Working paper

IGC
International Growth Centre

Tax compliance and representation in Zambia's informal economy

Danielle Resnick

October 2018

When citing this paper, please use the title and the following reference number:
S-41418-ZMB-1

DIRECTED BY
LSE
UNIVERSITY OF OXFORD

FUNDED BY
UKaid
from the British people

Tax Compliance and Representation in Zambia's Informal Economy

Danielle Resnick*

Abstract

What drives tax compliance among informal workers and does it affect demands for political representation? While these questions have been posed previously in political economy scholarship, there are few studies that examine these dynamics among informal workers, who constitute the majority of the population in developing countries. Contrary to assumptions that informal workers fall outside the tax net, they often encounter a variety of taxes collected by national and local authorities. Based on an original survey with over 800 informal workers across 11 markets in Zambia's capital, Lusaka, and interviews with relevant policymakers, this paper finds that compliance tends to be higher among those workers operating in markets with better services, providing support for the fiscal exchange hypothesis. Moreover, using a vote choice experiment, I find that those who pay taxes, regardless of how much they pay, are more likely than those who do not to vote for a hypothetical mayoral candidate interested in improving market services and stall fees rather than one interested in broader social goods, such as improving education and schools in Lusaka. The results suggest that even among a relatively poor segment of the population, tax revenue can be mobilized if the benefits of those taxes are directly experienced and that just the process of paying taxes can affect an individual's demand for representation by policymakers.

Keywords:

Informal economy, representation, tax compliance, urban governance, Zambia

Introduction

When do informal workers comply with taxation and does compliance foster greater demands for representation among this constituency? A long line of scholarship suggests that taxation reinforces the social contract between citizens and the state. Governments have an incentive to provide goods and services to encourage citizens to pay taxes. In turn, by paying taxes, citizens experience ownership over government activities and feel entitled to demand greater representation of their preferences in the policy arena (Bräutigam 2002; Levi 1988; Moore 2008; Tilly 1990). While these theoretical claims originally were based on historical

* The author is a Senior Research Fellow at the International Food Policy Research Institute (IFPRI). She is extremely grateful to wonderful research assistance from Bhavna Sivasubramanian and Mekamu Kedir Jemal. She thanks RuralNet Zambia for their collaboration in survey implementation under the guidance of Stephen Tembo and Kelvin Mulinje. She also thanks the Lusaka City Council for granting permission to conduct the study. Funding for this research generously was provided by the International Growth Centre in Zambia under contract number 1-VCS-VZMB-VXXXX-41418. Additional funding was provided by the CGIAR Program on Policies, Institutions, and Markets (PIM). Ethics approval for this research was granted by IFPRI's Institutional Review Board (Application Approval DS71-11-17) and by the Humanities and Social Sciences Research Ethics Committee at the University of Zambia.

experiences in developed countries, these linkages increasingly are observed in a range of developing countries as well (Martin 2014; Paler 2013; Prichard 2015).

However, it remains unclear whether these relationships are equally relevant for those in the informal sector, who constitute more than two-thirds of the labor force in developing countries (ILO 2018). Along with a lack of social protection and employment benefits such as sick or paid leave, informality long has been synonymous with evading taxation (Gerxhani 2004; Hussmans 2005; Mitra 2017). Yet, taxes are not always levied with the objective of formalizing unregistered micro and small businesses. In fact, informal workers in developing countries pay a variety of taxes and fees to local authorities simply to be allowed to operate their businesses. In some countries, the national revenue agency even has applied special informal economy "presumptive" taxes that are based on the presumed, rather than actual, income of a worker given the type of work that an individual performs (Dube and Casale 2016; Joshi, Prichard, and Heady 2014). More generally, the large size of the informal sector represents a potentially very sizeable source of tax revenue for developing country governments, especially in Africa where the informal economy contributes about 38 percent of GDP (IMF 2017).

As a rapidly urbanizing country that has struggled to generate sufficient structural transformation to create formal jobs (Resnick and Thurlow 2017), the informal sector remains the main source of employment in Zambia. Within the capital of Lusaka, 72 percent of the labor force works in the informal sector (Central Statistical Office 2015), and this rate has barely shifted over the last decade. Many of those within the sector labor as traders, tailors, hairdressers, or food sellers within the city's more than 60 open-air markets, or they hawk their goods along the capital's streets. Since 2004, the Zambian Revenue Authority (ZRA) has applied a range of informal sector taxes, including a base tax on marketeers, a turnover tax on businesses with turnover falls below a certain threshold, a tax on minibus and taxi drivers, and an advance income tax on imports by cross-border traders who are not registered with the ZRA. In addition, there are a range of taxes collected by the Lusaka City Council (LCC) and the market cooperatives that allow individuals to trade or run a business in the markets.

In order to examine tax compliance and implications for citizen representation among informal workers, this study involved a survey of over 800 market workers in Lusaka. In addition, interviews were conducted with the Lusaka City Council (LCC), the Ministry of Local Government (MLG), the Zambian Revenue Authority (ZRA), and the Zambian National Marketeers Credit Association (ZANAMACA), which represents approximately 400,000 informal traders in Zambia. The findings reveal that higher compliance with taxes is strongly associated with respondents who have greater access to services within the market, which supports the fiscal exchange hypothesis that citizens are more likely to pay taxes when they personally experience direct benefits in return. Among those who pay those taxes, norms of tax compliance are much higher, as is a desire to rely on mobile technology for tax collection rather than deal with a physical collector. Using a vote choice experiment with three hypothetical candidates for mayoral elections, the analysis further illustrates that those who are paying any type of taxes are more likely to choose a candidate who promises to improve infrastructure within the markets as opposed to a "law and order" candidate who wants to remove street hawkers from outside markets or a "social welfare" candidate who promises to improve schools and health clinics in the city. The findings suggest that paying taxes to any type of authority, whether the LCC, market cooperatives, or the ZRA, increases demands for a government representative to respond to the service delivery needs of marketeers.

The analysis offers two main contributions. First, advancing research on the political economy of taxation in developing countries necessarily requires focusing on the informal sector. Income tax revenue is often mobilized from just a small segment of the population, especially given the small size of the middle class in many regions, especially Africa (Thurlow, Resnick, and Ubogu 2015). Value-added taxes are a common form of revenue raising in developing countries (Keen 2016), but since they are buried within the cost of commodities, it is not always clear that poor consumers recognize how much tax they are paying and who they should hold accountable for that money. Informal sector taxation both affects a substantial number of developing country citizens and is directly "felt" by informal workers who often pay fees to physical collectors. Secondly, determining whether taxation affects demands for representation among informal workers thus far has relied on case studies where associations of informal workers lobbied for greater concessions by governments (Joshi and Ayee 2008; Prichard 2015). This implies that collective action needs to mediate the taxation-representation linkage. By using a vote choice experiment, this paper can further analyze whether the inclination to have more responsive government manifests at the individual-level as well even in the absence of such associations.

Drivers of Compliance and Implications for Representation

What drives compliance among informal workers? One of the most traditional explanations is that compliance depends on efforts at enforcement and the imposition of penalties for evasion by government authorities (Allingham and Sandmo 1972). In turn, this suggests that tax compliance would be highest where states have greater capacity to identify non-payers and to credibly threaten punishment (Bergman 2003). Indeed, cross-country analyses indicate that mobilizing tax revenue is a reflection of the coercive power of the state and its ability to establish law and order (Besley and Persson 2014). However, this enforcement hypothesis provides very little leverage when analyzing subnational variation in compliance in an overall weak state context. For informal sector workers in particular, Joshi et al. (2014) also show that excessive enforcement is counter-productive by pushing informal workers further into the margins.

A second approach focuses more on political incentives rather than capacity. Due to the large size of the informal economy in these settings, non-enforcement sometimes reflects a strategic decision by governments to co-opt a sizeable bank of voters. Tendler (2002) describes this as the "devil's deal" whereby politicians implicitly suggest to informal workers that they can bypass tax and environmental regulations if, in exchange, they vote for those politicians. Similarly, Holland (2015) sees this behavior as a form of "forbearance," or active non-enforcement of the law, and thereby a mode of redistribution. Again though, such arguments do not offer much insights as to why informal workers in the same country or city may show differing levels of compliance, unless there are strong reasons for why some informal workers are favored more by politicians than others and therefore allowed to circumvent the law.

While there is always some degree of coercion in taxation, the long-term sustainability of a tax regime depends more on generating quasi-voluntary compliance among citizens (Levi 1988). In the fiscal exchange hypothesis, citizens are more amenable to personal taxation, and believe in the general concept of taxation, when they receive benefits in exchange for their payments (Timmons 2005). For instance, in Nigeria, Bodea and LeBas (2014) find that those with a more satisfactory experience with state service delivery are more likely to agree that citizens have an unconditional obligation to pay taxes. In Tanzania, the non-payment of taxes such as the development levy has been viewed as a popular resistance strategy to indicate displeasure with a lack of services from local government (Fjeldstad 2001; Tripp 1997).

