitan assemblies. For informational purposes, Accra sub-metros mobilize two categories of traditional and non-traditional revenue. Traditional revenue includes property taxes and business permits, while non-traditional fees are public restroom fees, miscellaneous fees and fines. Non-traditional revenue finances the operating costs of the sub-metros[32].

In Nairobi, all revenue raised by sub-counties is transferred to the head office, which in turn budget the amount to cover the operating costs. Research findings revealed that decentralization units take part in revenue mobilization activities, but they are swamped with bureaucratic and political challenges that undermine their capacity to perform their tasks well. These insights were shared by officials from two (2) decentralized units selected randomly in Accra and one sub-county in Nairobi[33]. Interviewees alluded to the fact that poor working conditions in decentralized departments slow down the work of bureaucrats.

[32] This information is given to show the role of decentralized departments of Accra in Revenue mobilization. Obviously, from a holistic perspective, the mobilization of these revenue faces the same challenges as other revenue sources described in this dissertation.

[33]There were attempts to conduct more interviews with more decentralized unit officers in both cities. However, access to these units were controlled by the head office. In Nairobi, the head office administration did not allow

In Accra, five (5) participants from the two (2) sub-metros where interviews were conducted lamented about the poor financial and technical resources. These bureaucrats referred to the limited office space and technical equipment they observed during visits to these decentralized units. A middle-level official from one of the sub-metros lamented that "You see! We do not have enough computers or vehicles to move revenue collectors" (Interview 12, Accra, October 2017). His comments were echoed by another participant from the second sub-metro who shared that "the mayor is keeping the sub-metros down […] they should support us for resources and equipment […] the head office should give more equipment and allowances. Assembly members are aware of this, and less is done" (Interview 17, December 2017). These comments point out the differences in working conditions between city officials from the head office and those of the sub-metros.

In Nairobi, sub-county officials shared similar concerns as those of Accra when one of the sub-county officials said that "we lack capacities, there is no Wi-Fi, and you can see that we share the same office space. We are five heads of sections in this small room. Many things are budgeted but not implemented. All of this is caused by a lack of proper management" (Interview 48, Nairobi, April 2018). His comments were echoed by another official in charge of a specific source of revenue, who lamented that:

> "I am the only expert. I set the strategy to raise revenue and I help people in the sub-counties. We do not have enough transcripts, notebooks […] There is a lack of support from the Head office…. there are many companies doing the advertisement (bus stations and points, shops, restaurants etc.) and few people to collect the data. Information comes from the citizens and instead of us telling us how much to pay, they tell us how much they should pay" (Interview 57, Nairobi, April 2018).

access to sub-counties due to a lack of understanding over the type of research authorization required to conduct interviews in Nairobi City County. The research was therefore limited to one sub-county.

This quote implies that the lack of adequate personnel and technical capacities matching the amount of work to be done prevents sub-county staff from accurately assessing the potential of some revenue sources to mobilize them. The Nairobi county report of 2018 cited that the source of revenue mentioned by this official has not been raised to its full potential. The report goes on to show how the city could raise up to KHS 6 billion from this revenue source, compared to the average KHS 0.70 billion mobilized between 2012 and 2017[34]. The claims of these officials matched the findings from the Nairobi county report to confirm that the lack of human and technical capacity can potentially contribute to the loss of specific types of revenue.

4.4.2. Office Equipment and Space as a Form of Bureaucratic Capacity

In Accra, none of the sub-metro middle-level officials who work in the Revenue department, was equipped with computers. All revenue mobilization transactions and information are recorded manually in accounting books. Furthermore, offices are shared among different heads of units. Unlike the head office, where the working space is larger, the decentralized units' working space was much smaller and was shared by officials from different departments.

By contrast, in Nairobi, officials in the sub-counties were equipped with computers for some officials. In those cases, the billing and tracking of payment transactions could be conducive to better revenue management compared to Accra. Despite this difference, the comparative analysis of reports and the information obtained during fieldwork supplement the evidence of weak bureaucratic capacity challenges cited by research participants across

[34] This revenue source is not mentioned, to preserve the anonymity of the participant.

all decentralized units in Accra and Nairobi. The lack of financial means constitutes one plausible explanation of the inaction of the top-level management of Accra and Nairobi to address weak capacity challenges.

Unlike the Nairobi sub-counties that depend on the head office budgets to receive funding for better office equipment, sub-metros in Accra can improve their working conditions by mobilizing more non-traditional revenue such as public restroom fees. However, the bureaucrats of the sub-metros argued that politicians are capturing the non-traditional revenues. Public restrooms service is managed by Accra, in partnership with private contractors. An official from one sub-metro explained that the average revenue from public restrooms is calculated per headcount. Then, the private contractor hands over to the sub-metro 60% of the total revenue collected (Interview 13, Accra, November 2017). Budget data indicated that the six sub-metros collect an average of GHC 1 Million of non-traditional revenue, which constitutes 1/5 of all revenue from miscellaneous fees[35].

Research participants indicated that a portion of this revenue ends in the pockets of politicians. To illustrate this, a top-level manager from one of the sub-metros deplored the political interference as follows: “non-traditional revenues are in the hands of politicians. Even though they pretend to help sub-metros, this is not true!” (Interview 18, Accra, December 2017). These comments align with the conclusions of a study by Ayee and Crook (2003) on the political conflicts around the management of public washrooms in Accra and Kumasi. The authors found that since public washroom fees are an important source of income for sub-metros, they have been subject to competition among assembly members

[35] Public restrooms are available mostly in underprivileged areas of Accra where household sanitation is low. One of the sub-metros was also managing these restrooms. Other sub-metros have access to other fees and fines, and this example may not reflect the financial reality of all sub-metros.

involved in the award of contracts to private companies while also using patronage to hire toilet fee collectors. This political interference on both fronts, namely the award of contracts and the offering of jobs to their clients for managing and collecting public restroom fees, has resulted in a reduction of monitoring of sub-metros in collecting these fees. Consequently, the political capture of a portion of this revenue reduces the financial capacity of Accra sub-metros to finance their operating costs.

In summary, the examples of the sub-metros of Accra and Nairobi are sufficient to argue that poor working conditions, including limited technical equipment and inadequate working space that is not commensurate with the workload are key determining factors of bureaucratic capacity. The lack of adequate technical capacity, coupled with heavy workload, poor working conditions, limited political support, and political interference in building financial capacity deter competent bureaucrats from effectively performing their duties. In most cases, the work of bureaucrats is limited to the daily routines, with very little room for innovation that could be beneficial for greater revenue mobilization. A combination of weak bureaucratic and organizational capacity, such as the lack of innovation, does not allow them to fully exploit the potential of available revenue. In these findings, working space and working conditions are potential explanations of weak bureaucratic capacity that have not received much attention in the state capacity literature but deserve further attention through empirical studies and theorization.

4.5. Conclusion

The findings presented in this chapter point to the variations in bureaucratic and organizational capacity required for revenue mobilization in Nairobi and Accra. Interviews, observations and primary source documents provide explanations for the inability of actors to mobilize local revenue. They also reveal the existence of bureaucratic capacities that are not used adequately due to the organizational culture and the perverse actions of some local actors. Moreover, the institutional ambiguity of some bureaucratic processes does not give clear guidance on the methods for undertaking specific revenue-generating activities. The pre-existing work culture, and opportunistic behavior of some actors thwart the effective use of IT systems in taxation processes. Inadequate collaboration becomes a stumbling block to implementing activities that require coordination among actors from different departments. Besides, enforcement measures do not yield the expected results due to weak bureaucratic capacity. Finally, a combination of inadequate bureaucratic and organizational capacity in sub-metros and sub-counties creates circumstances in which bureaucrats are unable to perform their tasks efficiently and this is further affected by poor working conditions.

CHAPTER FIVE: THE POLITICS OF REVENUE MOBILIZATION IN ACCRA AND NAIROBI

The previous two empirical chapters provided information on the failure of local actors to meet revenue targets and strategies employed to overcome this challenge. This chapter builds on these findings to analyze the political factors that drive local actors, both bureaucrats, and politicians, to obstruct or facilitate the building of local financial autonomy. The chapter lays out the political factors that impact the development of strong bureaucratic capacity, the nature of political interference in revenue mobilization activities, and the political factors that influence tax compliance.

5.1. The Political and Institutional Context of Decentralization Policies

From an intergovernmental relations perspective, studies on fiscal decentralization conclude that local actors are unable to build financial autonomy because of the narrowness of the revenue base to which they have access (Brosio and Jimenez 2015; Masaki 2018; Chigwata 2017; Dafflon and Madiès 2009; Mikesell 2012). Scholars advocate for the expansion of the revenue base, which would give local governments access to more sources. It was found that the factors that prevent local actors from building financial autonomy is not the access to a narrow base but from the inability to exploit the potential of the revenue already at their disposal. This is notably the case of Nairobi and Accra cities where local actors regularly fail to meet their revenue targets. As argued in the previous two (2) chapters, institutional and administrative factors explain the inability of the two cities to mobilize revenues. However, these factors are rooted in the political context within which fiscal decentralization policies are implemented.

The top-down process of formulating decentralization policies in Accra and Nairobi led to the transfer of powers and responsibilities to local politicians. The power of local actors is legitimized by the electoral rules, which determine the discretionary powers of the local politicians in the application and enforcement of financial decentralization rules. Analyzed from institutional and political points of view, the actions of local political elites – elected and appointed political officials - play an essential role in shaping revenue outcomes and local financial autonomy building. The role of local politicians is relevant because it allows to determine the conditions in which local political elites exercise their power and discretion to encourage revenue mobilization for strong financial autonomy. This logic relies on the assumption that the successful implementation of reforms depends on political support (Di John 2006). Additionally, these approaches shed light on similar formal and informal institutional incentives that shape the strategies that thwart or enable the effective mobilization of revenue in two cities with different local political systems.

5.1.1. Different Cities, Same Actions

Accra and Nairobi have different systems for electing local political elites. In Accra, the central government adopted a decentralization model in which 70% of assembly members are elected on a non-partisan basis. This is aimed at reducing interference from national political parties and discouraging ethnic politics in local governance (Fombad and Steytler 2019). The central government appoints thirty percent of local representatives to foster technocratic expertise in local governance (Awortwi 2011). The non-partisan character of local government is expected to curb the involvement of political parties, that are known for distributing patronage and clientelist favors to potential electorates by undermining effective administration. The absence of political parties in local government could create incentives for strong accountability relations between elected officials and citizens. Politicians would be motivated to respond to the demands of the citizenry rather than meeting the demands of party leadership. If re-election depends on the provision of public goods to citizenry, local politicians would be compelled to achieve general policy goals, including the building of local financial autonomy. In fact, strong financial autonomy would lead to better provision of public services and more chances for politicians to win support of the electorate.

