

Building Fiscal Contracts in Sierra Leone

Partisan exchange and ideological backlash

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Outline

Motivation

Intervention

TOC

Mediator results

Compliance Results

Motivation: Big picture

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- ▶ This is troubling, given the importance of fiscal capacity for economic development.
- ▶ What can leaders in democratic countries do to improve fiscal capacity?

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 2. Attitudes towards government
- ▶ Intervention motivated by historical political economy research that link citizens' input in policy-making to their willingness to supply the government with revenue.
- ▶ This idea is largely untested in contemporary democracies as a way to build fiscal capacity.

Participatory budgeting intervention

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 - ▶ **Vertical interaction:** Councilors respond by video to voiced preferences + reveal list of service projects.
 - ▶ **Decision making:** Participants deliberate and vote for services.
 - ▶ projects: 15 million leones (\approx \$1,500)
 - ▶ Mayor announces winner in each ward through video.

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2. Service delivery

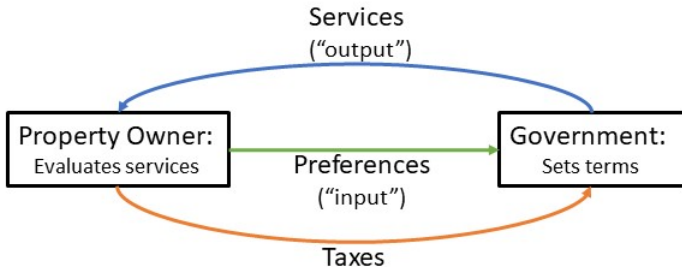
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2. Service delivery
3. Service notification calls