One challenge of the fiscal exchange hypothesis is that it requires individuals to attribute accountability to both the authority that receives the tax payment and the one that provides the services. In many areas of public service provision financed by income taxes or VAT, such as roads, schools, and health clinics, attribution can be especially difficult because the beneficiaries may not be the same as the tax payers. Moreover, the source of financing could even be from donors or non-governmental organizations rather than tax revenue. This disconnect between taxation and public goods can create suspicions about others free-riding on one's tax payments, especially where there is a lack of a common political community and high levels of polarization among citizens (Lieberman 2003).

For the informal sector, the ambiguity over accountability is most problematic for taxes collected by a national revenue agency. Yet, for those taxes collected by a local government or market authorities, as is the case for many informal workers in Africa, the linkage between payment and services is much more direct because of the closer proximity of the collector and a relatively clear mandate over which services should go to the payee in return. Furthermore, informal market traders often work in the same space for years. Just as rural farmers are embedded in networks of solidarity and reciprocity (Fafchamps 1992), market traders in fixed locations develop strong relationships with each other that can facilitate oversight of each others' payments, which are typically given to physical collectors who travel through the markets. Consequently, one would expect different levels of compliance depending on the type of job an informal worker performs and whether they are in a fixed place or operate as more transient street vendors.

A separate but related hypothesis suggests that compliance may be tied to the degree of trust one has in her sitting government (Bodea and LeBas 2014). This trust may be grounded in a view of impartiality such that the government will require citizens to pay taxes equally, overcoming the free-rider problem (D'Arcy 2011), or be based on the impression that the government has one's interests at heart when deciding how to use tax money. In the latter case, ideological, party, or ethnic affinities between citizens and their governments may play a part in creating this impression. While such views are equally relevant to the informal economy, the variety of actors collecting taxes from this constituency requires assessing not only citizens' trust in the sitting government at the national level, but also at the local and community levels as well. Moreover, it requires a distinction between trust in elected actors, such as presidents and parliamentarians, who may shape tax policy and investment decisions, and trust in administrative actors, such as revenue agencies, whose competency affects perceived fairness in tax collection and service provision.

A key reason for examining quasi-voluntary compliance is because of its longstanding implications for building state legitimacy. Such legitimacy is founded on the view that by complying with taxes, citizens believe they have a right to make demands on the state for representation and to hold government officials accountable (Bates and Lien 1985; Bird and Vaillancourt 1998; Levi 1988; Prichard 2009). Historically, and especially prior to World War I, payment of taxes has been tied to expanded political representation, voting rights, and democratization (Brautigam 2008; Tilly 1990). By extension, low levels of domestic tax mobilization in a number of resource rich countries that depend on rents from oil and minerals has been tied to a greater likelihood of authoritarianism (McGuirk 2013; Ross 2001).

However, the relationship between taxation and representation is largely drawn from historical analogies that may be misplaced for many developing countries. Some note that high levels of taxation also have been associated with greater autocracy, with for example, crop taxes on African farmers in the 1970s and 1980s extracted by one-party regimes (Moore 2008; Waterbury 1997). Secondly, much of the bargaining that occurred in the historical European context was between authoritarian leaders and representative assemblies, which had a role in the administration of taxation. By contrast, many of today's representative bodies, such as parliaments, no longer administer taxes, which is a responsibility that instead has been allocated to separate revenue authorities (Herb 2003). Third, greater taxation did not contribute to many of the political transitions that occurred during the "third wave" of democratization in the 1980s and 1990s (Guyer 1992; Herb 2003).

In recent years, micro-level analyses of the taxation-representation linkage in developing countries have become more prominent (Martin 2014; Paler 2013), there are few analyses of this relationship among informal sector workers. This is problematic since they represent such a sizeable share of the population in many developing countries. On the one hand, some suggest that taxation could spur collective action and greater political activism by informal sector associations (Dube and Casale 2016; Joshi, Prichard, and Heady 2014; Prichard 2009). For example, Prichard (2015) finds that in Ghana during the 2000s, the government's efforts to raise taxes on informal small traders through a flat rate VAT tax on turnover involved engaging with the Ghana Union of Traders Association (GUTA). Traders embraced paying the tax for reduced harassment while GUTA created a partnership with the VAT service. On the other hand, collective action among informal traders is typically quite low, and there may be stark power inequalities between the leaders and members of such associations (Lindell 2010; Meagher 2014). Yet, whether demands for representation manifest among tax-paying informal workers, even if they do not belong to any associations, has not been explored empirically thus far.

Lusaka's Informal Economy

To examine drivers of tax compliance and implications for representation among informal workers in Zambia's capital city. Informal employment in Zambia is defined as employers and business owners who have not registered their enterprises with a national authority, such as the Patents and Companies Registration Agency (PACRA), as well as those who lack contributions to a social security scheme and entitlements to annual paid and sick leave (Goursat and Pellerano 2016). The informal economy represents not only a major contributor of employment for Lusaka's residents but also a critical source of foods for low-income households in the city (Mulenga 2013).

The growth in Lusaka's informal economy is closely tied to Zambia's broader economic decline in the early 1990s when manufacturing contracted in the wake of privatization and trade liberalization. Not only did the number of jobs in the formal sector decline but also the removal of controls on foreign exchange, imports, and prices reduced barriers to entry into the informal trade sector (Hansen 2007). In addition to agricultural products, second clothing, known locally as *saluala*, became a major source of merchandise among informal traders during this period because unlike some other African countries, Zambia did not place quotas on these imports (Hansen 2000). By 2008, three-quarters of Lusaka's labor force worked in the informal economy, a level that persisted almost a decade later (Central Statistical Office 2011).

The expansion of the number of informal economy workers has been reflected in the growth of markets in the city, which is their primary place of employment. While there were about 12 markets in Lusaka in the 1970s (Beveridge and Oberschall 1979) and 36 markets during the 1980s (Scott 1985), there are more than 60 markets in the city today. Two types of markets prevail in Lusaka. The first type are "authorized", or council, markets that fall under government control and are listed in the official gazette. Based on the Markets and Bus Stations Act of 2007, the Ministry of Local Government (MLG) delegates authority for the management of authorized markets to the local councils (Government of the Republic of Zambia 2007). Legally, therefore, all markets in Lusaka should be under the control of the Lusaka City Council (LCC). In reality, the LCC has lacked control over "unauthorized" markets, which emerged more organically over time in the high-density squatter settlements, known as compounds, where much of the population resides on the outskirts of the city.[1] Historically, these markets were run by cooperative societies, which emerged in the wake of Zambia's independence and were seen as a way of promoting community-based development. They elected their own officers who helped run the day-to-day affairs of the markets and paid rent to the LCC (Beveridge and Oberschall 1979).

The ruling party of the independence era, UNIP, helped organize many "unauthorized" markets into cooperatives. When the LCC announced the removal of street vendors from council markets in the CBD in the mid-1970s, UNIP supported the policy because it allowed the party to organize displaced vendors into cooperative markets where they were subject to party rules and regulations (Scott 1985). More generally, cooperatives are owned by individuals on common land who sub-divide the land into shops that are given to their cooperative members. As a result, the market structures belong to individuals who can pass on their shops to their children rather than to the cooperative.[2]

Both partisan politics and weak decentralization contribute to the shortcomings in service provision within today's markets. The LCC has relatively low autonomy over policy and is often dictated to by the MLG. While members of the LCC are elected, the Ministry of Local Government is under the leadership of a political appointee. This leads to intra-institutional battles that can become particularly pronounced when the MLG and LCC are under control of different political parties (Hansen and Nchito 2013; Resnick 2019). Moreover, since the independence period, political parties have also set up offices within the markets. During the 1970s, the ruling UNIP even located its youth wing in some of the markets, to enforce its authority (Beveridge and Oberschall 1979). Today, party *cadres* of the ruling Patriotic Front (PF) continue the tradition by patrolling the more centrally-located markets, engaging in various degrees of extortion from both vendors and marketeers.[3]

In both council and cooperative markets, traders must pay a range of taxes and levies. Based on the 2007 Markets and Bus Stations Act, councils were given authority to collect levies from marketeers. In turn, the Act stipulates that the councils should use the revenue to invest in services in the markets (Government of the Republic of Zambia 2007). In the 28 markets

[1] In January 2018, the LCC sent letters to 38 cooperative markets announcing that it was taking them over. But, due to personnel constraints, the LCC only wound up taking over management of just two markets (Interview with Assistant Manager of Market Administration, LCC, July 2018, Lusaka).

[2] Interview with the Ministry of Local Government, Department of Housing and Infrastructure Development, July 25, 2017, Lusaka.