In Nairobi, however, local politicians seek the endorsement of political parties or coalitions for elections, and this allows them to meddle in local governance (Riedl 2014). Theoretically, the interference of political parties is likely to shift the relationship of accountability between local elected representatives and the citizenry to strong accountability of local politicians to political parties (Bénit-Gbaffou and Gervais-Lambony 2008; Bénit-Gbaffou et al. 2013). Supposedly, if political parties seek to expand their influence by distributing patronage and clientelist favors, they will deter local politicians from working towards the achievement of general goals, such as the building of local financial autonomy. Such differences will normally induce different types of behavior. Theoretically, the non-partisan context in Accra would create strong incentives for accountability to the citizenry, while the partisan context in Nairobi would produce strong incentives for accountability to political parties. With regards to revenue mobilization, Accra would be expected to perform better than Nairobi due to these different incentive structures for local politicians.

It was interesting to find that the reality in Accra and Nairobi contradict this expected relationship. They indicate that despite their different political systems, political actors in Accra and Nairobi adopt the same strategies and they undermine local financial autonomy. Although elections are non-partisan in Ghana, political parties often sponsor or informally endorse local political candidates during elections. A bureaucrat from Accra confirmed these claims in this way: "usually those in the assembly, are in the same political party as the mayor, they tend to follow the line of their political party. Traditional chiefs also can be affiliated with a political party. You will see them standing and more confident when their political party is in power" (Interview 2, Accra, October 2017). A central government official painted a vivid picture of the influence of political parties in Accra in this way:

> "though they [Assembly Members] are not elected on a partisan basis, they are linked to political parties. When you must appoint the district chief executive, the decision has to be approved at 70%. The ruling party nominates members, and they have the backing of the assembly members, who are affiliated to them" (Interview 20, Accra, November 2017).

These comments suggest that the design of a semi-democratic and semi-technocratic decentralization system in Ghana was unsuccessful in preventing political interference in local governments. In fact, the methods of appointing the Mayor and the other 30% of assembly members require the approval of local politicians. Generally, the approval was completed without conflicts due to the political affinity between elected members and the central government that appoints technocrats in local assemblies. In Nairobi, local politicians are less inclined to address the demands of their political coalitions, which declines in strength after the elections. Riedl (2014) explains that coalitions serve as a gateway into politics, but once elections are over, politicians are left to their own fate. Therefore, whether through the influence of political parties or incentives for tax avoidance and increasing support for future elections, politicians in both Accra and Nairobi maintain clientelist relations by waiving taxes for some taxpayers to secure votes. A study on elections in Ghana reflects this trend and shows that the non-partisan nature of local elections does not deter political parties from informally endorsing local candidates (Driscoll 2008). Moreover, the appointment of 30% of assembly members, including the Mayor, is done according to the preferences of the political party in power at the national level. Often, appointed officials, including the Mayor in office, are supporters of the political party in power at the national level. Consequently, as in Nairobi, the informal involvement of political parties in local governance in Accra can potentially result in informal systems of patronage and clientelism, which induce local politicians to respond to the demands of their political parties and not the citizens. With the emphasis on accountability to political parties, local elected officials seek to promote their political career by responding favorably to the parties. Ultimately, this results in lack of support for revenue mobilization efforts.

From a rational choice perspective, the actions of local politicians can be considered strategic because they serve personal interests. Loyalty to political parties could be a rational action that aims to ensure the continuous endorsement of politicians in order to increase their chances of running and winning future elections. However, from a fiscal decentralization standpoint, these strategies only serve short-term political goals of ensuring the career of politicians, instead of long-term goals such as the implementation of a strong financial autonomy which will give cities the capacity to finance more public services. Therefore, the actions of politicians can be interpreted from a sociological point of view. Indeed, informal political institutions in the form of patronage and clientelism create a form of coercive isomorphism that shapes the actions of local political elites. The strong accountability to political parties and other support systems induces local politicians to prioritize political interests when they feel undermined by bureaucrats in developing bureaucratic capacity. Finally, these informal institutions produce rules that politicians are expected to comply with to ensure their survival in the existing environment.

5.1.2. Cohesion of Strategies between Central and Local Governments

If political parties are able to influence the actions of local actors, does the degree of their autonomy counterbalance the influence of political parties? From a fiscal decentralization perspective, the power and discretion of local political are constrained by the degree of autonomy vis à vis the central government. If the central government exercises more control over the decisions of local actors, they will be inclined to follow the central government's policy orientations. And if improving revenue mobilization is part of the central governments' priorities, local actors will align their strategies with these priorities. Research findings indicate that despite a high degree of control by the central government in Accra and a weak degree of control in Nairobi, local actors adopt strategies by considering the local political context and not in line with central government policy orientations.

In Ghana and Kenya, the central government, in collaboration with international organizations such as the World Bank has adopted capacity building initiatives to strengthen bureaucratic capacity to facilitate greater revenue mobilization outcomes. These initiatives focus on enhancing capacity in the management of public finances, the use of IT systems to support local actors for enhancing revenue mobilization and adapting budgeting practices consistent with international standards. The World Bank provided a development grant to Ghana and Kenya for designing, in collaboration with central governments, an incentive-based capacity building program for local governments. The Kenya devolution support project that was rolled out in 2015 is an incentive-based program that helps counties develop a capacity building plan and reports these initiatives in their annual reports (World Bank 2019b).

In Ghana, the same initiative, called the Local Government Capacity Support Program and rolled out in 2011, includes the strengthening of the fiscal framework for decentralization, strategies to mobilize IGF, and budget reforms (World Bank 2011). The successful implementation of these plans is rewarded by transfers of grants to finance development projects. Furthermore, in Accra, a partnership between the central government and institutions such as the World Bank resulted in the development of local government financial management reforms aimed at building the capacity of local actors in the drafting of annual budgets, long-term budget planning, and formulation (The Urban Agenda 2016, 12). This partnership supported the development of the "Internally Generated Fund Strategy" to increase the awareness of the importance of revenue mobilization and management strategies in local governments (Ibid.). It is expected that these initiatives will enhance the bureaucratic capacity of local governments and allow them to build financial capacity by improving revenue mobilization systems.

At the national level, several initiatives are undertaken by central government agencies to address capacity gaps in local governments. For instance, in Kenya, the Office of the Controller of Budget and the CRA provide advisory support to Nairobi budget officers on budgeting processes, reports, and fiscal responsibility. These activities are deemed necessary to increase the trackability of revenue and discourage the tendencies for Nairobi officials to spend some revenue at source. In Ghana, the Ministry of Local Government and Rural Development and the Ministry of Finance provides technical and advisory support to local governments, including Accra, for the drafting of budget reports and financial statements.

Lastly, the government of Kenya initiated a project called "Enhancing Own Revenue Sources" in 2018. This project consists of identifying the revenue potential in county governments and recommending legal standards for tax-raising measures; setting a base for a comprehensive assessment of counties' revenue sources potential and identifying areas that need improvements in revenue collection capacity" (The National Treasury 2017, 3–4)[36].

It is expected that coordination of effort between the central and local governments agencies, which play different roles in enacting fiscal decentralization policies, will eventually increase the bureaucratic and financial capacity of local governments. Due to the high degree of control by the central government, Accra is expected to show better results in terms of bureaucratic capacity and better performance in revenue mobilization. However, the bureaucratic and financial realities of the two cities are similar. They reflect a lack of cohesion between the actions of the central and local governments as evidenced by the inability of Accra and Nairobi to improve their revenue mobilization performance despite the incentives provided to them through central government and IOs grants to reach this objective[37]. These results can be explained by the interaction in the political context by the elites responsible for overseeing these initiatives. Local politicians adopt strategies that are aligned with their own political preferences. These strategies are reflected in the weak application of capacity building initiatives, undermining of bureaucrats' strategies to raise more revenue, and the direct and indirect political interference in mobilizing revenue to serve their personal interests. Therefore, it can be argued that institutions have the power to induce similar behaviors among actors within the same institutional settings despite having different individual experiences and different personal preferences (Parsons 2007). Finally, these

[36] During the time of the fieldwork, this policy was being developed at the time of fieldwork and had not been implemented.
[37] These incentives were presented in Chapter Three; they are discussed briefly to relate to the contexts in Accra and Nairobi.

findings are rooted in political economy theories that show how the taxation capacity of governments depends on the support of political elites (Di John 2006, Prichard and Jibao 2015).

5.2. The Political Economy of Revenue Mobilization

Political economy theories posit that successful implementation of reforms and policies depends on the support of political leaders (Di John 2006). This claim accentuates the primacy of political leadership in strengthening bureaucratic capacity for effective taxation. The empirical findings in Accra and Nairobi support this claim. Particularly, the willingness or unwillingness of political elites to endorse the strategies of bureaucrats and enforce the enactment of fiscal decentralization rules has an impact on revenue mobilization outcomes. This is consistent with the argument that bureaucracies can be perceived as institutional venues where politicians exercise their veto on bureaucrats' decisions. Research findings suggest that politicians exercise their veto on decisions taken by bureaucrats to improve revenue mobilization using the drift strategy.

From the institutional change framework, one can argue that politicians use the drift strategy to thwart the initiatives developed by bureaucrats to mobilize more revenue. Drift "occurs when rules remain formally the same, but their impact changes due to shifts in external conditions [...]. When actors choose not to respond to such environmental changes, their very inaction can cause a change in the impact of the institutions" (Mahoney and Thelen 2009, 17). In Accra and Nairobi, failure to support the strategies designed by bureaucrats thwarts any attempts to adapt bureaucratic practices to tackle revenue mobilization challenges. Drift is reflected in the inaction of political elites in relation to the approval of bureaucrat strategies to mobilize more revenue. Furthermore, it is fair to assume that the high politicization of the bureaucracy and the career incentives of top-level bureaucrats enables the conditions for political inaction in revenue mobilization.

Whereas middle-level bureaucrats would rely on top-level bureaucrats to support their initiatives, the politicization of top-level bureaucrat's act as a potential factor that prevents them from supporting middle-level bureaucrats' strategies if they do not align with politicians' preferences. These strategies, both from political elites and top-level bureaucrats, to undermine revenue mobilization activities can be analyzed from the rational choice angle. However, from a sociological institutionalism perspective, these actions undermine the building of local financial autonomy. On the contrary, they are induced by the informal political rules that compel policy actors to conform to these rules in order to enhance their status within a political context. The following sections present the different ways in which politics undermine the effective mobilization of revenue in Accra and Nairobi.

5.2.1. Political Resistance to Effective Revenue Mobilization

Although budgetary processes require technocratic expertise, they also rely on the support of politicians, especially when these processes involve the extraction of local financial resources. Mahoney and Thelen (2009) argue that institutions that generate significant resources can create tensions between the actors involved in their distribution. Local taxation in Accra and Nairobi is shaped by power relations between bureaucrats and politicians, who strive to orient these processes towards specific outcomes. Ultimately, local political elites who hold more powers and discretion are able to orient these processes towards outcomes favorable to them by using the drift strategy. Drift strategy takes the form of political resistance to the implementation of effective revenue mobilization.