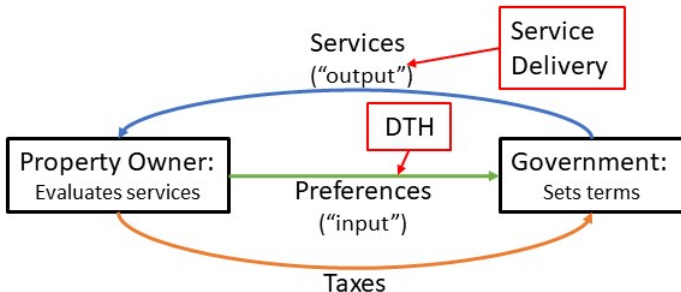
Theory of change

Figure: The Fiscal Contract



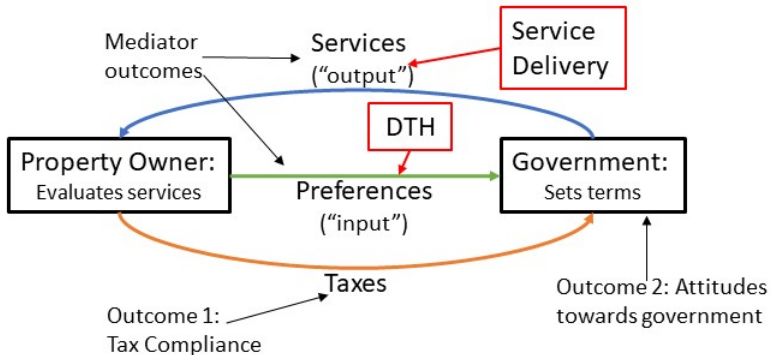
Theory of change: predictions

Figure: Predicted impact of intervention on fiscal contract



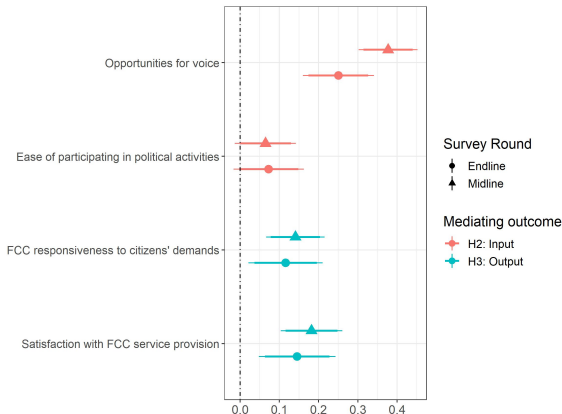
Theory of change: outcomes

Figure: Outcomes we measure



Effects on **mediating** outcomes

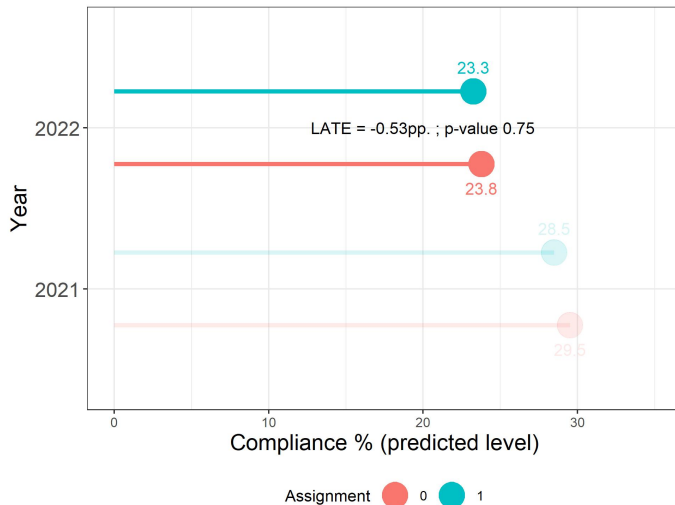
Mediators: Fiscal exchange Inputs / Outputs



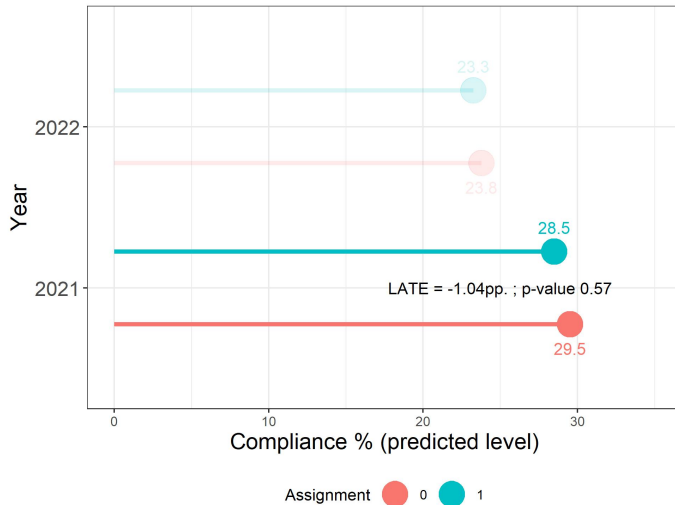
- ▶ DTHs strengthens Input & Output components of fiscal contract
- ▶ No lasting effects on **alternative mechanism** (**fairness** or **enforcement**)

Effects on **Tax Compliance**

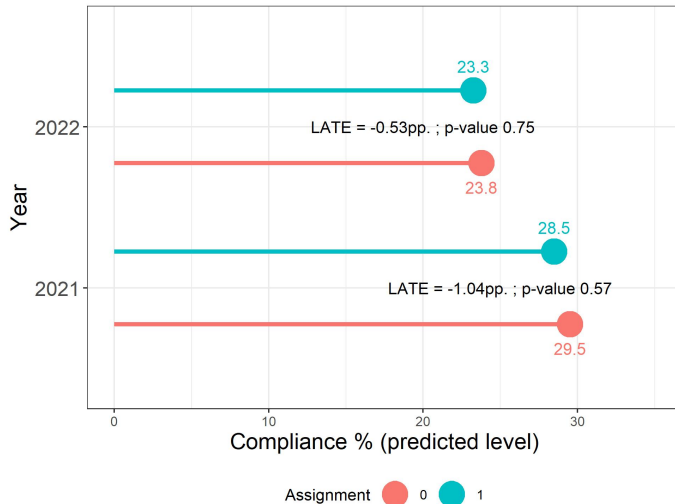
Tax Compliance, 2022 (main outcome of interest)