[3] Party *cadres* is a term that first emerged during Zambia's socialist, one-party period of history when UNIP had a youth wing that played a largely vigilante role. Today, it refers to young men who engage in violence and raise money for the party under dubious means on behalf of a party (Hansen and Nchito 2013).

currently owned by the LCC, the taxes levied depend on the merchandise and the type of stalls. Yet, on average, these taxes range from ZMK 50 to 900 per month. Otherwise, if a trader operates from a table or a plastic sheet on the ground, s/he pays ZMK 2 per day.[4] Council markets typically provide garbage collection, water, and toilets but market associations may request payments for security (5 ZMK to 15 ZMK per month), storage facilities (around 2 to 5 ZMK per day), and/or electricity (about 70 ZMK per month depending on size of structures).[5] In cooperatives, marketeers also need to pay to access toilets, which is typically 2 ZMK per use, and for garbage collection. Payments to funeral associations are also quite popular since if a marketeer dies, his or her family will require money for the burial and any support that the marketeer's income provided to the household. Rental payments are also common since some traders may buy a shop or stall from the LCC but be unable to buy merchandise so they then sublet the stall to another trader at a higher cost.[6]

In addition, the ZRA has attempted to levy taxes on informal workers. Since 2004, ZRA has levied a turnover tax, which currently is a 3 percent tax on gross sales for any self-run business with annual turnover of between ZMK 36,000 to 800,000. A year later, the ZRA also began levying an annual base tax of ZMK 150 (USD 15) on those for whom no income could be estimated, including marketeers and smallholder farmers (Nhekairo 2014).[7] At most, this garnered about ZMK 30,000 (USD 3,000) per year and temporarily was halted due to both logistical challenges well as the sensitivities of collecting money from the marketeers, who are a critical political constituency.[8] Yet, in light of Zambia's 2017 Economic Growth and Stabilization Program, which aims to "strengthen tax compliance and modernize tax administration" (Goverment of the Republic of Zambia 2017, 44), ZRA began exploring reinstating the base tax.

Given this background, markets clearly are viewed as a critical source of revenue for both the local and national governments. As a representative of the Ministry of Local Government remarked, "These markets are profitable. City Market was estimated to generate 1.2 million Kwacha per month."[9] Yet, it remains unclear whether paying these various taxes encourage demands for representation among informal traders in the same way as much of the political economy scholarship suggests.

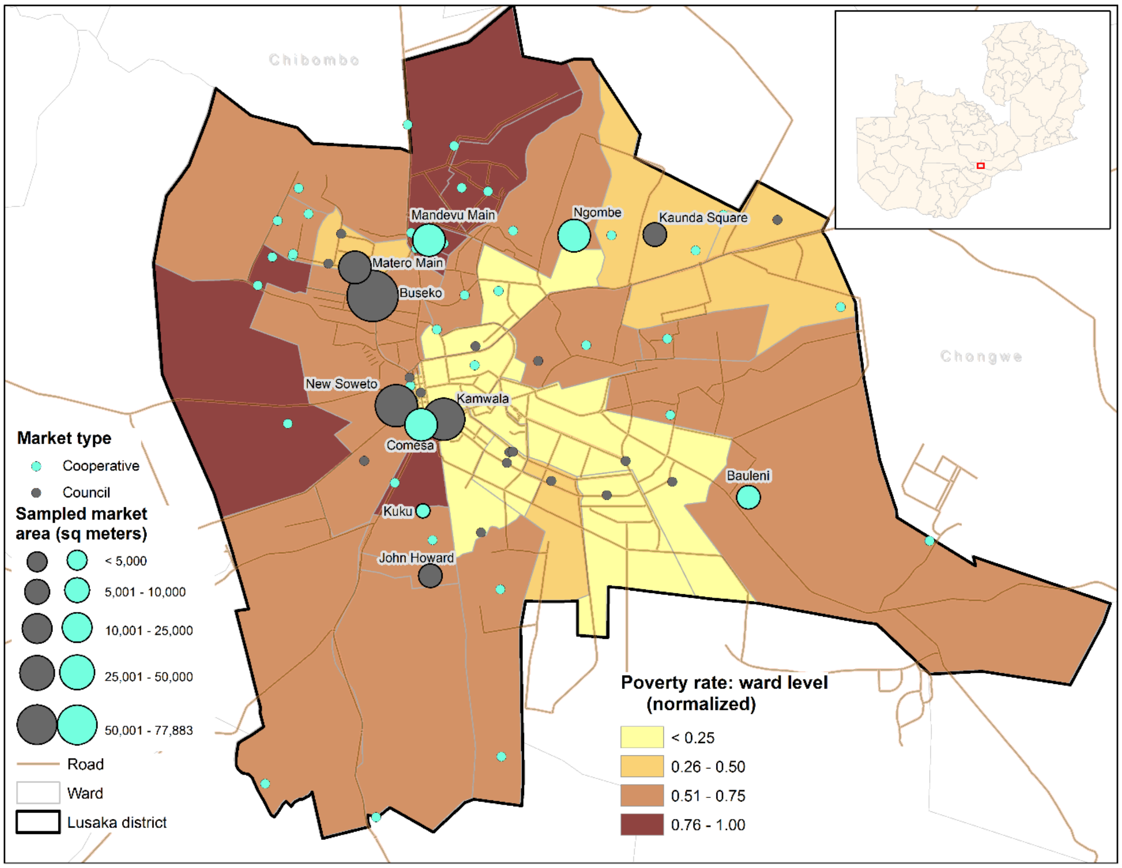
Methodology

To address this question, primary data collection occurred with 823 informal workers in Lusaka during November 2017 in survey known as the Lusaka Market Study on Taxation and Service Delivery. To identify the survey sample population, a cluster sampling approach was used that targeted 11 markets across the city, spanning both those that are in the central business district (CBD) and those in the compounds. In doing so, six council markets and four cooperative ones were included in the sample. Figure 1 presents the distribution of the sampled markets,

[4] Interview with ZANAMACA, Lusaka, July 2017.
[5] Interview with the Markets Unit, Lusaka City Council, Lusaka, July 2018.
[6] Interview with ZANAMACA, Lusaka, July 2017.
[7] These values are in current terms, taking into account that Zambia re-based its currency in 2012. For more details, see: https://www.zra.org.zm/commonHomePage.htm?viewName=TurnoverTax.
[8] Interview with the Zambian Revenue Authority, Lusaka, July 2017.
[9] Interview with the Ministry of Local Government, Lusaka, July 2018. The statement was retrospective because City Market had burned down under suspicious circumstances about two weeks previous to the interview.

indicating that most are located in high poverty areas of the city.[10] The sample included two of Lusaka's oldest markets, Kamwala and Matero, which have existed since the 1950s, as well as the relatively contemporary New Soweto market. COMESA market, which contains a number of traders from across East and Southern Africa, is also included. Most of the markets supply a diversity of products, from fresh fruits and vegetables to hardware supplies and *salaula.* The one exception is Buseko, which is primarily a timber market.

Figure 1: Map of Survey Locations in Lusaka



The surveyed respondents needed to be at least 18 years of age and had to have worked in their current market location for at least six months. The latter requirement ensured that respondents could answer authoritatively about the range of taxes levied in the markets and the services received in exchange. Table 1 highlights some key descriptive characteristics about the sample. When compared with the composition of non-agricultural informal workers in Lusaka

[10] Based on the 2014 Labor Force Survey, there are approximately 448,343 non-agricultural, informal workers in Lusaka who are 18 years or older. At the 95 percent confidence level, the sample size of 823 provides a confidence interval of 3.4.

district provided from the 2014 Labor Force Survey (LFS), the sample is relatively similar on key demographics and education levels. Importantly, the sample indicates that women constitute less than 50 percent of informal workers. However, when broken down by specific occupation (see Appendix), they are disproportionately larger in the food vending, restauranteer, and hairdressing categories.

Table 1: Descriptive Statistics

Variable	**2014 LFS survey**	**2017 Lusaka Market Survey**
Average age	34 years	37 years[a]
Education		
No school	0.2	2.1
Some primary	13.9	14.7
Primary completed	13.2	14.0
Some secondary	38.8	32.4
Secondary completed	26.2	29.8
Post-secondary qualification	7.7	7.1
Female	41.8	44.8
Migrant to Lusaka	---	52.5
Average Number of years in Lusaka	---	19.7 years
Located inside the market (instead of on periphery)	---	65.6
Type of structure		
Concrete structure	---	51.2
Makeshift stall/Tuntemba	---	21.1
Table	---	20.3
Pavement/Street	---	4.7
Other	---	2.7
Business status		
Own business structure (store, stall, table)	---	46.8
Renting business structure (store, stall, table)	---	44.7
Employee working in structure (store, stall, table)	---	8.6
Occupational category		
Retail	---	66.6
Services	---	14.6
Manufacturing	---	11.0
Wholesale	---	7.8
Holds a second job	---	12.2
Ethno-linguistic group		
Bemba	---	32.4
Lozi	---	2.3
Kaonde, Luvale, Lunda	---	6.3
Mambwe	---	5.5
Nyanja	---	38.9
Tonga	---	7.9
Tumbuka	---	2.4
Other	---	4.3
Average asset index (0-9)	---	4.5

Member of a traders' association	---	5.2
Has a bank account	---	10.2
Contributes to the National Pension Scheme Authority (NAPSA)	---	4.4
Registered with the Patents and Companies Registration Agency (PACRA)	---	8.3

Notes: [a] N=823, except for the age variable, where N=774. A number of respondents either did not know their age or refused to answer this question.