Control of local political elites is facilitated by the bureaucratic environment in which these processes unfold. The bureaucracies of Accra and Nairobi operate in a Weberian-style system, where bureaucrats serve under the guidance of politicians. In terms of revenue mobilization, top and middle-level bureaucrats design strategies to improve their revenue mobilization performance every year. When middle-level bureaucrats design these strategies, they will be implemented if they are endorsed by upper-level bureaucrats, who in turn depend on endorsements by politicians. The hierarchical political and bureaucratic relationships are further influenced by a high degree of politicization in the bureaucracy, diminishing the autonomy and discretion of upper-level managers to innovate. Finally, the politicization of top-level managers stalls their innovative ideas, and those of middle-level bureaucrats when they go against the interests of politicians. It can be argued that the politicization of the bureaucracy is a by-product of patronage.

Theories postulate that patronage distribution is one of the core functions of political parties in both developed and developing countries (Colonnelli et al. 2017; Grindle 2012). Thus, the appointment of top-level bureaucrats on political considerations is standard in both developed and developing countries. However, a patronage system is likely to encourage incompetence and poor management if public servants hired are less qualified for the job (Grindle 2012; Rahman 2017). Patronage demands loyalty from the serving public officer to the patrons (politicians) and blurs the hierarchical relationship between public managers and subordinates (Grindle 2012). Patronage can be measured in many ways, including the establishment of positive correlations between increases in the number of public employees or personnel-related spending (Kopecký 2011). Others have measured it by assessing the number of hired public officials who share one or more family names with a local politician

(Fafchamps and Labonne 2017). Since the data to measure patronage in Accra and Nairobi following these conceptualizations is not available, this dissertation relies on participant interviews to confirm the existence of the patronage system in bureaucracies. Interviews with participants in Nairobi and Accra revealed the existence of systems of patronage that affect the merit-based hiring system of bureaucrats at all levels. In both cities, it is common for politicians and executive members to reward party "foot soldiers" with lower-level public service jobs, such as revenue collection. On the other hand, top-level bureaucrats are rewarded with jobs for which they may or may not be qualified.

Research participants in both cities provided accounts of patronage. In Accra, a middle-level bureaucrat shared that "partisanship is very strong […] When the new Mayor comes, he brings his people [new staff]. (Interview 2, Accra, October 2017). From another participant's point of view:

> "politicians requested to contract out the revenue collection. Since, I have helped you in elections, I need rewards. I could ask for a contract in the city. A contract for collecting revenues and ask that my people be hired. I worked in the payroll system before and I was interviewing people sent by politicians" (Interview 4, Accra, October 2017).

This opinion was echoed by the comments of a central government bureaucrat, who said "there is a high level of politicization in hiring people. They are also sacked regularly. Revenue collectors and politicians cut corners. Most of the revenue collectors are hired by the politicians" (Interview 11, Accra, November 2017).

Participants shared similar views about patronage in Nairobi. According to an official from the Revenue Department, "politicians bring their people every time that there is a change of government […] they reward people and friends and sack other people" (Interview 38, Nairobi, February 2018). A central government official added that "there are many people brought in by politicians, we advise them to stop, but they are not willing to stop"

(Interview 41, Nairobi, March 2018). Additional primary source documents supported claims of patronage in Nairobi. The Nairobi CFSP in 2018 acknowledged the following in explaining the causes of low revenue returns: “the misalignment of skills, personnel deployment as well as lack of adequate succession planning has led to overstaffing in some of the lower levels as well as misplacement of skills in some key positions”(Nairobi City County 2018, 31). Drawing on these pieces of evidence, one can argue that the patronage is evidenced by hiring a plethora of staff. Whereas hiring more staff could be perceived as a necessary evil because it serves to increase the human resources, the claims of bureaucrats (discussed in chapter four) that they lack sufficient frontline workers to conduct enforcement suggest that patronage-based hires are not used to fulfill the shortage of workforce in enforcement.

Additionally, research findings show that patronage in top-level positions reduces the autonomy of public servants and causes high turnover of staff. This aligns with Dale’s (1995) observations that an increased level of patronage causes the rotation and frequent sackings of top bureaucrats when their views are not aligned with those of politicians. A participant in Accra explained that “there is a high rotation of staff. Staff is supposed to stay in a position for four years, but they are often transferred to other locations or positions for political reasons. If politicians are comfortable with people who understand their vision, they will keep them” (Interview 23, Accra, December 2017). On the other hand, when asked about the relationship with politicians, a top-level bureaucrat stated that the high degree of politicization in Nairobi prevents them from resisting political influence. He recounted the difference between working in the old decentralized system and the new devolution system as follows:

> “in the old system, the Mayor used to let people do what they think is good. Our work involves many risks ... now politics is interfering with our work…You have those who care and will do something, those who do not care and those who care but are afraid of taking action. Only a few people try to make noise [to complain]” (Interview 47, Nairobi, March 2018).

A top-level manager in Nairobi corroborated this by affirming that “if there is a change of government, your job is at stake. When a new executive comes to power, they bring their people, and they want to change” (Interview 64, Nairobi, May 2018). These quotes confirm that new political actors influence the hiring of their “foot soldiers” to different positions after a change of government in Accra. At the same time, patronage allows the hiring of bureaucrats at all levels, mostly in revenue collection positions. As observed, patronage also causes the rotation of top-level bureaucrats, and it results in loss of institutional memory that allows bureaucrats to build on previous actions for developing new strategies. Rotation of top-level managers causes a constant renewal of strategies. If they are not promoted by the people at top-level, the proposed strategies will most likely be put on the back burner. This is another way in which high politicization of the bureaucracy reduces the autonomy of bureaucrats.

Low bureaucratic autonomy and high turnover rates prevent bureaucrats from designing effective revenue mobilization plans. On the one hand, loyalty to politicians could induce bureaucrats to adopt programs that align with politicians' preferences. On the other hand, the high turnover of staff hampers the sustainability of strategies, and frequent transfer of officials does not allow them to hand over charges to the new hires. These arguments are consistent with the claims that patronage and the politicization of the bureaucracy decrease the autonomy of bureaucrats and increase the influence of politicians over their decisions (Grindle 2012; Newbury 2016).

To sum up, interviews with officials in Accra and Nairobi indicate that the practice of hiring through patronage is common. The hiring of bureaucrats on political considerations has two detrimental consequences on revenue collection. First, patronage weakens the autonomy of bureaucrats, especially those at the top-level, since their discretionary powers are restricted by the influence of politicians. Their interest in ensuring permanence in careers compels them to accede to political influence to maintain their jobs. Secondly, political interference creates a bureaucratic system that prefers short term strategies and ad hoc application of rules to the detriment of a sustainable long-term strategy that could lead to local financial autonomy. Thirdly, as street-level bureaucrats are not hired through the merit system, the supervisory power of managers over street-level bureaucrats is eroded due to patronage. For example, revenue collectors could indulge in practices that go against the rules and avoid punishment because politicians protect them. In turn, patronage is likely to encourage revenue collectors to indulge in corrupt practices (i.e., revenue diversion) with impunity[38].

5.2.2. Weak Political Support for Effective Revenue Mobilization

As argued in the previous section, the control of politicians over the actions of bureaucrats takes the form of resistance (drift) from politicians towards the initiatives for improving revenue outcomes. Interviews with top and middle-level bureaucrats provided evidence of the political opposition to effective revenue mobilization in both cities. Politicization of the process allows top-level managers to constrain the discretion of middle-level bureaucrats to override this resistance. In this way, the political context creates

[38] An extensive explanation of the strategies of street-level bureaucrats and their application within a context of impunity are explained in the Fourth chapter.

incentives that induce local political elites to resist these strategies because they go against their interests.

Participants from Accra and Nairobi Revenue Departments expressed that the top-level management, particularly managers and heads of department, seldom develop strategies for effective taxation, and often do not endorse strategies developed by middle-level bureaucrats. Bearing in mind that top-level managers are likely to be more politicized than their subordinates, they may be reluctant to endorse strategies that are not approved by political elites. Again, considering that strategies are developed to address the constant challenges of raising revenue, failure to endorse the strategies of bureaucrats results in the continuation with less innovative revenue mobilization practices. Discussion with top-level managers in both cities, who are likely to be politicized, reinforced the claim that innovation in revenue mobilization consists of assessing the potential of available revenue or developing plans to mobilize more revenue, and this is often resisted by the political leadership. Several research participants admitted that Accra and Nairobi mobilize local taxes from a revenue base whose potential is unknown. This can be viewed as a technocratic issue, but the findings of this dissertation revealed the political nature of the problem.

In Nairobi an inaccurate taxpayer database was identified as one of the main challenges in revenue mobilization. The Nairobi Budget Outlook and Review of 2015-2016 indicated the need to "carry out a baseline census on the business establishment in the county to establish accurate records" (23). The Budget Outlook Review and the County Fiscal Strategy papers of 2016 to 2018 persistently identified the inaccuracy of records as a revenue mobilization challenge. Information obtained from interviews with participants in Nairobi suggested that political resistance is the most likely cause of inaccurate taxpayers' records.

An assembly member in Nairobi agreed that "Nairobi can fund its budget, but there is a deliberate move not to do that. There are only little improvements […] Politicians don't want to measure the potential. There have been discussions, but every time politics comes in. They will not care about our instructions" (Interview 62, Nairobi, May 2018). His comments suggest that the political leadership of the city disregarded the suggestion to assess the potential of financial resources in the city in order to improve its financial capacity. This opinion was echoed by a former middle-level bureaucrat who said:

> "in the old system, you had to identify the revenue sources and the methods to collect them […] in the new system, we came up with the idea of cleaning the data, but the project died down […] Kenya Revenue Authority has approached them to try and link their property rates data with the county government data. However, we could not succeed. This is the will of the people on the top not to make things right" (Interview 54, Nairobi, April 2018).

Again, a top-level manager in Nairobi shared how the attempts of the Revenue Department to assess the potential of revenue was met with resistance by politicians as follows: "We thought of doing a census to know exactly how much we can collect […] We had picked people from different sectors to capture the data, to set the targets, but the project died a natural death. The political will is not there" (Interview 46, Nairobi, April 2018). These remarks prove the probability that the drift operates subtly to block attempts to design strategies aimed at exploring the potential of available revenues to mobilize them effectively.