Tax Compliance, 2021



Tax Compliance



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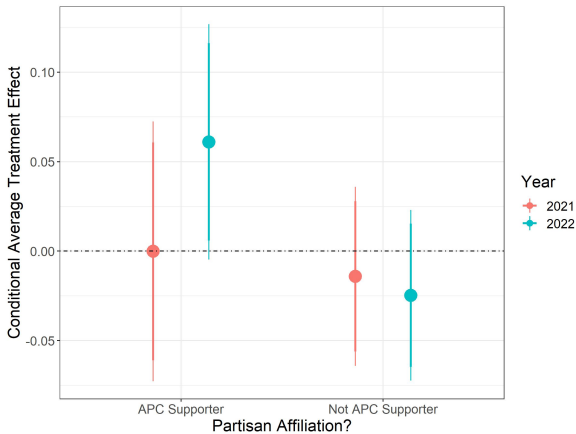
- ▶ but average effect on **compliance** indistinguishable from zero.
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Null ATE masks substantial variation in treatment effect:

1. Positive treatment effects for **co-partisans**
2. Negative effects for those ideology opposed to taxation
 - ▶ But only among non co-partisans

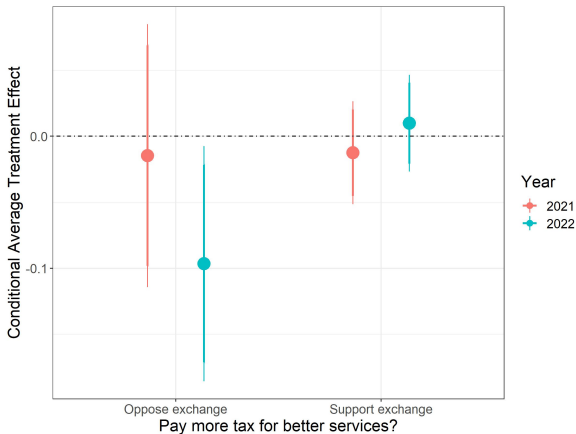
Effects by partisanship

Figure: Treatment effects by partisan affiliation



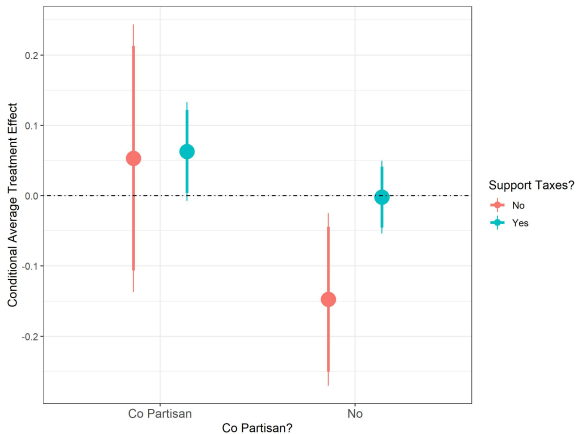
Effects by ideology (baseline)

Figure: Treatment effects by attitudes towards taxation



Effects by partisanship & ideology (2022)

Figure: Effects by partisanship & ideology: 2022 compliance



Effects on **attitudes towards government.**

Attitudinal effects shaping long-term impacts

Motivation: Why do we care about attitudes towards government?