More than half of the sample are migrants to Lusaka, with the largest share (30 percent) coming from the Copperbelt province. As the share of migrants from there is highest among the 35-44 age cohort, it reflects the broader pattern of urban-to-urban migration that occurred in Zambia during the collapse of copper in the 1990s (Potts 2005). Approximately two-thirds of respondents were located inside the market boundaries while the remaining one-third vend on the periphery of the market. While half are located in concrete stores, the remainder are in more ramshackle structures, or sell from a table or on the pavement. Not surprisingly, retail trade constitutes by far the main aggregate occupational category of these marketeers. When examined in more detail in the Appendix, food products and services predominate across the occupation categories, confirming the importance of this sector for urban food security (Mulenga 2013). When respondents were asked why they chose their occupation, 40 percent answered that their choice was because there were "No other job opportunities" while a further 31 percent noted their motivation was simply "To make money."

Despite the very large number of organizations in Zambia that claim to represent marketeers and street vendors, only five percent of the sample admitted being members of any type of association related to their job, such as a trader's or product-based association. Socioeconomic status was assessed by an eight-point index that captures whether a respondent had each of the following in his/her household: vehicle (car or motorcycle), bicycle, television, refrigerator, mobile phone, computer, electric fan, and stove for cooking. On average, respondents had between 4 and 5 of these assets. There is a significant correlation between those who are higher on the index and who operate from a concrete business structure rather than a *tuntemba* or on the pavement.

Only ten percent of the sample has a taxpayer identification number (TPIN), which is needed to open a bank account. To increase tax compliance, the ZRA has required anyone who wants to open a bank account to apply for a TPIN, emphasizing however that this does not mean that an individual's bank account will be taxed.[11] The fact that 90 percent of the sample lacks a bank account is suggestive of the extent of their vulnerability.

Table 2 provides an indication of the extent to which the respondents pay various taxes. Since questions about tax compliance can be affected by social desirability bias (Bodea and LeBas 2014), we framed the question as one about whether respondents are requested to make payments to different entities rather than if they are paying their taxes. Since we asked about a range of entities, some of which are not applicable to the respondent depending on the type of market in which they are located, the implication was that they were not obligated to pay all or any of these levies. More specifically, respondents were asked the following questions: "Do/does the [LCC, market cooperative, ZRA, party cadres, product association] regularly

[11] See "Zambia Revenue Authority extends the TPIN registration to December 31, 2018," available at https://www.lusakatimes.com/2018/06/30/zambia-revenue-authority-extends-the-tpin-registration-to-december-31-2018/ (Accessed August 20, 2018).

request payments from you due to your activities in this market?" Those who answered in the affirmative subsequently were asked the amounts and frequency of payments requested before being asked, "Are you able to make these payments, and if not, why not?"

Table 2: Self-Reported Payment of Taxes

Type of tax	Share (%)	Monthly Mean (ZMW)	Share who report "nothing" in exchange for their payments (%)	Share who report satisfaction with services they receive (%)	Obs.
LCC	49.8	113.8	52.3	56.8	410
Cooperative	33.4	87.4	47.3	79.0	275
Party cadre	13.9	252.5	66.3	39.0	114
ZRA	2.9	166.5	92.0	14.2	24

The robustness of this approach can be assessed when an alternative way of asking about tax compliance is used. Following an approach used by Bodea and LeBas (2014), respondents were also asked the following: "Do you believe that you pay more taxes/levies to the LCC now than you did years previously?" Those who answered in the affirmative, which was 45 percent of the sample, rather than "no" or "does not pay", were assumed to have paid those taxes. This is very close to the 49.8 percent of the sample that reports paying these taxes in Table 2.

Overall, compliance rates are highest for the LCC taxes and lowest for the ZRA.[12] In fact, party cadres are extracting more revenue from marketeers than the ZRA, which is problematic for Zambia's attempts to mobilize more resources for development.[13] There is relatively high dissatisfaction with payment of these fees, as illustrated by the high share of respondents who report they receive nothing in exchange for their payments. Among those who were able to directly list the services they receive for their payments (e.g. "They have sweepers sweep the market," "Cleaning toilets, providing security"), levels of satisfaction with those services were highest among those paying fees to cooperatives and lowest for those paying to the ZRA. This is suggestive that the greater the distance between the payee and the tax recipient authority, the benefits to payment for the former seem less meaningful. Collectively, about 82 percent of the sample pays a fee to the LCC, cooperative, or ZRA. In the following section, we examine drivers of compliance and whether it affects demands for greater representation.[14]

Drivers of Tax Compliance

Certain types of workers might be expected to report higher levels of compliance based on the hypotheses discussed earlier. For instance, wealthier marketeers, as measured by the asset index, may also be more likely to afford the required fees. In addition, those who are from the Bemba ethno-linguistic group might be more likely to benefit from "forbearance" since the president and many key members of the ruling PF are from that identity group. Alternatively,

[12] Only three individuals reported paying a product association, e.g. onion, tomato, okra, so these results are not discussed here.
[13] In reality, this rate is probably even higher as this query about party cadres had a higher rate of refusal than any of the other tax questions.
[14] In looking at compliance, payments to party cadres are excluded since they are not really legitimate payments to the state or a state-sanctioned entity.

they may be more likely to comply because of this shared identity, which fosters trust in the ruling government.

Traders who are more embedded in the market community may also be more susceptible to the informal oversight of their fellow traders. Such embeddedness can be proxied by age or experience in the market. Another proxy is whether respondents own the structure from which they trade or provide services, versus those who rent or who are just employees. In addition, those located inside a specific market are more likely to pay than those who are located on the pavement outside the market who may be more temporary traders and who may more easily evade collection officers.

Following the fiscal exchange hypothesis, an additional measure is a market services index that capture the degree of services already accessible in a particular market. The index is based on the respondent's reported access to the following nine services: toilets, garbage collection, electricity, clean water, storage facilities, shelter during bad weather, security, fire extinguishers, and water drainage. The latter two services in particular are extremely important given the prevalence of fires in Lusaka's markets and the challenge of flooding during the rainy season, which often leads to cholera outbreaks. The average market services index is 4.8 for council markets and 4.9 for cooperatives ones, suggesting no major difference between the two types. A common view is that the standard of services is quite low in the markets: "There are lots of money collections occurring for fees, service charges, levies. But the infrastructure is deteriorating and the money is not put back into the markets."[15]

Another consideration is whether a respondent demonstrates certain behavioral dispositions that make him/her more likely to pay their taxes. For instance, those who already engage in other types of social and political participation, such as attending community meetings, a political rally, or in a protest/demonstration during the previous 12 months may also recognize their obligation to pay taxes is higher. In addition, those who have a higher degree of trust in various government entities may be more willing to pay taxes in the expectation that the money will not be misused (Feld and Frey 2002). In order to capture this, respondents were asked about their level of trust in the following administrative bodies: the LCC, MLG, police, and ZRA. They were also asked about their level of trust in the following elected actors: ward councilor, Member of Parliament, and the president. Higher values on each index indicate a higher level of trust.

Table 3 presents the odds ratios from a logit analysis of whether someone regularly pays taxes to either the LCC, the cooperative, and/or the ZRA. Three models are presented. In terms of demographics, the first model integrates a respondent's age, along with their education level and gender. However, since a non-negligible number of respondents did not know their exact age or refused to answer that question due to cultural sensitivities, the second model proxies for age by including whether someone has worked in the market for more than five years.[16] The third model reflects a more stringent definition of informality by excluding from the analysis anyone who claimed that they contributed to social security through NAPSA or were registered with PACRA. As noted earlier, registration with PACRA is used to distinguish formal and informal enterprises (Phiri and Nakamba-Kabaso 2012; Shah 2012) while a lack of social security is a defining feature of informality in Zambia (Goursat and Pellerano 2016).

[15] Interview with representative from the Ministry of Local Government, Lusaka, Zambia, July 2017.

[16] At 0.41, the correlation between these two variables is relatively high. It is common for especially older people in Zambia to not know exactly when they were born. This was partially addressed by giving individuals the opportunity to provide a historic event that occurred around their birth year.