Unlike Nairobi, the review of Accra Composite Budgets from 2013 to 2017 did not indicate the need to maintain a reliable taxpayers' database. Instead, budget reports consistently mention the requirement to increase own revenue mobilization (Accra Metropolitan Assembly 2013b; 2014b; 2015b; 2016b; 2017c). In Nairobi, the frequent acknowledgment of the need for new strategies in recent years demonstrates that less has been done to address the problem. In the case of Accra, no discussion or action on the inaccuracy in taxpayer database indicates that the need to assess the potential of financial resources is not among the city's top priorities [39]. In Accra, the opinions of research participants did not point directly towards attempts to measure the potential of financial resources, but the political resistance to innovative ideas related to revenue mobilization activities. These interviews were conducted mostly with middle-level bureaucrats, and they point to the inaction of top-level managers in general aspects of monitoring and motivation in revenue collection processes. To illustrate this resistance to improve revenue mobilization administration, an official from the Accra Revenue Department indicated that:

> "there could be a change that needs to come from the leaders, for instance, more actions to improve what is going on. They should give us instructions to be respected by all employees […] when you need support from the upper-level management, you report and sometimes you get answers, sometimes the support system does not work well […] there is a lack of leadership and a culture of corruption […] This (AMA) is the house for personal interests from politicians and everyone" (Interview 4, Accra, October 2017).

In the same line of thought, a middle-level bureaucrat from the same Department acknowledged that the upper-level management does not have the motivation to enforce the good strategies because the political will from the top-level management is lacking (Interview 2, Accra, October 2017). The content of interviews suggested that political resistance is caused by the desire of politicians to preserve their political and personal interests. On the personal level, comments of participants implied that a census on the potential of the revenue base would expose the assets of politicians, thus compelling them to comply with tax payments in the same way as ordinary citizens. Therefore, incentives for tax

[39] One possible explanation for not prioritizing revenue mobilization would be that in Accra, the Mayor's priorities have been the beautification of Accra and not the financial capacity of the cities. In Nairobi, there is growing discussion among political actors and governmental agencies that own revenue sources are not being exploited to the fullest by county governments. There are efforts intended toward giving county governments administrative powers to tap into their revenue potential.

avoidance turn out to be the main plausible explanation for the political resistance to the adoption of revenue collection strategies.

A middle-level bureaucrat from Nairobi corroborated this claim by illustrating the resistance of politicians to the effective use of IT systems in these words: “there is political resistance because the system would be open and the information accessible; there would be an exposure of politicians’ assets” (Interview 60, Nairobi, April 2018). Likewise, a middle-level bureaucrat from the Revenue Department explained the cause of this resistance by illustrating the attempts to conduct new property valuation. He commented that “the last time it was amended was in 1982. Politicians own some properties. So, they will be reluctant to amend the rating act. Also, many houses are owned by politicians. This is not directly linked to political parties. There are individual actions by politicians for their interests” (Interview 38, Nairobi, February 2018). This opinion suggests that the design of an accurate database would threaten politicians’ interests by exposing their assets and compelling them to comply with tax payments. This also shows that the underlying cause of the bureaucratic challenges in the administration of property taxes is political resistance. From a political economy perspective, a census of the potential of revenue would curb clientelist practices of some politicians, including the decrease of tax waivers for potential voters. However, this action would threaten politicians’ interests, by exposing the incentives available for tax avoidance.

These opinions can be summarized as examples of institutional drift, which is characterized by resistance of politicians to innovative ideas that could create conditions for greater revenue mobilization. The political resistance of local elites trickles down to top-level managers who are motivated by personal and career interests and follow the trend by not endorsing the actions of their subordinates. In the long run, management’s inaction stifles the innovation potential of middle-level officials, which creates a context that does not support innovation, especially when the improvement of revenue mobilization outcomes is perceived as a threat to political interests.

5.2.3. Political Interference in Revenue Mobilization

Alongside political influence in the bureaucracy, clientelism in revenue mobilization takes the form of political interference in the daily process of revenue collection. This strategy is common across the two cities and indicates the existence of coercive isomorphism – pressure to adopt the same non-optimal actions - induced by informal political rules. Ultimately, these have a perverse effect on the sustainability of fiscal decentralization rules and the possibility of building financial autonomy in the long run.

Political interference in revenue collection takes the form of clientelism, in which exemption from tax payment is used to win over potential voters. Exemption for tax payment has become a tool used by local politicians during elections. Empirical data generated during fieldwork attested to these claims. A top official from the Revenue Department in Accra shared how politicians sometimes interfere in the daily revenue collection processes to distribute clientelistic favors in these words: “we can try to collect revenues from some people, they will call their politician friends to tell them that AMA came to collect taxes. Then we will receive an order not to collect taxes from this person” (Interview 1, Accra, October 2017). The same view was reiterated by another middle-level bureaucrat from one of the AMA sub-metros who said that “there is a lot of interference in revenue collection from politicians. Property rate payers can call them when we go to collect taxes, and we will receive calls from the head office not to collect money from them” (Interview 17, Accra, November 2017). Finally, a supervisor in Accra added that “politicians by-pass the system to waive taxes for some traders. When we seize their things (for tax noncompliance), we receive (phone) calls and give their items back to them" (Interview 34, Accra, January 2018). This tactic was restated by almost all research participants at AMA and sub-metro officials. Political interference can take the form of a phone call to officers on the field, ordering them to waive tax payments for specific individuals.

In Nairobi, participants agreed that politicians interfere in their work, and this leads them to presume that taxpayers with links to politicians are less likely to comply with tax payments. An upper-level manager from the Revenue Department admitted that they are unable to raise revenue from influential people who are linked to politicians (Interview 36, Nairobi, February 2018). This situation also applies to other revenue sources, as illustrated by a middle-level bureaucrat from the same department. This official explained the challenge of collecting revenue from rented houses owned by the city due to political links between the tenants and politicians. He explained that:

> "the city has its own houses to rent and get income. However, there are many people who do not pay, there is an accumulation of arrears [...]when you go to bill or collect the rent, it is hard to be paid. Who cannot oust the people, and sometimes politicians are involved; they will defend these people? There was an attempt to demolish these houses, but we stopped due to politicians' interference in the process" (Interview 38, Nairobi, February 2018).

In this way, local financial resources are used as a political tool that allows politicians to secure votes by offering exemptions and waivers to friends. Contrary to the expectation that politicians would encourage actions that serve the public interest to augment their chances of being elected research findings show that politicians undertake strategies that undermine public interest-oriented actions in Accra and Nairobi. From a fiscal decentralization perspective, the recurring political interference in revenue collection reduces the number of potential taxpayers. It maintains a culture of tax non-compliance that has severe consequences on the financial autonomy and capacity in the two cities. From a sociological institutional approach, the undermining of the financial capacity of cities serves as an example of coercive isomorphism or the political pressure to adopt the same actions even though they do not serve to sustain local financial autonomy. Instead, politicians tend to adopt actions that undermine these systems due to the pressure of informal rules like clientelism. As pointed out in this chapter, politics undermines the bureaucratic capacity needed to mobilize more revenue. The following section examines the determinants of tax compliance and explains the impact of politics on tax compliance, which is a cause of poor revenue mobilization in Accra and Nairobi.

5.3. The Determinants of Tax Compliance

High rates of tax non-compliance are considered as a factor preventing local governments from improving taxation outcomes (Opoku et al. 2014, 125–26; Feld and Frey 2007). Tax compliance implies a fiscal contract that citizens are expected to fulfill in exchange for the provision of public services by local governments (Feld and Frey 2007). Theories of public finance and the tax exchange approach suggest the reliance of local governments on revenue from citizens increases their accountability to citizens (Bratton 2012; Moore 2007; Prichard 2010; Brautigam, Fjeldstad, and Moore 2008). On the other hand, more accountability to citizens has the potential to increase tax compliance. However, if governments draw their revenue from other sources, including central governments and IOs, they will be less accountable to citizens. In such cases, local leaders are not compelled to justify spending decisions to citizens but instead to central governments and IOs.

Financial relations of Accra and Nairobi with their central governments reflect, to some extent, these forms of accountability. As explained in Chapter Three, Accra and Nairobi are entitled to conditional and unconditional grants from the central government and IOs. Considering that conditional grants are earmarked for specific programs, this compels the two cities to justify the use of these funds to the central governments and IOs. Therefore, the mechanisms of accountability embedded in these transfer processes compel local actors to be accountable to donors (central governments and IOS).

If the fiscal decentralization context governing the transfer and the use of external grants creates the conditions for lower accountability by local government actors to citizens, it can have a detrimental effect on tax compliance, as evidenced by the findings of this dissertation. This is consistent with the theoretical assumptions that if citizens perceive local governments as unresponsive to their needs or note that local leaders mismanage public funds, they will not comply with tax payments (McGee 2008). Finally, these findings confirm the importance of the actions of politicians in creating the conditions for higher rates of tax compliance.

Research data suggests that tax non-compliance attitudes in Accra and Nairobi are generalized, but they vary depending on the groups of taxpayers and their interaction with local authorities. On the one hand, public officials in Accra and Nairobi interact with taxpayers who are mostly individuals including property owners and are naturally inclined not to comply with tax payment, even though they may expect tangible or non-tangible benefits from the city. Based on the opinion of the research participants, this category of taxpayers has developed an apathetic attitude towards tax compliance due to their perception that local authorities mismanage public funds or due to the lack of public education programs on tax compliance. On the other hand, local authorities deal with engaged citizens or organized groups, who are inclined to comply with tax payment in exchange for benefits. This category comprises community organizations and informal trader associations who perceive taxation as a transactional relationship. Organized citizens and informal trader associations can be viewed as civil society organizations because they represent the interests of a particular constituency or a general cause (Devas and Grant 2003). Furthermore, like civil societies, which act as facilitators of accountability (Kohler-Koch 2010), these organizations play a significant role in advancing accountability. Finally, the third group is composed of powerful taxpayers, such as businesspersons and organized groups. They include influential business individuals (in Kenya and Ghana) or cartels[40] (in Kenya), who may or may not comply with tax payment due to their political ties although they expect substantial benefits from the cities. Their resources and negotiation capacity are used through formal and informal/illegal means (corruption or coercion) to obtain power to influence city authorities and avoid compliance. These different attitudes show that initiatives to instill tax compliance should be used to achieve positive results. These categories of taxpayers and their attitude towards tax compliance is summarized in Table 4.

Table 4: Categories of Taxpayers and attitudes towards Tax Compliance

Category	**Attitudes towards Tax Compliance**
Individual taxpayers	• Naturally inclined not to comply with tax payment. • Expect tangible or non-tangible benefits from city authorities.

[40] Cartels are organized groups who seek controlling influence on the government through extortion and, in extreme cases, criminal methods to take advantage of government resources. Interviews with officials in Nairobi revealed several accounts of the strategies used by Cartels to avoid tax payment.