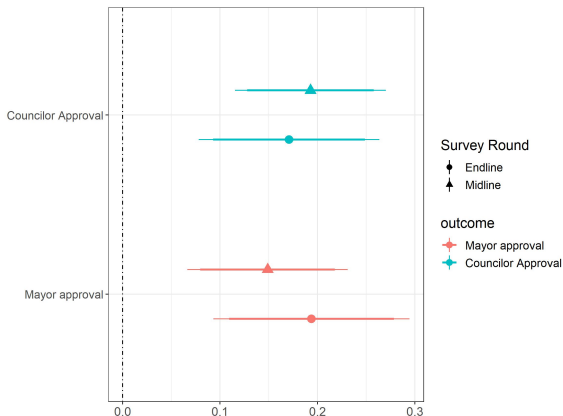
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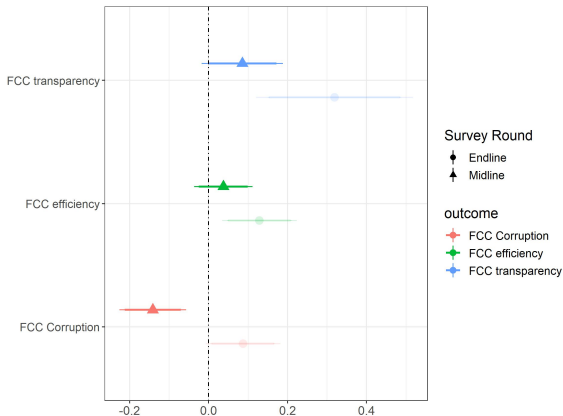
1. Tax compliance / the fiscal contract evolve over the long term.
2. Positive shifts in attitudes towards government may facilitate a virtuous cycle of improvements in fiscal capacity by:
 - ▶ Increasing future compliance.
 - ▶ Politically enabling broader tax reform.

Effect on approval of political representatives



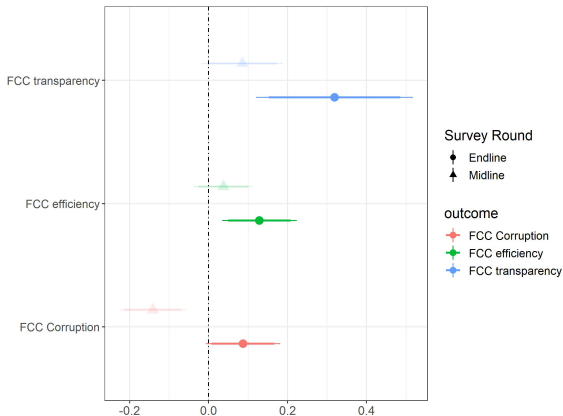
► **Approval** \uparrow (midline + endline)

Effect on perceptions of government



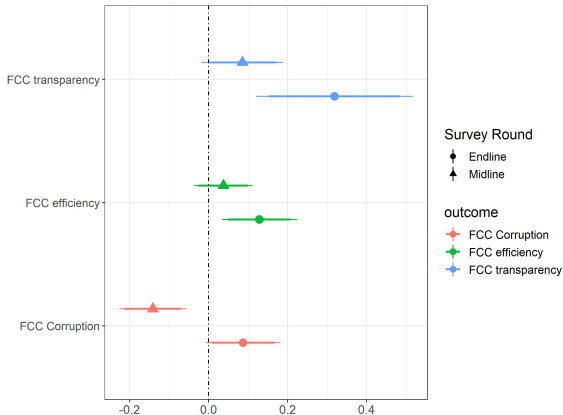
- Effects *before* service provision (mixed bag)

Effect on perceptions of government



► Effects *after* service provision ↑

Effect on perceptions of government



► **Perceptions of gov** ↑ after service provision

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 - ▶ Negative effects are concentrated among *non co-partisans*
 - ▶ Intervention shifts compliance to a policy endorsement?

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1. All sub-groups recognize that DTH are meaningful participatory platforms, but compliance is sticky and can be politicized.
2. DTH facilitates fiscal exchange with co-partisans
 - ▶ These effects occurs after service delivery (FY22).
3. These positive effects are washed away by *negative* effects among ideologically opposed
 - ▶ Negative effects are concentrated among *non co-partisans*
 - ▶ Intervention shifts compliance to a policy endorsement?
4. Intervention shapes attitudes towards government and political representatives in a way consistent with future improvements in fiscal capacity.

Thank you!