Table 3: Drivers of Tax Compliance

Variable	All marketeers, age	All marketeers, experience	Marketeers not registered with NAPSA or PACRA
Age	1.011 (0.01)	----	----
Worked 5 or more years in market	----	1.318 (0.27)	1.123 (0.25)
Education level	1.120 (0.10)	1.077 (0.09)	1.067 (0.10)
Female	0.678* (0.14)	0.652** (0.13)	0.682* (0.15)
Bemba ethno-linguistic group	1.029 (0.22)	0.917 (0.19)	0.992 (0.22)
Works inside market	6.169*** (1.28)	6.189*** (1.25)	7.190*** (1.56)
Owns store/stall/table	1.679** (0.36)	1.587** (0.33)	1.445* (0.32)
Asset index	0.979 (0.06)	0.980 (0.06)	0.940 (0.06)
Market services index	1.186*** (0.06)	1.162*** (0.06)	1.139** (0.06)
Level of political participation in prior 12 months	1.825*** (0.39)	1.571** (0.32)	1.658** (0.36)
Trust in administrative actors	1.036 (0.09)	1.084 (0.09)	1.064 (0.10)
Trust in elected actors	0.918 (0.10)	0.904 (0.10)	0.930 (0.11)
N	774	822	728

Notes: Exponentiated coefficients. Standard errors in parentheses. *p<0.10, **p<0.05, ***p<0.01

The results are consistent across all three models. Age, experience working in the market, education levels, and socioeconomic status, as measured by the asset index, do not seem to drive tax payments. Substantively, someone who is properly located inside the market is six times more likely to pay some type of tax as opposed to someone who is immediately outside the market in a *tuntemba*, along the pavement, or street hawking. Potentially because females are less likely to be able to afford a proper market stall inside the market, they are less likely to pay any type of taxes. Perhaps not surprisingly, those who own the structure in which they work, as opposed to renting it or just being an employee, are more likely to pay taxes.

Notably, trust in elected or administrative officials, as well as being Bemba, does not seem to affect payments. Yet, the higher a marketeers' level of political participation in the prior 12 months, the more likely s/he pays taxes. This suggests that someone more engaged in his/her community and political environment is more likely to recognize his/her obligation to pay taxes.

Finally, those who note that they have greater access to services in or near the market where they work are more likely to pay taxes. This is supportive of the fiscal exchange hypothesis, even in an informal setting. From a policy standpoint, it suggests that the most feasible ways of influencing tax payments is to both ensure that monies collected are indeed reinvested in the markets and to show clear earmarking of which services are being financed as a result of marketeers' payments.[17] In fact, in other African countries, earmarking by the local government of market taxes to build better market facilities subsequently increased the collection of those taxes (Korsun and Meagher 2004).

Effects of Compliance on Tax Attitudes and Representation

As seen in Figure 2, those who pay their taxes tend to show a statistically significant correlation towards other types of attitudes. For instance, they are significantly more likely to concur with a broader norm of tax compliance. Drawing on the work of others (Bodea and LeBas 2014; D'Arcy 2011), this is measured based on their agreement with the statement: "Citizens should always pay their taxes, even if they disagree with the ruling government" instead of the alternative, "Citizens should only pay their taxes if they support the ruling government" or the option to disagree with both statements.

Respondents also were asked about their degree of agreement with the following statement: "Traders and hawkers outside this market should pay the same fees as those inside." Such a question is very relevant given that there are tensions across different types of traders. For instance, street vending on the pavements and *tuntembas* outside markets formally is illegal in Lusaka under the Street Vending and Nuisances Act of 1992, but it is tolerated when politically convenient (Resnick 2019).[18] Some marketeers resent that street vendors pay lower fees to trade on the street, but that they can "steal away" busy customers who only approach the perimeters of the markets (Hansen and Nchito 2013). Since those inside the markets are more likely to pay taxes, it is not too surprising that those who pay taxes in aggregate are significantly more likely to agree about the need for tax equality than those who do not.

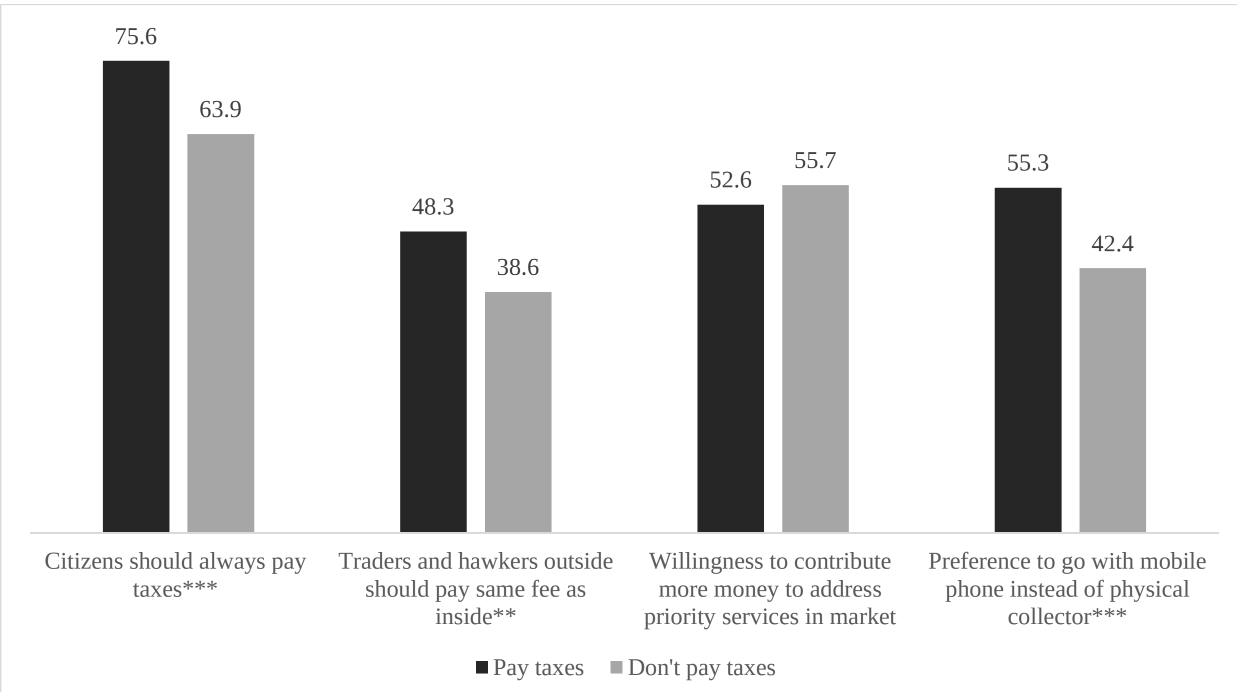
Since complaints about services were common among respondents, they were asked to identify the top priority that they felt needed to be addressed in the market. The top priority, selected by one-third of the sample was drainage, followed by toilets (16.4 percent) and garbage collection (12.6 percent). The marketeers were then asked if they would be willing to pay a little bit more money a month towards their priority. Fifty-three percent refused to do so, with almost 60 percent claiming that they already pay too much or that they do not think they would ever see any change.[19] However, Figure 2 shows that among those who agreed, there is little difference between those who do and do not pay taxes.

In light of ongoing efforts by the ZRA since 2017 to generate more revenue by reinstating the base tax and collecting it through mobile phone providers, the marketeers were asked whether they would prefer this mode of payment rather than relying on a human collector.[20] There are some important reasons for doing so, including earlier findings that LCC officers can pocket a large share of the levies they collect in the markets and only remit back a portion to the LCC (Phiri 2013). The mobile money approach allows the marketeers to have an

[17] See Prichard (2009) however for some important cautions against always earmarking tax revenue.
[18] The Act has been amended in 2007 and 2018 to reinforce prohibitions against street vending.
[19] The remainder claimed they did not have sufficient money to pay any more.
[20] The survey was fielded seven months in advance of Statutory Instrument No.48 of 2018, which formally announcement that the base tax would be collected through the country's three main cell phone providers(Government of the Republic of Zambia 2018).

instant receipt of their payments and it could deter non-official actors, such as party cadres, from being able to claim legitimacy in extracting money from marketeers. Based on the survey, those paying taxes are indeed more likely to view this option as a positive development.

Figure 2: Respondent Attitudes by Tax Payer Status



Notes: N=823; *p<0.10, **p<0.05, ***p<0.01.

Beyond the tax attitudes presented above, does payment of taxes affect demands for representation among marketeers? Methodologically, metrics used to measure demands for representation are not well-developed at the individual level. One of the few studies at the micro-level examines how higher taxation correlates with greater demand for corrupt public officials to be held accountable (Martin 2014). Cross-country analyses equate representation with democratization (Baskaran 2014; Herb 2005), quality of government (Baskaran and Bigsten 2013), and property rights (Timmons 2005). The problem is magnified by the fact that citizens possess heterogeneous interests and therefore are likely to voice a diverse range of demands on policymakers.

Consequently, to examine representation at the individual-level, this analysis viewed representation as concurrence with a political platform that is most closely associated with how taxes levied on informal workers are used. This was done using a vote choice experiment. Vote choice experiments involve asking survey respondents to select a hypothetical candidate for an election based on vignettes about the candidates who only differ with respect to the main variable under investigation (Carlson 2015). The marketeers were presented with three candidates who were running for the mayor of the LCC in the next local government elections. This scenario was plausible because due to an amendment to the Zambian constitution in 2016, mayors are now directly elected by citizens, rather than selected by ward councilors.