Citizens' association and informal traders' groups	• Inclined to comply with tax payment in exchange for benefits. • Taxation as a transactional relationship.
Power taxpayers: Businesspersons and organized groups (in Kenya and Ghana) or Cartels (in Kenya)	• May or may not comply with tax payments due to their political ties but expect substantial benefits from the cities. • Their resources and mobilization capacity made possible through formal and informal/illegal means (corruption or coercion) grant them the power to influence city authorities to get away with tax non-compliance.

The challenges related to high incidence of tax non-compliance are examined against three theoretical claims. The first claim is that if bureaucrats develop strategies and initiatives to engage with citizens, these strategies will induce higher levels of tax compliance among taxpayers. Second, if local actors offer better services to taxpayers from the informal sector, this will create tax compliance incentives for informal economic actors. Third, the strategies developed by bureaucrats to instill tax compliance culture will significantly impact revenue mobilization outcomes if they are supported by political leaders and are not perceived as impinging on their personal interests.

Research findings (mostly based on interviews with bureaucrats, a community organization in Nairobi and two informal traders' associations in Accra and Nairobi)[41] suggest that politicians generally do not endorse the initiatives proposed by local actors to engage with taxpayers. This would explain why some individuals do not comply with tax payments because they are not compelled to do so. Secondly, the findings show that taxpayers from informal sectors and organized groups perceive that the city does not provide

[41] As mentioned in the Methodology section, citizens and informal trader groups were the easiest taxpayers to approach when collecting data on tax compliance and their relationships with city officials.

sufficient services. However, this group of taxpayers complies with tax payments and finds alternative strategies to demand more accountability.

5.3.1. Tax Compliance Attitudes and Demands for Accountability

Research findings from Accra and Nairobi show that despite poor service delivery, organized groups will comply with tax compliance because tax non-compliance will have negative repercussions on their reputations. Thus, failure to show discontent for poor service delivery through tax noncompliance compels them to actively demand accountability to city authorities. Members of three associations, including one representing citizens (KLDA) in Nairobi and three (3) association of informal traders in Accra and Nairobi, shared their opinions on efforts for demanding more accountability.

Karen Langata District Association (KLDA) was established in 1940 in Nairobi to represent Karen and Langata residents' interests, an area that has expensive properties. The association ensures that the area is well-serviced in terms of road infrastructure, street lighting, and security. Most KLDA members are professionals and wealthy landowners who are aware of their rights and responsibilities as property rate payers. For a long time, the organizational capacity of KLDA led its members to pay their property rates directly to the association. The objective was to transfer the sums to the city only when the latter presented a clear development plan to be implemented in their locality. The implementation of the plan would involve KLDA members. This logic was expounded by one of the members in Nairobi who shared that:

> "people pay up to KHS1 million in land rates. We send between KHS15 and KHS17 million to the city every year […] normally when you collect revenues at the city, you are supposed to give services: garbage collection, maintenance, and repair of roads. However, we have seen that this does not happen with the city of Nairobi. We want to enforce the implementation of some services. Our main issue is access to water. But the city will come up with other things like

> building the road. Sometimes, the city will bring their own development plans without consulting us, to know if this is what is needed in the area" (Interview 44, Nairobi, March 2018).

Therefore, this association is aware of its financial contribution to the coffers of the city and used this knowledge to expect and obtain quality services in exchange for tax compliance.

The retaining of property rates by the association started in 1995 after a Court decision granted them the right to not pay the full amount of property rates to Nairobi city unless services are provided (Machira 2015). The case was perceived by Nairobi city as unlawful. In 2015, the former Nairobi Mayor Kidero took KLDA to court to directly impose property rates without any conditions associated with the payment, and KLDA lost the case. An official from the central government reflected on that situation by acknowledging that KLDA could have won the case by using other aspects of the legality of raising revenues, such as the obsolete land valuation rolls. Given the fact that valuation rolls are not updated every ten (10) years as prescribed in the Rating Act, "the city is imposing property rates based on expired valuation, which becomes illegal. By using this ground, Karengata could have won the case" (Interview 56, Nairobi, April 2018).

Despite the loss of leverage granted by the retaining of property taxes in exchange for services, KLDA members did not relent their demand for more accountability from Nairobi city. Besides, a member of the organization suggested that their efforts engage with the city are often undermined in this way:

> "When it comes to participation, the city might have a discussion that concerns us, and for instance, if the meeting is planned for 10 a.m., they will call us at 8 am to attend. They know we cannot make it. It is their way to limit our participation. We want to sign a recognition agreement in which we will have a list of services we wan"t (Interview 44, Nairobi, March 2018).

The case of KLDA is an example of taxpayers who perceive tax compliance as a transaction. In this transaction, tax compliance is fulfilled in exchange for better public services. Failure to receive those services force them to demand accountability when compelled to comply with tax payment.

The situation of informal traders is quite different from KLDA due to their vulnerability, but similar in terms of tax compliance and strategies used to demand more services. This group of traders is made up of women and other actors who operate small and informal businesses for a living. Inducing tax compliance in the informal sectors depends on the readiness of city actors to create incentives for collaborative relations with these groups (Lindell 2008; Lund and Skinner 2009; Aribigbola et al. 2013; Bundlender 2015). Furthermore, the cities provide a safe economic environment, including the building of necessary infrastructure, shelters for vendors, provision of water and electricity, storage, waste management, and the clean-up of daily markets and commercial spaces (Obeng-Odoom 2017; Fjeldstad and Heggstad 2012; Fjeldstad 2006; Mkhize, Dube, and Skinner 2013, 19). The informal sector plays a major role in the economy of both Accra and Nairobi. In Accra, this sector has created 73.3% of jobs in 2015 (Adamtey 2015). In Nairobi, the informal sector is considered the largest employer, with 12.6 million jobs, compared to 2 million jobs in the formal sector (Kenya National Bureau of Statistics 2016). Therefore, the informal sector represents a significant source of revenue for the two cities.

Associations of informal traders find themselves in the same situation as KLDA, insofar as they are required to comply with tax payment in spite of their perception that the city does not adequately respond to their needs. This is because compliance is a requirement to allow them to continue their business activities. Faced with this constraint, they have been active in demanding accountability from local authorities.

Members of KLDA, are conscious and knowledgeable taxpayers whose social-economic status allows them to demand more services and accountability. But the vulnerable position of informal traders, who are mostly women, prompted them to form associations to advocate for their rights. These groups demand more accountability from city actors and more services such as daycares or a safe environment to foster a better business environment.

In Accra, two groups emerged from this exercise: The Queen Mothers (informal heads of markets) and other formal market associations affiliated with Street Net International, a federation of informal workers groups from 40 countries worldwide (Spire and Choplin 2018)[42]. Nairobi's main association affiliated with StreetNet International is Nairobi Informal Sector Confederation (NISCOF) and it works for the city's recognition and demands better services for its members with other informal associations, including the so-called briefcase associations[43].

Informal traders' associations advocate for a better business environment (safe, secure, and with the basic facilities) and a seat at the decision-making table, which has become a challenge. On this subject, an informal trader from Accra explained that the city should find new ways of engaging with informal traders considering the continuous growth of the informal sector. He said that "the way forward is to give us space where to do our

[42] Interviews with the members of these informal trader associations suggested that there are in competition with the market Queen Mothers. These associations are governed on democratic bases since the representatives are elected while the queen mothers are chosen in an undemocratic manner. Seemingly, Queen mothers perceive these associations as threats to their authority.
[43]Briefcase associations do not have a membership, but they will meet with the city to talk about informal trader issues.

business and consider safety risks. The political leaders shouldn't ignore traders. Political leaders will approach us to get our votes during elections. Once in office, they forget their promises" (Interview 10, Accra, November 2017). His views were echoed by another informal trader who shared the kind of services that the city should offer. He said:

> "If I am getting money from you, you have to motivate the head porters, and organize programs for them, put some public washrooms in the markets and visible services. Cleaning the markets would be part of it too. There is a lack of proper planning. But the city councillors said they are going to take care of this" (Interview 8, Accra October 2017).

An informal trader from Nairobi deplored their non-involvement in the city's decision-making on matters concerning informal traders. He narrated this complex situation as follows:

> "We know that this money (marked fees) does not reach the city hall […] When NCC [Nairobi] wants to change the law, they ignore us, and it is important that we must be represented the same way as the formal sector (we see notices). The city has an issue to pay their workers, how can they give us services. We would like viable sites, toilet facilities. But they won't give us because they say they get less from us" (Interview 17, Nairobi, March 2018).

These claims show that informal traders also envision taxation as a transaction in which tax compliance is fulfilled in exchange for services. Thus, contrary to the hypothesis that poor services delivery will induce more tax noncompliance with informal actors, these participants demonstrated the mobilization capacity of taxpayers, including informal traders and increasing demands for accountability. They also reveal the lack of effort by city actors to engage with the informal sector, knowing that it represents a significant revenue potential. Improvement in service delivery for the majority of citizens is, therefore, a necessary condition to improve tax compliance. The existence of incentives in the form of public services, security, etc., may, thus, increase the probability that taxpayers will comply voluntarily with tax payment, without direct coercion which could induce a high degree of tax non-compliance among informal traders.

Claims of taxpayers gives the impression that city officials in Accra and Nairobi are not responsive to the demands from the informal sector. However, interviews with public officials on this matter revealed that attempts are made to engage with the informal sector in order to explain the kind of services provided to them by city authorities, but these attempts are thwarted by the political leadership.

5.3.2. Engagement with Taxpayers

Scholars argue that informing the citizens on the use of public funds through various communication means (radio programs, local newspapers, documents online) can change the citizens' perception on tax payment and increase tax compliance (Harpham and Boateng 1997, 71-72; Obeng-Odoom 2017; Bekker and Fourchard 2013, Cheeseman and Burbidge 2016). Obersholzed and Stack (2014) found that 51.92% of South-African citizens in urban governments expressed that the government does not provide enough information on how taxpayers' money is used. The lack of data on the utilization of public funds tends to induce tax non-compliance behavior (517). Additionally, given the widespread culture of tax avoidance, extra efforts need to be made to give citizens confidence that their taxes are making it possible to provide better social services, such as waste management and better road infrastructures (Groenewald et al. 2013; Abbott 2003; Ali et al. 2014). Still, these strategies can yield positive results if they are supported politically (Sanchez 2011).

Interviews with participants indicated that about 4 out of 17 city officials in Nairobi and 3 out of 15 city officials in Accra understand the importance of engaging with citizens to foster tax compliance. The attempts to inculcate tax compliance behaviors are illustrated by the design of programs to educate citizens, especially those who are naturally inclined not to comply with tax payments. In Accra and Nairobi, these initiatives are developed by the Communication Departments and implemented in collaboration with other relevant departments.

