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2025 CORRUPTION RISK ASSESSMENT ON LOCAL AUTHORITY TAX GOVERNANCE

November 2026

Study Report: 2025 Corruption Risk Assessment on Local Authority Tax Governance across Lusaka, Rufunsa, Solwezi, and Kalumbila districts.

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EXECUTIVE SUMMARY

Local Authority revenue systems play a central role in Zambia's decentralisation agenda and in financing local development. However, persistent weaknesses in revenue administration continue to create opportunities for corruption, revenue leakages, and informal practices that undermine public service delivery and erode citizen trust. Although Local Authorities are expected to mobilise resources to support local development, gaps in oversight and implementation continue to compromise both revenue performance and accountability.

This study assesses corruption vulnerabilities in local tax governance and compliance across Lusaka, Rufunsa, Solwezi, and Kalumbila districts. It focuses on the systemic and institutional conditions that create opportunities for corrupt practices rather than on individual acts of wrongdoing. Quantitative data used to develop the Corruption Vulnerability Index (CVI) were collected in Lusaka District, selected for its large revenue base, administrative complexity, and high volume of taxpayer interactions. Qualitative evidence from Rufunsa, Solwezi, and Kalumbila provided contextual depth and helped identify district-specific vulnerability patterns.

The findings reveal that corruption vulnerabilities stem less from the absence of legal and policy frameworks which are largely in place and more from weak implementation, supervision, and enforcement. Significant risks cluster around key revenue processes, including assessment, billing, collection, banking, and enforcement. High levels of discretion at frontline collection points, inconsistent application of by-laws, continued reliance on cash transactions, incomplete receipting, weak reconciliation controls, and unstable digital systems collectively undermine transparency and create opportunities for revenue leakages and informal arrangements.

Taxpayers experience further shape compliance outcomes. While many citizens demonstrate awareness of their obligations and a willingness to comply, inconsistent enforcement, coercive interactions, and perceptions of unfair treatment undermine this potential. Women traders in informal and market settings face heightened risks of harassment and encounter greater barriers to reporting misconduct.

The Tax Corruption Vulnerability Index (CVI) identifies administrative and systems weaknesses as the most significant source of corruption vulnerability. Although governance structures appear comparatively stronger, their effectiveness is weakened by inconsistent implementation and enforcement.

Despite the vulnerabilities identified, the study found evidence of a willingness among many taxpayers to comply with their obligations, as well as recognition of the important role played by Local Authorities. These factors provide a foundation upon which reform efforts can be built. The study recommends urgent action to strengthen administrative controls, accelerate reliable digitalisation, reduce discretionary enforcement, reinforce accountability mechanisms, and embed gender-responsive

safeguards. Such reforms are essential to promote integrity, equity, and sustainable local revenue mobilisation, while restoring public trust in the decentralisation process.

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ABBREVIATIONS

Abbreviation	Full Form
ACC	Anti-Corruption Commission
CBD	Central Business District
CDF	Constituency Development Fund
CPI	Corruption Perceptions Index
CSO	Civil Society Organisation
CVI	Corruption Vulnerability Index
DFA	Diagnostic Fiscal Analysis
FGD	Focus Group Discussion
GCB	Global Corruption Barometer
IFA	Intergovernmental Fiscal Architecture
KII	Key Informant Interview
LA	Local Authority
LADA	Local Authorities Debt and Arrears Analysis
LGEF	Local Government Equalisation Fund
LGA	Local Government Act
MoLGRD	Ministry of Local Government and Rural Development
MoFNP	Ministry of Finance and National Planning
NAPSA	National Pension Scheme Authority
OAG	Office of the Auditor General
PCA	Principal Component Analysis
PFM	Public Financial Management
PPS	Probability Proportional to Size
TADAT	Tax Administration Diagnostic Assessment Tool
ToR	Terms of Reference
ZPBI	Zambia Bribe Payers Index
ZRA	Zambia Revenue Authority

1. INTRODUCTION

1.1 BACKGROUND

The administration of Local Authority revenue in Zambia is governed primarily by the Local Government Act No. 2 of 2019, which confers on councils the mandate to collect rates, fees, levies, and service charges. This law is complemented by the National Decentralisation Policy framework and by council by-laws that operationalise these revenue powers at the local level.

While this framework establishes broad fiscal authority, it offers limited operational guidance on how local authorities should undertake assessments, valuations, inspections, and standardised enforcement. Therefore, the legal framework leaves substantial details on tax governance to by-laws and administrative practice.

Furthermore, councils are expected to finance local service delivery, strengthen accountability, and reduce dependence on central government transfers. However, persistent weaknesses in local revenue performance continue to raise important questions about how these systems function in practice. Local Authority audit reports consistently point to large volumes of uncollected, under-banked, or poorly accounted-for revenue at the local level.[1]

This pattern points to governance weaknesses in revenue systems, in their administration, enforcement, and oversight. Therefore, understanding the factors contributing to revenue leakage requires detailed assessments of the institutional, administrative, and behavioural conditions under which revenue is collected.