Figure 3 presents the options provided to respondents, showing that five characteristics were identified: gender, origins, education, job, and policy platform. As found by Carlson (2015) and Haab and McConnell (2003), five characteristics is the maximum that respondents can typically retain. The three candidates are all highly educated, employed men who were either born in Lusaka or have lived there for a very long time. No mention is made of the ethnicity of the candidate since ethnicity has at times affected voting choices in Zambia (Posner 2003). The only factor that varies is their policy platform. Candidate A is portrayed as a "law and order" candidate who wants to clean up the streets, Candidate B is an informal sector-friendly candidate who is concerned with market services, existing stall fees, and base taxes. Candidate C is concerned about broader social goods. Such goods are very relevant to informal workers, most of whom live in the city's high-density compounds where access and quality to schools and health clinics are very poor (Government of the Republic of Zambia 2014). The informal sector-friendly candidate was placed as the middle option to mitigate response bias since respondents may either lose attention after hearing about the first candidate or only be able to retain the information heard about the last candidate.

Figure 3: Vote Choice Experiment Options and Results

Candidate Vignettes	**Share who selected (%)**
Candidate A has lived in Lusaka his entire life. He has a university degree in law and works as a lawyer. In the elections, he will stress that street hawkers need to be removed from the streets in order to improve traffic congestion.	14.2
Candidate B moved to Lusaka more than 20 years ago. He has a bachelor's degree in Engineering and works for a private sector company. In the elections, he has campaigned on improving existing market infrastructure and the affordability of stall fees and base taxes.	57.2
Candidate C was born in George compound, but he has since lived all over Lusaka. He received a university degree in education, and he works for a local non-governmental organization (NGO). If elected, he promises to improve the city's schools and health clinics.	28.6

Notes: N = 823

While a majority of respondents chose candidate B, more than 40 percent did not. As such, a multinomial logit model was run to determine key factors affecting candidate choice among marketeers. In doing so, a major consideration was whether paying taxes affected demands for representation, which would be indicated by favoring candidate B over the others. Another consideration was whether respondents perceived that the services in their respective market have improved "a little" or "a lot" during their time working there. If services are perceived to have improved, candidate B's policy promises might be less relevant. A dummy variable for whether a respondent was located in a council (rather than cooperative) market was also included since Figure 1 indicates that council markets are more centrally located in Lusaka where the problems of street hawking and traffic congestion, which candidate A promises to address, are most pronounced. Marketeers who have greater access to news may be more aware of challenges beyond their immediate community or beyond their place of work. Consequently, a news access index is included that captures how frequently, from "never" to "every day," marketeers listen to the news, regardless of the modality of that news (e.g. radio, newspaper, radio, or internet).

Table 4 presents the results in terms of relative risk ratios, or the likelihood of voting for one candidate as compared with voting for the control candidate, which in this case is candidate B. The results show that those who pay taxes are much less likely to support either candidate A or candidate C vis-à-vis candidate B. Specifically, among those marketeers in model 3, paying taxes leads to a decrease by a factor of 0.53 in the likelihood of voting for the "law and order" candidate compared to candidate B, holding all else equal.

Table 4: Drivers of Hypothetical Candidate Selection

Candidate A "Law and Order"	**All marketeers, age**	**All marketeers, experience**	**Marketeers not registered with NAPSA or PACRA**
Pay taxes	0.502** (0.14)	0.482*** (0.13)	0.529** (0.16)
Age	1.005 (0.01)	---	---
Worked 5 or more years in market	---	0.968 (0.22)	0.969 (0.24)
Education Level	0.924 (0.09)	0.902 (0.08)	0.836* (0.09)
Female	1.006 (0.23)	1.016 (0.22)	1.079 (0.26)
Works inside market	1.036 (0.25)	0.976 (0.23)	0.996 (0.27)
Owns store/stall/table	0.948 (0.21)	0.944 (0.21)	1.034 (0.24)
Asset index	1.006 (0.07)	1.004 (0.07)	0.925 (0.07)
Market services improved	1.011 (0.24)	0.973 (0.23)	1.074 (0.28)
Council market	1.486* (0.34)	1.612** (0.36)	1.600* (0.39)
News access index	0.854* (0.08)	0.859 (0.08)	0.861 (0.08)

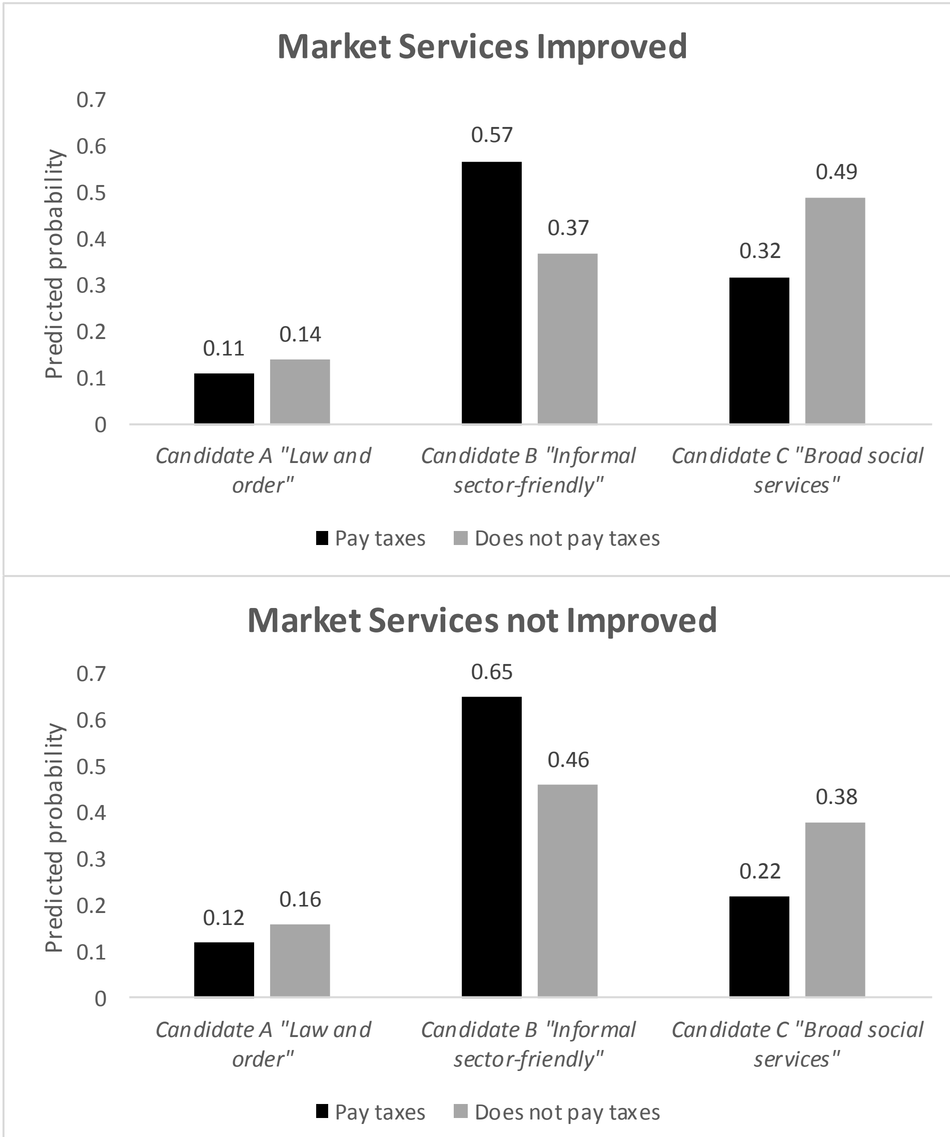
Candidate C "Broad Social Services"	**All marketeers, age**	**All marketeers, experience**	**Marketeers not registered with NAPSA or PACRA**
Pay taxes	0.468*** (0.11)	0.434*** (0.10)	0.418*** (0.10)
Age	0.996 (0.01)	---	---
Worked 5 or more years in market	---	0.691** (0.12)	0.714* (0.13)
Education level	0.895 (0.07)	0.896 (0.07)	0.873* (0.07)
Female	1.416** (0.25)	1.394** (0.24)	1.379* (0.25)
Works inside market	1.088 (0.21)	1.070 (0.20)	1.177 (0.24)
Owns store/stall/table	0.960 (0.17)	1.009 (0.17)	0.995 (0.18)
Asset index	0.967 (0.05)	0.988 (0.05)	0.951 (0.05)
Market services improved	1.475** (0.27)	1.481** (0.26)	1.628*** (0.31)
Council market	1.248 (0.22)	1.271 (0.22)	1.134 (0.21)
News access index	1.133 (0.10)	1.156 (0.10)	1.147 (0.10)
N	774	822	728

Notes: Exponentiated coefficients. Standard errors in parentheses. *p<0.10, **p<0.05, ***p<0.01. The base outcome is Candidate B, the informal sector friendly candidate.