Research participants indicated that Accra has several initiatives to engage with citizens through the sub-metros, radio and television programs, and flyers to inform them about the services provided such as cleaning markets and building schools. Likewise, as part of the Urban Development Grant conditions, urban municipalities including Accra, hold town hall meetings to foster public participation and social accountability. The notion of social accountability coined by the World Bank means that local authorities should link service delivery with revenue collection to foster tax compliance (The Urban Agenda 2016). Yet, the city controls access to public debates at the Assembly and town hall meetings because participation is allowed only by invitation, thus selecting who can participate and who cannot. Additionally, online communications on local finances have progressed slowly. A fully functioning website was only available towards the end of 2018 and contained much less information on public and local finances, let alone budget reports. Accra uses mostly newspapers to reach citizens. Most of the time, the newspapers contain information that reminds citizens of their tax obligations. Accra's budget reports, enclosed in the Composite Budget documents since 2012, are only available on the Ministry of Finance website. The task of engaging citizens is done through public participation and outreach programs, including press releases and other information through online media, social media or direct interaction with taxpayers.

In comparison, Nairobi surpasses Accra in its efforts to reach out to citizens. This is evidenced by the frequent use of the media, functional websites, and increased public participation initiatives conducted at the sub-county and ward levels. Furthermore, fieldwork observations uncovered communication infrastructures and platforms available in both cities. The penetration of IT systems allows Nairobi to use more online communications. This is evidenced by the availability of city and county assembly websites that host budget reports and other local finance documents. Likewise, the city regularly feeds its Twitter and Facebook pages as a form of engaging with citizens on different aspects of local governance. Also, public notices and press releases on local finances are often published on online newspapers and printed newspapers. According to one research participant, "using newspapers is the easiest way to get the reactions of the people, because many people read the newspapers" (Interview 61, Nairobi, April 2018). Besides, several central government agencies such as the Controller of Budget and the Commission for Revenue Allocation publish county government budgets on their websites, thus making them easily accessible[44]. Based on these findings, one can argue that Nairobi uses targeted communications, primarily through press releases and newspaper announcements, to reach out to citizens. Also, unlike Accra, engaging with citizens is facilitated in Nairobi by enhancing online systems that allow the city to publish a range of public interest information. Despite these differences, communication initiatives do not receive adequate support from politicians, thus limiting their reach and impact.

[44] Whether citizens take the initiative to access these reports online is out of this dissertation scope. This would require an extensive study on citizens participation in local affairs.

5.3.3. Limited Political Support Engaging with Taxpayers

Research participants from the Communication Departments in both cities suggested that they could implement better communication programs if the top-level management and political leadership supported them. In Accra, an interviewee explained the challenges related to gathering the material needed for communication and sensitization programs. This participant said:

> "I have an interesting project (public sensitization) that I would like to implement, but I do not have the material. I will tell people from the Assembly that what I do benefits everyone, especially the executive. They always tell me to wait. Nevertheless, if they do not collaborate, it will not work. Maybe this is not the Assembly's priority" (Interview 6, Accra, October 2017).

In Nairobi, an interview with a city official from the Communication Department revealed that communication is underestimated by the city's administration since the top-level management does not appreciate its importance in enhancing relations between the city and citizens (Interview 61, Nairobi, April 2018). Thus, it can be inferred that Accra and Nairobi are similar in the fact that political leaders give little importance to communication programs to reach out to citizens, as evidenced by their reluctance to endorse these programs. A probable explanation for this reluctance would be that engaging with citizens could provide an opportunity for taxpayers to raise their concerns on the mismanagement of public funds or the lack of better public services. In order to avoid this situation, political leaders choose not to support these actions that could compel them to face citizens.

Several participants in Nairobi and Accra shared their perception of the enduring tax non-compliance by citizens and the reluctance of citizens to change this perception. They were in consensus that citizens are not willing to pay taxes because of the perception that the city does not provide enough services, and due to the lack of accountability from politicians.

Based on the opinion of two top-level managers of different departments in Accra and Nairobi, tax non-compliance results from the lack of accountability of politicians to citizens. One commented that "the citizens have to ask questions. They have the right to know what is going on. Politicians won't avoid them when they have to answer. However, they will tell them stories" (Interview 5, Accra, October 2017). The opinions of another official in Nairobi implied that "the people have the perception that decentralization policy is not pro-poor. They feel they do not get value for money; there is friction against local authorities" (Interview 47, Nairobi, March 2018). Lastly, two middle-level bureaucrats in Accra said that the lack of sensitization and communication programs is a case of misplaced priorities. According to one of them, "the city should educate property rate payers, go out with vans (cars) and tell them why they should pay. We rather use the vans to clear the markets" (Interview 17, Accra, November 2017). These interviews reflect one dimension of mistrust in local authorities, which stems from the perception by citizens that local authorities mismanage public resources (Fjeldstad 2004). This also implies that local authorities could be knowledgeable about this situation, and addressing it requires the support of politicians. The same claims reinforce the argument that politicians may be reluctant to endorse programs to engage with citizens because these programs would allow citizens to raise their concerns on the lack of transparency in the management of public funds.

This analysis confirms the claim that the strategies developed by bureaucrats to instill a tax compliance culture will have a significant impact on revenue mobilization outcomes if they are supported by political leaders. Accra and Nairobi exemplify cases of political resistance to the development of strategies aimed at instilling tax compliance when they go against their political interests. Weak political support for these strategies reduces their impact and citizens cannot benefit from them.

5.4. Conclusion

This chapter explained the causal link between political factors and weak financial autonomy in Accra and Nairobi. The analysis showed that informal institutions of patronage and clientelism induce local political elites and top-level managers to resist the strategies designed by bureaucrats to mobilize revenue and instill tax compliance. It reveals that the politicization of the bureaucracy and the career incentives of upper-level bureaucrats creates the conditions for political resistance to innovation in revenue mobilization. In addition to the political resistance to innovation in revenue mobilization, politicians interfere by offering clientelist favors, such as tax waivers to selected taxpayers. Their inability to ensure effective revenue mobilization and interference in the process encourage corrupt practices among revenue collectors and high rates of non-compliance of tax payment by the citizenry. The analysis also presented the perception of taxpayers that local authorities misuse public funds, and this prompts them to demand more accountability instead of showing their discontent through tax noncompliance. Finally, the chapter demonstrates that attempts to engage with taxpayers are thwarted by the local political elites who avoid facing citizens who may demand accountability. The key point of this chapter is that politicians tend to adopt strategies that undermine attempts to mobilize revenue if they are considered to be a threat to their personal and political interests.

CHAPTER SIX: MAIN CONCLUSIONS

6.1. Summary of the Main Arguments

This study attempted to provide answers to two research questions. The first question is related to the causes of the failure of local actors to mobilize the amount of revenue targeted in the budget forecasts. The second question examines the strategies that local actors used to improve revenue mobilization between 2013 and 2017. These two questions are explored through a comparative and qualitative analysis of revenue mobilization in the cities of Accra and Nairobi. Original data (interviews, primary source documents, and observations) collected during eight (8) months of field research in Accra and Nairobi are used to conduct a substantive analysis of local financial autonomy building. The comparative analysis of Accra and Nairobi is based on the Most Different Systems (MDS) method, which served to uncover the similar independent variables that affect a common dependent variable in two cities that differ in many ways except for the variables of interest.

Whereas fiscal decentralization policies in Kenya and Ghana grant financial powers to local governments to mobilize revenue to sustain their financial autonomy, research findings show that the cities of Accra and Nairobi fail to fully utilize these powers. This is evidenced by low revenue mobilization outcomes and an increasing dependence on external revenue transfers. Despite the significant potential for financial resources, Accra and Nairobi are typical local government cases that, similar to most local governments in Sub-Saharan Africa (SSA), are financially weak. The analysis draws upon the institutionalist, and political economy approaches to demonstrate that efforts to build financial autonomy through revenue-generating activities are shaped by fiscal decentralization and rules and local political dynamics. The rules emerging from decentralization reforms create incentives, powers, and discretions that induce behaviors that favor or undermine efforts to mobilize more revenue. Research findings showed that four categories of actors – politicians, top-level, middle-level, and street-level bureaucrats - with different degrees of powers and discretion adopt specific actions and strategies that cases undermine effective revenue mobilization processes. Yet, middle-level bureaucrats are more inclined to design strategies to mobilize more revenue. However, the high discretion of street-level bureaucrats and the high degree of politicization of top-level bureaucrats frustrate the efforts of middle-level bureaucrats. Revenue mobilization strategies are also undermined by political elites, who view them as a threat to their interests. The examination of interactions between bureaucrats and politicians uncovers the key role played by the local political elites in enabling or thwarting effective revenue mobilization. On the one hand, the power and discretion enjoyed by these actors impact the organizational and bureaucratic capacity required for revenue mobilization activities. On the other hand, the actions and strategies of local political elites induce them to undermine revenue mobilization activities and tax compliance by taxpayers.

Accra and Nairobi tend to set higher revenue targets, partially explaining their inability to meet these targets. A comparison of revenue targets and collection between 2013 and 2017 suggests that both Accra and Nairobi regularly adjust revenue targets and outcomes. This claim is evidenced by the fact that revenue predicted between 2013 and 2017 were not based on a precise formula or collection achieved in the previous year. Furthermore, a review of interviews and documentary data fails to provide a logical explanation of the procedures used to predict revenue. Potentially, the ambiguities of the formula for setting revenue targets open up space for target adjustment strategies. This institutional context is further complicated by a lack of clear guidelines in setting revenue targets, and the transfers of external unconditional allocations for better revenue mobilization performance induce local actors to adjust the revenue targets for administrative and personal benefits as they are guaranteed continuous external grants. This context also offers more opportunities for informal expenditures of the revenue mobilized through a strategy of "spending at source". These factors make it almost impossible to accurately assess revenue mobilization outcomes because the budget figures are altered, and the actual amount of revenue spent at source is unknown. A combination of these factors makes it impossible to determine whether local actors could mobilize the predicted amount of revenue. The adjustment of revenue targets and outcomes perpetually keeps the cities in a state of financial dependence as they rely on external grants to cover development expenditures.

Chapter Four examines the bureaucratic and organizational capacity involved in revenue mobilization. The findings reveal that local administrative contexts are marked by strong bureaucratic capacity in revenue mobilization but weak bureaucratic capacity in other areas such as enforcement. Accra and Nairobi's poor organizational capacity hinders the effective deployment of bureaucratic capacity. For instance, the inadequate collaboration between departments remains a stumbling block to the implementation of activities that require coordination among the actors.

Revenue collectors engage in corruption and other revenue diversion strategies to offset their poor working conditions, and impunity from punishment contributes to perpetuation of these behaviors. The pre-existing work culture and opportunistic behavior of some bureaucrats thwart the effective use of IT systems in taxation processes and outcomes. Officials in the decentralized units in Accra and Nairobi perform their tasks in poor working conditions. The lack of adequate human and technical capacity, coupled with a heavy workload, poor working conditions, limited leadership support, and political interference deter competent bureaucrats from performing their duties effectively. As a result, in most cases the work of bureaucrats is limited to the daily work routine, with practically no scope for innovation.