Among those who do favor candidate A over B, a key consideration is whether the respondent is located in or near a council market. Some of the largest council markets, such as Kamwala and New Soweto, are indeed where street hawkers often congregate. If someone has worked five or more years in the market, they tend to be less likely to support candidate C over candidate B, suggesting their allegiances are strongly tied to a candidate who can improve their specific place of work rather than services relevant to the broader populace.

By contrast, women are more likely than men to choose candidate C over B, which may be because their experiences bearing and caring for children increases their awareness of the importance of good healthcare and education. Notably, those who claimed that the services in their markets had improved during their time there also were more likely to choose candidate C over B than those who perceived services to have stayed the same or even declined. However, Figure 4 shows that the actual predicted probability of voting for C over B is only higher when market services have improved *and* the respondent does not pay taxes.

Figure 4: Predicted Probabilities of Supporting Hypothetical Mayoral Candidates



Collectively, these findings suggest that the act of paying informal sector levies and fees is associated with a higher likelihood of supporting a candidate who clearly represents marketeers' concerns related to market infrastructure, the cost of stalls, and taxes and much less likely to support those campaigning on alternative platforms, even those relevant to improving schools and health facilities.

Conclusions

Taxation is always political and especially so in Zambia where, during the multiple electoral campaigns of the Patriotic Front under the late president, Michael Sata, the slogan of "more jobs, lower taxes, more money in your pockets" resonated strongly among urban marketeers and street vendors (Resnick 2014). In Zambia and elsewhere, the trade-off between needing money but not wanting to excessively burden the poor is a common challenge. Given the size of the informal sector, mobilizing revenue from this constituency is an attractive prospect, albeit one fraught with logistical difficulties. In Africa, Ghana, Tanzania, and Zimbabwe have all attempted in recent years to levy taxes on the informal sector (Dube and Casale 2016). Unlike income or VAT, raising such taxes is particularly critical for local governments and for reinforcing other policy objectives, such as attaining effective subnational fiscal autonomy to pursue genuine decentralization. In Zambia, one government observer notes that "The councils' last source of revenue is the markets and bus stations, and if they [the councils] don't run the markets, they are completely broke."[21]

Informal sector taxation often is justified based on its implications for growth. For instance, some claim that low compliance in the informal sector can create negative spillovers on the formal sector (Alm, Martinez-Vazquez, and Wallace 2004). Tax compliance therefore may encourage greater formalization of small enterprises by enhancing access to credit opportunities, creating a degree of predictability, and reducing losses incurred from harassment (McCulloch, Schulze, and Voss 2010; de Mel, McKenzie, and Woodruff 2012). This paper, however, recognizes the benefits of informal sector taxation from a governance perspective; those taxed demonstrate a greater affinity towards political candidates who represent issues that primarily affect traders rather than on issues that affect a wider array of poor urban citizens. Encouragingly, this by-product of taxation is apparent despite the low involvement of informal traders in organizations that claim to lobby on their behalf.

Yet, encouraging tax compliance requires that revenues are used for maintaining and improving the services that informal workers rely on in the markets where they often work for as much as 12 hours every day. Indeed, the paper found that where traders have greater access to services, they demonstrate a greater propensity to pay taxes and fees to the relevant authorities. In other words, the findings provide support for the fiscal exchange hypothesis and show that improvements in the way in which tax money is utilized can enhance revenue mobilization, even among a relatively poor segment of the population.

References

Allingham, Michael, and Agnar Sandmo. 1972. "Income Tax Evasion: A Theoretical Analysis." *Journal of Public Economics* 1: 323–38.

Alm, James, Jorge Martinez-Vazquez, and Sally Wallace. 2004. *Taxing the Hard-to-Tax: Lessons from Theory and Practice*. Amsterdam: Elsevier.

Baskaran, Thushyanthan. 2014. "Taxation and Democratization." *World Development* 56: 287–301.

Baskaran, Thushyanthan, and Arne Bigsten. 2013. "Fiscal Capacity and the Quality of Government in Sub-Saharan Africa." *World Development* 45: 92–107.

Bates, Robert, and Da-Hsiang Lien. 1985. "A Note on Taxation, Development and Representative Government." *Politics and Society* 14(53): 53–70.

Bergman, Marcelo. 2003. "Tax Reforms and Tax Compliance: The Divergent Paths of Chile and Argentina." *Journal of Latin American Studies* 35(3): 593–624.

Besley, Timothy, and Torsten Persson. 2014. "Why Do Developing Countries Tax So Little?" *Journal of Economic Perspectives* 28(4): 99–120.

Beveridge, Andrew, and Anthony Oberschall. 1979. *African Businessmen and Development in*

[21] Interview with the Ministry of Local Government, Department of Housing and Infrastructure Development, July 25, 2017, Lusaka.

Zambia. Princeton, NJ: Princeton University Press .
Bird, Robert, and Francois Vaillancourt. 1998. “Fiscal Decentralization in Developing Countries: An Overview.” In *Fiscal Decentralization in Developing Countries*, eds. Robert Bird and Francois Vaillancourt. Cambridge, UK: Cambridge University Press, 1–49.
Bodea, Cristina, and Adrienne LeBas. 2014. “The Origins of Voluntary Compliance: Attitudes toward Taxation in Urban Nigeria.” *British Journal of Political Science* 46(1): 1–24.
Brautigam, Deborah. 2008. “Taxation and State-Building in Developing Countries.” In *Taxation and State-Building in Developing Countries: Capacity and Consent*, eds. Deborah Bräutigam, Odd-Hedge Fjeldstad, and Mick Moore. Cambridge, UK: Cambridge University Press.
Bräutigam, Deborah. 2002. “Building Leviathan: Revenue, State Capacity and Governance.” *IDS Bulletin* 33(3): 1–17.
Carlson, Elizabeth. 2015. “Ethnic Voting and Accountability in Africa: A Choice Experiment in Uganda.” *World Politics* 67(2): 353–85.
Central Statistical Office. 2011. *Labourforce Survey Report 2008*. Lusaka, Zambia.
———. 2015. *2014 Zambian Labour Force Survey Report*. Lusaka, Zambia.
D’Arcy, Michelle. 2011. *Why Do Citizens Assent to Pay Tax? Legitimacy, Taxation, and the African State*. East Lansing, Michigan.
Dube, Godwin, and Daniela Casale. 2016. “The Implementation of Informal Sector Taxation: Evidence from Selected African Countries.” *eJournal of Tax Research* December,(3): 601–23.
Fafchamps, Marcel. 1992. “Solidarity Networks in Preindustrial Societies: Rational Peasants with a Moral Economy.” *Economic Development and Cultural Change* 41(1): 147–74.
Feld, Lars, and Bruno Frey. 2002. “Trust Breeds Trust: How Taxpayers Are Treated.” *Economics of Governance* 3(2): 87–99.
Fjeldstad, O. H. 2001. “Taxation, Coercion and Donors: Local Government Tax Enforcemement in Tanzania.” *Journal of Modern African Studies* 39(2): 289–306.
Gerxhani, Klarita. 2004. “The Informal Sector in Developed and Less Developed Countries: A Literature Survey *.” *Public Choice* 120: 267–300.
Goursat, Marielle Phe, and Luca Pellerano. 2016. *Extension of Social Protection to Workers in the Informal Economy in Zambia: Lessons Learnt from Field Research on Domestic Workers, Small Scale Farmers, and Construction Workers*. Lusaka, Zambia.
Goverment of the Republic of Zambia. 2017. *Zambia, 7th National Development Plan ,2017 - 2021*. Lusaka, Zambia: Ministry of National Development Planning.
Government of the Republic of Zambia. 2007. *The Markets and Bus Station Act, 2007*. Zambia.
———. 2014. *Zambia: Education for All 2015 National Review*. Lusaka, Zambia.
———. 2018. *The Income Tax Regulations, 2018*. Zambia.
Guyer, Jane I. 1992. “Representation without Taxation: An Essay on Democracy in Rural Nigeria, 1952-1990.” *African Studies Review* 35(1): 41.
Haab, Timothy, and Kenneth McConnell. 2003. *Valuing Environmental and Natural Resources*. Northampton, MA: Edward Elgar Publishing Limited.
Hansen, Karen Tranberg. 2000. *Salaula: The World of Secondhand Clothing in Zambia*. Chicago, IL: University of Chicago Press.
———. 2007. “The Informalization of Lusaka’s Economy: Regime Change, Ultra Modern Markets, and Street Vending, 1972-2004.” In *One Zambia, Many Histories: Towards a Post-Colonial History of Zambia*, eds. Jan-Bart Gewalt, Marja Hinfelaar, and Giacomo