These conclusions are used to analyze the political and institutional incentives that drive local actors, both bureaucrats, and politicians, to thwart or foster the building of local financial autonomy in Chapter Five. Several factors impact establishing strong bureaucratic capacity, including the direct and indirect political interference in revenue mobilization activities and the lack of political support in developing strategies that foster tax compliance. The analysis helps explain the causal link between formal and informal institutions and weak financial autonomy in Accra and Nairobi. Research findings revealed that informal institutions induce politicians and top-level managers to undermine the strategies designed by bureaucrats to mobilize more revenue and ensure tax compliance.

The politicization of bureaucracy and career incentives of top-level bureaucrats create resistance to innovation in revenue mobilization. In addition, politicians interfere by offering clientelist favors, such as tax waivers to their preferred taxpayers. The perception of the citizenry about the mismanagement of public funds by public officers and the lack of interest among the political leadership to adopt transparency and accountability mechanisms increase tax noncompliance. However, organized groups who are inclined to not comply with tax payment, will rather pay their taxes because the consequences of tax noncompliance are higher. In response to this enforcement effort, citizens actively demand accountability and better services. The key argument is that the successful implementation of strategies aimed at mobilizing more revenue depends on the willingness of politicians to endorse them. Therefore, the lack of political will is the principal cause for the failure of Accra and Nairobi to build financial autonomy.

6.2. Policy Implications

The conclusions of this dissertation have four policy implications that could inform the design and implementation of development policies to improve the sustainability of cities. The first implication pertains to the strategies for building local government autonomy. Decentralization policies were adopted to improve the economic, political, and social development of local communities. The primary purpose of these policies is to transfer significant financial and political autonomy to local governments that operate closer to the population. The fiscal autonomy granted by legal rules is expected to allow local elected officials the scope to generate adequate revenue to finance development programs adapted to fulfill the needs of the citizenry. However, these policies face administrative, legal, and political challenges in implementation. After four decades of decentralization experiences in SSA, the expected financial autonomy has not been achieved. It is fair to argue that these policies are recent. Yet, local governments, especially those with significant financial resources like Accra and Nairobi, are consistently dependent on external revenue grants. The guarantee of funds from IOs and central governments discourages local actors from raising more local revenue. Furthermore, the revenue mobilized is not used transparently, as evidenced by the practice of spending at source. Although these funds aim to empower cities and help them build financial autonomy, this assistance has the opposite effect.

Furthermore, these findings prompt a rethink of the fiscal decentralization frameworks to ensure that external transfers do not act as a disincentive for revenue mobilization at the local level. Therefore, policymakers in Kenya and Ghana, and other countries experiencing the same financial dependence pattern, could rethink the revenue sharing formula and the structure of incentives in the form of external grants. On the one hand, the revenue sharing formula should include elements that reward better revenue mobilization performance at the local level, particularly in local governments that have significant potential for raising revenue. On the other hand, the dependence of local governments on external grants suggests the need to think more about the creation of robust accountability systems in the utilization of these grants and the design of incentives that encourage the improvement of revenue collection performance.

Secondly, decentralization takes place in a complex environment marked by conflict of responsibilities between IOs, central governments, and municipal governments. This environment is shaped by a plethora of rules, regulations, and reforms that aim to empower local governments financially and administratively. The political context in which these policies are implemented drives local political elites towards rent-seeking behavior. In this complex environment, citizens who expect to benefit from public services are deprived and left to their fate. This raises questions about the political autonomy and financial sustainability of Accra and Nairobi and their ability to achieve the expected development goals and the ability of local political elites to make their own decisions. Financial dependence contributes to increased accountability of local political elites towards the central government, thus creating a relationship rift between the citizens and the local elected officials, and the latter are not inclined to respond to needs and demands of citizens. Thus, decentralization policies are moving towards a trajectory that is different from the original plan. This requires rethinking over the strengthening of the accountability link between citizens and local elected officials and take an inclusive approach for local development policies that suit the needs of citizens. Accountability to citizens could be strengthened if local actors were more dependent on locally generated revenue for implementing development programs. Subsequently, if taxpayers are the main sources of these revenues, this will create more possibilities for local government actors to reconnect with citizens by involving them in the decision-making process.

In fact, initiatives to revert financial dependence have been implemented in some cities by bureaucrats and politicians, as well as reform-oriented decision-makers. This is particularly the case of the state of Lagos city in Nigeria, and Freetown City in Sierra Leone (Prichard et al. 2020; Chirambo and McCluskey n.d.; Premium Time 2020). For instance, Lagos city improved its revenue mobilization outcomes mainly because of the strong political leadership of the governor to generate enough revenue to transform Lagos into a megacity. In Freetown, revenue collection from property taxes increased significantly due to the willingness of the political leadership to reform property tax systems through the use of IT systems. Overall, these successes were a combination of factors, including the main element of the political will to reform property tax systems, manage local revenues with more transparency, strengthen the bureaucratic capacities of the departments in charge of property tax administration, and adopt soft and hard tax compliance strategies. Thus, Nairobi and Accra, and other cities facing the challenges of low financial capacity could reform their revenue collection systems using inclusive strategies that involve politicians, bureaucrats, and citizens. These changes can be possible with firm support from the political leadership.

The third policy implication is related to IOs' faith over e-government tools in the form of IT systems to enhance bureaucratic capacity in developing countries. IT systems are hailed by IOs and development partners for their potential ability to improve revenue collection administration. Their use in public finance management is encouraged, as evidenced by the multiple IT systems reforms in taxation processes. However, the literature is biased toward celebrating short-term successes. While the adoption of IT systems in local government contexts is often poorly documented, the findings of this dissertation shed light on the failure and underutilization of IT systems for revenue administration. This reflects the fact that IT reforms often confront well-established networks of actors and institutions, with existing incentives and rules that can make them resistant to reform. Also, the technical and technological infrastructure required to use these systems is insufficient. These shortcomings diminish the contribution of IT systems to the strengthening of revenue collection systems. As Peterson claims (2001), bureaucrats are more preoccupied with the management of ongoing operational demands in many developing countries, as they juggle multiple reforms. In other words, the adoption of IT systems in some countries would fail because it stretches already strained capacity and threatens operational capacities.

Furthermore, while IOs look to specific IT solutions, they seem to disregard the cost that will be incurred in the overall IT environment. IT systems fail to deliver the expected results in Accra and Nairobi due to concerns of users over the risk of hacking and the difficulties of gathering data from different units. Besides, the maintenance of the required IT environment expertise of these systems can be costly. Therefore, adopting IT systems to enhance revenue collection requires adjustment to local realities, management patterns, expertise, technical and financial resources, and staff in order to yield better results.

Fourth, the management of specific revenue collection processes is ineffective because the institutional rules governing these processes are sometimes rigid, outdated, or ambiguous. An example can be found in the valuation of property in Kenya. The rules governing property valuation are rooted in different laws, and the Rating Act adopted in 1960 is the dominant legislation. These rules unfold alongside informal practices such as revenue diversion strategies, corruption in revenue collection, or the spending at source of a portion of the revenue collected. The perverse effects of these rules are amplified by political barriers to revenue mobilization, the lack of collaboration in property valuation regulations, and sharing of cadastral plans between local and central government actors. Additionally, the problems of collaboration between different units hinder the effective management of specific revenue mobilization processes (i.e., property tax management and taxpayers' data sharing). Although the sources of the poor collaboration were not clearly identified, by tracing back the initial stages of implementation of decentralization policies, we can see that specific responsibilities were decentralized to local governments under pressure from international donors. In other words, decentralization ideas were primarily the choice of international actors and not central governments. This may explain why central government actors (especially bureaucrats) continue to hold on to some of the prerogatives they had, although they formally are decentralized, as evidenced by the case of property tax administration. This reluctance causes conflicts of responsibilities between the two government levels and has negative consequences on the effective administration of property taxation.

Both rigid property valuation rules and poor collaboration can be overcome if these rules are reformed to simplify property valuation processes to adapt them to current realities and through collaborative efforts between central and local governments or between the different units in charge of the same activity. For instance, the central government could facilitate the understanding by local actors of some of the ambiguous taxation processes in order to help them avoid confusion with the property tax administration as well as rules and procedures.

The dominant role of the central government does not discount the fact that local actors are also responsible for certain problems, as evidenced by the lack of accountability and transparency in the management of public funds or the reluctance to engage with citizens. The latter exacerbates the tax noncompliance attitude that still exists in several cities. Thus, strong political commitment from central government and local political leaders to support revenue mobilization strategies and encouragement of tax compliance is needed to improve the financial capacity of subnational governments.

6.3 Theoretical Implications

Finding a suitable theoretical framework for studying revenue collection processes in two major cities was a strenuous task and required juggling several theoretical pieces. As a result, the framework used in this analysis mainly combines institutionalist and political economy theories. Ideas in these theories are complemented by the concepts of state capacity, tax compliance/urban governance, clientelism, patronage, and party voter linkages. Taxation, an important aspect of fiscal decentralization policies, is often analyzed with the help of theories of finance and economics. Studies in political science have attempted to examine this topic from the public finance and governance angles in order to explain how spending decisions of those in power conform with the requisites for accountability to citizens. Moreover, most studies on fiscal decentralization in developing countries examine taxation from an angle of intergovernmental relations and fiscal federalism. Yet, the dominant themes in this field are related to the extent to which fiscal powers and revenue transfer frameworks between central and local governments can lead to local financial autonomy. Efforts were made to find appropriate theoretical concepts that capture the role of local actors in taking ownership of their fiscal powers from an agency perspective and the actions of these actors for influencing the revenue collection process. This theorization involved taking into account the fiscal, economic, bureaucratic, organizational, and political aspects of these policies, which can be difficult to reconcile in a single framework. The explanation of the fiscal decentralization processes, particularly with reference to complex revenue mobilization from institutionalist and political economy points of view, constitute a theoretical contribution. The work succeeded in explaining the extent to which actions of local actors in the mobilization of financial resources are explained by the nexus between institutional rules, incentives, powers, discretion and political dynamics. This theoretical framework could be further refined, but it allowed us to grasp the challenges of weak financial autonomy and solutions holistically.

While this theoretical framework assisted in accomplishing the task, it can be said that theories do not always provide perfect analytical frameworks. Such imperfection is more obvious in the analysis of complex and multi-dimensional policy or reform processes. For instance, the institutionalist perspective explains how institutional rules, incentives, powers, and discretion shape revenue mobilization outcomes required borrowing concepts from historical, rational choice, and sociological institutionalism. Historical institutionalism concepts were practical in explaining the difficulties of effectively valuing properties in Accra and Nairobi to mobilize more revenue based on new valuation rolls. From a historical perspective, it was possible to explain how property tax processes evolve in the context of path dependence. Particularly, property tax administration (identification and valuation of properties) and collection are rooted in laws that grant more control to the central government. Before decentralization, property valuation and taxation were the responsibilities of central governments. This process was embedded in a series of laws and rules, some dating back from the colonial era. With decentralization policies, the responsibility for collecting property taxes were devolved to local governments in Kenya and Ghana. The same applies to several African countries that are former British colonies, while property valuation and collection are still the responsibility of central governments in former French colonies. New decentralization policies did not dismantle path-dependent practices. On the contrary, the laws continue to strengthen the control of the central government, thus making property tax administration rules and decisions self-reinforcing.

At the same time, limiting the analysis to historical institutionalism would have resulted in the exclusion of other important elements that hinder effective administration and property tax collection. This is related to the case of setting revenue targets and reporting that are prone to target adjustments. The ambiguity of fiscal decentralization rules is conducive to these practices, but they also result from strategic calculations of local actors. These actors take advantage of the ambiguity to adopt other strategies such as spending at source. These strategies can be better understood from the rational choice angle by examining the extent to which they serve the interests of particular groups. Finally, informal rules that are created by local political contexts exert pressure on the actors and compel them to undertake actions that do not benefit the public but serve the personal interests of the actors. Sociological institutionalism provides an explanation for these actions by showing how they result from coercive isomorphism.

Although this theoretical framework was enough to explain most of the problems identified, it failed to provide satisfactory answers to the issues of political inaction and resistance to efforts from bureaucrats, except that these strategies often threaten the interests of politicians. Therefore, research must refine or develop new theories to explain the reasons that prompt pollical leaders to undermine some policy processes that have an inherent key value as is the case of building local financial autonomy, a critical element for local development.

Additionally, the institutionalist and political economy frameworks shed light on how specific processes fail because they are undermined by the actors who put them in place. This is particularly the case for all revenue mobilization processes, which is a consequence of decentralization of fiscal powers. Bureaucrats at the level of the central government undermine effective administration of property tax. Public administration theories have explored the challenges of implementing policies in a multi-governance setting and examined the evolution of decentralization policies. Policies are not an end in themselves but a dynamic process that can be better viewed as navigating institutional boundaries rather than merely optimizing program output (Conteh 2013). Therefore, they can be better understood from a multi-governance-based approach that examines the collaboration and the interaction between the various stakeholders involved in the process and by considering the active role of local actors in the policy process (Ibid). However, these theories are prescriptive rather than explanatory. They identify the solution to an effective multi-governance policy implementation process, but not the issues that arise from the lack of collaboration among the different actors. The same applies to poor collaboration in taxpayers' data sharing among the different departments in Nairobi and Accra. The concept of horizontal management sheds light on collaboration and helps identify solutions to improve this collaboration. However, this theory fails to explain why collaboration does not occur in some instances. These problems will entail a thorough examination of relevant theories identify capture them a comprehensive fashion.

In the same vein, examining the institutional setting of decentralization policies demonstrates how revenue mobilization evolves in a context marked by formal and informal rules. Decentralization policies are largely the product of IOs that have imposed new development models through aid. These models are composed of formal rules, ideas and norms inspired by the trajectories of developed countries. These rules evolve alongside formal and informal rules of the countries in which they are implemented. The patterns of localization of these rules and ideas once again face resistance from local actors (both bureaucrats and political elites), either because these rules are externally imposed on local actors or they are not necessarily adapted to local contexts. In the end, these formal rules and institutions evolve in parallel with local formal and informal rules, or else they are converted into new institutions, which leads to unexpected outcomes.

A glaring example is the pressure of IOs on central governments to decentralize specific powers and responsibilities, including taxation powers at the local level. The same applies to adopting IT systems to improve the transparency of local public financial management processes. In both cases, research findings show that the expected results of these changes are slow to emerge. Consequently, these findings have, among other theoretical implications, the extent to which the adaptation of foreign ideas and institutions varies in response to the contrasting political and administrative contexts in which they are implemented. Research should continue to inspect the interaction of these ideas and institutions and the kind of policies they produce (Poteete 2003).

The findings confirm that effective taxation is linked to strong bureaucratic capacity. In Accra and Nairobi, particular aspects such as the working conditions of bureaucrats are a key factor affecting the bureaucratic capacity of cities. However, these elements are barely addressed in the state capacity literature, mostly because these theories were developed with reference to the realities of bureaucracies in developed countries. Poor working conditions partially explain the problem of weak bureaucratic capacity. Therefore, a comprehensive theorization of state capacity needs to include the working conditions of bureaucrats in order to compare the performance of poorly and strongly equipped bureaucrats.

Finally, tax compliance theories confirm that citizens are inclined not to pay their taxes when they feel that they are not receiving services in exchange, and the cases of Accra and Nairobi confirmed these assumptions. However, tax compliance by organized groups of citizens or informal sector actors is not always correlated with public services provision. Instead, it is the demand for more accountability to local governments in exchange for the payment of taxes that drives the actions of these groups. It points to the need for examining why, despite the lack of benefits, some groups of taxpayers comply with the payment of taxes. This would enable a detailed examination of other mobilization strategies for making local level decision-makers more responsive.

6.4 Limitations and Avenues for Further Research

This analysis has some methodological and empirical limitations. The comparative study of only two cases has limited scope for generalization. The conclusions drawn from this analysis apply mainly to the cases of Accra and Nairobi and could be extended to other cases, provided that they share the same characteristics as these two cities. However, it is unlikely to find similar cases, given the diverse political, economic, and social realities in each country. Therefore, future studies on this topic could use mixed-method analyses. Statistical analysis will be done to establish the multiple factors of poor revenue mobilization in a large number of cases. The researchers could then identify the main variable that has a statistical significance on the dependent variable and examine, through a qualitative study, the causal mechanisms of the main explanatory variables in a few cases to confirm these generalizations.[45]

Furthermore, the use of the Most Different Systems Method (MDS) was not suitable for dealing with multiple causal explanations. The MDS is adapted to two or more cases that share the same outcomes (Ragin 1999). Yet, this method allowed us to justify the reasons for which Accra and Nairobi are comparable cases because they share the same outcomes. However, in this analysis, the research data identified multiple factors that potentially explain the causes of low revenue mobilization and local actors' inability to strengthen local financial autonomy. In this situation, the comparative analysis revealed a case of multiple conjunctural causations because revenue mobilization outcomes are explained by a combination of independent variables. Future comparative studies could employ more than one method to explain the complex realities of local financial autonomy building. For instance, the Boolean algebra method, considered as a rigorous technique for identifying multiple causal patterns, would allow comparison of all possible pairs of cases to determine,

[45] It is very difficult to find examples due to the scarcity of quantitative studies on resource mobilization in Africa. This could be a consequence of lack of access to budgets and financial data.

through a truth table, redundant causal conditions and configurations of surviving causal conditions that are minimally sufficient for the outcome (Dușa 2020).

The empirical limitations pertain to the inability to interview large numbers of politicians, street-level bureaucrats, taxpayers, and IO officials. This may have affected the ability to conduct thorough analysis of the efforts and contributions of local actors towards the establishment of local financial autonomy. Instead, this resulted in a study mainly based on bureaucrats' opinions, thus being favorably biased. For instance, bureaucrats would be inclined to share a view that is to their advantage, thus reducing a broader appreciation of the issues. As an example, if revenue mobilization does not yield better outcomes due, for instance, to a lack of adequate training or experience in some bureaucratic processes, there is little chance that bureaucrats would admit that they are not competent to do the job. In contrast, they are likely to shift the responsibility to either political elites or street-level bureaucrats. Easier access to elected officials or members of the executive in Accra and Nairobi would have led to an enhanced understanding of the reasons for the disinclination of politicians to support strategies for mobilizing more revenue. Additionally, interviews with many revenue collectors could have led to a better comprehension of the root causes of corruption and revenue diversion strategies that have plagued the daily practice of revenue mobilization. Research findings show that these practices are conducted to offset poor working conditions and meager salaries. Still, these opinions were drawn from middle-level and top-level bureaucrats. Therefore, more studies on financial autonomy building should consider approaching revenue collectors in order to gather more data on the behaviors of street-level bureaucrats.

Tax compliance is a critical factor in understanding the complex reality of local revenue mobilization, public finance management, and the challenges of implementing strong accountability mechanisms. The findings of this study illustrated the attitude of bureaucrats and a small number of members of taxpayers' associations towards tax compliance and the determinants of tax compliance. These opinions are not sufficient to generalize the causes of low levels of tax compliance to all taxpayers in Accra and Nairobi. Knowing that tax compliance is crucial in explaining the causes of poor revenue mobilization, future studies could use surveys to gather opinions of taxpayers and local authorities to understand the conditions in which citizens comply with tax payments in urban contexts.

Lastly, the same strategy could be applied to study the role of international actors. If they were available in large numbers for interviews during fieldwork, they could have shared their views on the international efforts to implement fiscal decentralization. This would have helped understand why international aid in fiscal decentralization policies does not significantly reduce the financial dependence of local governments. This dissertation presented an exploratory analysis of local financial autonomy building by using fieldwork data. In-depth studies that include local political actors, citizens, and IO officials, in contexts different from Accra and Nairobi would provide more theoretical and empirical insights into revenue mobilization and financial autonomy building in SSA countries.

The above-mentioned limitations have likely contributed to the pessimistic analysis of fiscal decentralization in Africa since challenges are often more significant and outweigh the reform and innovation initiatives adopted in recent years. Despite these limits, I hope that my slightly pessimistic findings might precipitate policy changes that help produce better outcomes for the citizens of Accra, Nairobi, and other cities with similar impediments to their richer development.

Conversely, it is important to carry out work that focuses on the efforts made by local governments to improve their financial strength. In the same vein, I intend to undertake future research projects to explore the reforms and innovations adopted in African cities to address financial capacity challenges. One study would explore the different aspects of the bureaucratic and organizational capacity involved in local revenue mobilization. Considering the rapid speed at which governments are adopting IT systems to enhance bureaucratic capacity, my future project could examine IT systems' impact on taxation outcomes in SSA cities. The first two would be theoretical and empirical contributions to fiscal decentralization studies by analyzing how local actors take ownership of IT systems and their direct impact on revenue mobilization outcomes. Although the adoption of IT systems is not as simple as its advocates suggest, this future project could shed more light on the institutional and political dynamics that enable reforms and innovation and the drivers of successful digitalization of public administration in lower-income countries. Lessons from this future project could trigger policy debates on the commitment of developed countries and IOs to foster e-governance and the role of technology in tax administration in the public sector by drawing upon the experience of more advanced countries.

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