Macola. Leiden, The Netherlands: J.Brill, 213–42.
Hansen, Karen Tranberg, and Wilma S Nchito. 2013. "Where Have All the Vendors Gone? Redrawing Boundaries in Lusaka's Street Economy." In *Street Economies in the Global South*, eds. Karen Tranberg Hansen, Walter Little, and B. Lynne Milgram. Santa Fe, NM: SAR Press, 49–70.
Herb, Michael. 2003. "Taxation and Representation." *Studies in Comparative International Development* 38(3): 3–31.
———. 2005. "No Representation without Taxation ? Rents , Development , and Democracy." *Comparative Politics* 37(3): 297–316.
Holland, Alisha C. 2015. "The Distributive Politics of Enforcement." *American Journal of Political Science* 59(2): 357–71.
Hussmans, Ralf. 2005. *Measuring the Informal Economy: From Employment in the Informal Sector to Informal Employment*. Geneva, Switzerland.
IMF. 2017. World Economic and Financial Surveys *Regional Economic Outlook: Sub-Saharan Africa Restarting the Growth Engine*. Washington, DC: International Monetary Fund.
Joshi, Anuradha, and Joseph Ayee. 2008. "Associational Taxation: A Pathway into the Informal Sector?" In *Taxation and State-Building in Developing Countries: Capacity and Consent2*, eds. Deborah Bräutigam, O. H. Fjeldstad, and Mick Moore. Cambridge, UK: Cambridge University Press, 183–211.
Joshi, Anuradha, Wilson Prichard, and Christopher Heady. 2014. "Taxing the Informal Economy: The Current State of Knowledge and Agendas for Future Research." *Journal of Development Studies* 50(10): 1325–47.
Keen, Michael. 2016. "Taxation and Development--Again." *IMF Working Paper*: 1–30.
Korsun, Georges, and Patrick Meagher. 2004. "Failure by Design? Fiscal Decentralization in West Africa." In *Devolution and Development: Governance Prospects in Decentralizing States*, eds. Mwangi Kimenyi and Patrick Meagher. London, UK: Routledge, 137–95.
Levi, Margaret. 1988. *Of Rule and Revenue*. Berkeley, CA: University of California Press.
Lieberman, Evan. 2003. *Race and Regionalism in the Politics of Taxation in Brazil and South Africa*. New York, NY: Cambridge University Press.
Lindell, Ilda. 2010. *Africa's Informal Workers. Collective Agency, Alliances and Transnational Organizing in Urban Africa*. London, UK: Zed Books.
Martin, Lucy. 2014. *Taxation, Loss Aversion, and Accountability: Theory and Experimental Evidence for Taxation's Effect on Citizen Behavior*. New Haven, CT.
McCulloch, Neil, Gunther Schulze, and Janina Voss. 2010. *What Determines Firms' Decisions to Formalize?* Frieburg, Germany.
McGuirk, Eoin. 2013. "The Illusory Leader: Natural Resources, Taxation, and Accountability." *Public Choice* 154(3–4): 285–313.
Meagher, Kate. 2014. "Disempowerment from Below: Informal Enterprise Networks and the Limits of Political Voice in Nigeria." *Oxford Development Studies* 42(3): 419–38.
de Mel, Suresh, David McKenzie, and Christopher Woodruff. 2012. *The Demand for, and Consequences of, Formalization among Informal Firms in Sri Lanka*. Washington, DC.
Mitra, Shalini. 2017. "To Tax or Not to Tax? When Does It Matter for Informality?" *Economic Modelling* 64(August): 117–27.
Moore, Mick. 2008. "Between Coercion and Contract: Competing Narratives on Taxation and Governance." In *Taxation and State-Building in Developing Countries: Capacity and Consent*, Cambridge, UK: Cambridge University Press.

Mulenga, Chileshe. 2013. *The State of Food Insecurity in Lusaka, Zambia.* Cape Town: African Food Security Urban Network (AFSUN), African Centre of Cities, University of Cape Town.

Nhekairo, Wisdom M. 2014. *The Taxation System in Zambia*. Lusaka, Zambia: Jesuit Center for Theological Reflection.

Paler, Laura. 2013. "Keeping the Public Purse: An Experiment in Windfalls, Taxes, and the Incentives to Restrain Government." *American Political Science Review* 107(4): 706–25.

Phiri, Sydney Chauwa. 2013. "THE EVOLUTION OF THE INFORMAL ECONOMY AND ITS IMPLICATIONS FOR TAX POLICY IN ZAMBIA." University of Zambia.

Phiri, Sydney Chauwa, and Pamela Nakamba-Kabaso. 2012. *Taxation of the Informal Sector in Zambia*. Lusaka, Zambia.

Posner, Daniel. 2003. *Institutions and Ethnic Politics in Africa*. New York, NY: Cambridge University Press.

Potts, Deborah. 2005. "Counter-Urbanisation on the Zambian Copperbelt? Interpretations and Implications." *Urban Studies* 42(4): 583–609.

Prichard, Wilson. 2009. "The Politics of Taxation and Implications for Accountability in Ghana 1981 – 2008." *IDS Working Papers* 330(July): 1–44.

———. 2015. *Taxation, Responsiveness, and Accountability in Developing Countries: The Dynamics of Tax Bargaining*. New York, NY: Cambridge University Press.

Resnick, Danielle. 2014. *Urban Poverty and Party Populism in African Democracies*. Cambridge, UK: Cambridge University Press.

———. 2019. "The Politics of Crackdowns on Africa's Informal Traders." *Comparative Politics*.

Resnick, Danielle, and James Thurlow. 2017. "The Political Economy of Zambia ' s Recovery Structural Change without Transformation ?" In *Structural Change, Fundamentals, and Growth*, ed. Claudia McMillan, Margaret; Rodrik, Dani; Sepulveda. Washington, DC: International Food Policy Research Institute (IFPRI), 235–66.

Ross, Michael. 2001. "Does Oil Hinder Democracy?" *World Politics* 53(3): 325–61.

Scott, Earl. 1985. "Lusaka's Informal Sector in National Economic Development." *The Journal of Developing Areas* 20(1): 71–100.

Shah, Manju Kedia. 2012. *The Informal Sector in Zambia : Can It Disappear ? Should It Disappear ?* London, UK.

Tendler, Judith. 2002. "Small Firms, the Informal Sector, and the 'Devil's Deal.'" *IDS Bulletin* 33(3).

Thurlow, J., D. Resnick, and D. Ubogu. 2015. "Matching Concepts with Measurement: Who Belongs to Africa's Middle Class?" *Journal of International Development* 27(5).

Tilly, Charles. 1990. *Coercion, Capital, and European States, A.D. 990-1992*. New York, NY: Wilely-Blackwell.

Timmons, Jeffrey. 2005. "The Fiscal Contract: States, Taxes, and Public Services." *World Politics* 57(4): 530–67.

Tripp, Aili Marie. 1997. *Changing the Rules: The Politics of Liberalization and the Urban Informal Economy in Tanzania*. Berkeley, CA: University of California Press.

Waterbury, John. 1997. "Fortuitous By-Products." *Comparative Politics* 29(3): 383–402.

Appendix

Detailed occupation	**Male**	**Female**	**Total**
Wholesale agriculture	2	0	2
Wholesale clothes/shoes	14	21	35
Wholesale hardware	3	0	3
Wholesale food, drink, tobacco	9	5	14
Wholesale livestock/poultry	1	0	1
Other wholesale	6	3	9
General kiosk/grocery	48	28	76
Retail clothes	76	68	144
Retail hardware	50	9	59
Retail charcoal	0	5	5
Retail livestock/poultry	9	18	27
Retail others (e.g. mobile phones, plastic buckets, jewelry)	73	55	128
Retail agricultural products	24	68	92
Street hawking clothes	0	6	6
Street hawking charcoal	1	0	1
Street hawking others	1	3	4
Street hawking agricultural products	0	3	3
Hairdresser/barber	10	18	28
Herbalist/Chemist	0	1	1
Restauranteer	4	28	32
Other services	19	8	27
Bicycle repair	2	1	3
Shoe repair	6	1	7
Other repair services	21	0	21
Storage/warehousing grains	1	0	1
Maize mill	1	0	1
Other grain mill	2	0	2
Animal feed production	4	0	4
Tailoring/apparel production	12	14	26
Other textiles	2	0	2
Furniture making/carpentry	33	0	33
Wood crate production	3	3	6
Welding	7	0	7
Other metal works	7	0	7
Other	1	0	1
Total	**452**	**366**	**818**

The International Growth Centre (IGC) aims to promote sustainable growth in developing countries by providing demand-led policy advice based on frontier research.

Find out more about
our work on our website
www.theigc.org

For media or communications
enquiries, please contact
mail@theigc.org

Subscribe to our newsletter
and topic updates
www.theigc.org/newsletter

Follow us on Twitter
@the_igc

Contact us
International Growth Centre,
London School of Economic
and Political Science,
Houghton Street,
London WC2A 2AE

International
Growth Centre

DIRECTED BY

FUNDED BY

Designed by soapbox.co.uk