Unlike national tax systems, Local Authority revenue administration often operates within limited capacity, fragmented processes, and significant discretion at frontline collection points.[2] These conditions are most visible in high-contact environments such as markets, trading areas, and transport hubs, where transactions are frequent, cash-based, and weakly supervised.

Even where formal rules exist, inconsistent applications can undermine fairness, weaken trust, and create space for informal practices. Crucially, evidence from both Local Authority audits and taxpayer experiences suggests that compliance challenges are not driven primarily by ignorance or resistance. Many taxpayers are aware of their obligations and express willingness to comply.

Studies have found that where enforcement is unpredictable, oversight is weak, and discretion is high, informal arrangements tend to become normalised. Therefore, over time, these governance risks erode the legitimacy of local taxation, weaken accountability, and compromise service delivery.[3]

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1. Auditor General of Zambia. (2023). Report of the Auditor General on the Accounts of Local Authorities for the Financial Year Ended 31st December 2022. Lusaka. (pp. 10-21)
2. Fjeldstad, O., & Heggstad, K. (2012). Local government revenue mobilization in Anglophone Africa. CMI Working Paper Series, 6, 31-36.
3. Fjeldstad, O.-H., & Heggstad, K. (2012). Local government revenin governance, administration, and behaviourue mobilisation in Anglophone Africa. Chr. Michelsen Institute.

Consequently, Local Authorities in Zambia continue to record significant volumes of uncollected, under-banked, and poorly accounted-for revenue. The persistence of these losses, despite recurring audit findings, suggests that the binding constraint lies not in the rules themselves but in how revenue is assessed, collected, banked, and supervised at the local government level.

While audit reports routinely document revenue losses among Local Authorities, they rarely explain the systemic conditions that allow these losses to persist. Furthermore, audit reports tend to focus on quantifying the scale of leakage without diagnosing the institutional and behavioural drivers.

1.2 PURPOSE AND OBJECTIVES

This study addresses that gap by examining the conditions under which corruption vulnerabilities emerge, thereby giving Local Authorities and oversight institutions an actionable, evidence-based basis for targeted reform. It examines corruption risk in Local Authority tax governance and compliance, focusing on the conditions that create opportunities for corruption rather than on individual acts of wrongdoing.

Therefore, the purpose of the study was to analyse the systemic weaknesses across governance, administrative, and behavioural factors that facilitate corruption and weaken revenue performance and to generate evidence-based recommendations to strengthen integrity, accountability, and revenue performance at the local government level.

The study addressed the following specific objectives:

1. To analyse the legal, policy, and institutional frameworks governing tax administration and identify gaps that enable corruption and undermine equitable and effective tax governance at the local government level.
2. To identify and map specific corruption risks, loopholes, and integrity challenges associated with the practical processes of tax assessment, billing, collection, banking, and general enforcement among Local Authorities.
3. To document experiences, perceptions, compliance behaviours, and incentives of taxpayers and officials that contribute to non-compliance and corrupt practices across different population groups and revenue streams.

2. METHODOLOGY

2.1 STUDY DESIGN

The study employed a mixed-methods design to diagnose corruption risks in Local Authority revenue governance systems. The approach combined quantitative and qualitative methods to identify integrity, institutional, and behavioural risks that create opportunities for corruption within revenue administration processes.

The methodology was explicitly diagnostic rather than inferential, consistent with the study's objective of identifying systemic weaknesses and corruption vulnerabilities rather than estimating the prevalence of corruption.

Furthermore, the research design integrated four complementary data sources: a structured quantitative survey, key informant interviews, focus group discussions, and a desk review of legal, policy, and audit documents. This approach enabled triangulation across taxpayer experiences, institutional practices, and oversight evidence, thereby strengthening the validity of the findings.

2.2 SCOPE AND SAMPLING APPROACH

The study covered four Local Authorities in Lusaka, Rufunsa, Solwezi, and Kalumbila. Rufunsa, Solwezi, and Kalumbila were selected because they are intervention districts under the LIFT project. In addition, the study included Lusaka district as a benchmark, owing to the scale, diversity, and complexity of its revenue system.

2.3 DATA COLLECTION

The quantitative data were collected from only Lusaka District, targeting high-interaction locations, such as markets and Central Business District (CBD) trading areas. The respondents were purposively selected within identified clusters. In all four districts, the qualitative participants were purposively selected based on institutional roles, experience with revenue administration, or representation of affected taxpayer groups.

2.4 DATA ANALYSIS

Quantitative survey data were analysed using descriptive statistics in Stata, including frequencies, proportions, and cross-tabulations. On the other hand, Qualitative data from interviews and focus group discussions were analysed thematically to identify recurring themes related to governance arrangements, administrative practices, behavioural incentives, and corruption risk typologies.

2.5 STUDY LIMITATIONS

The study is diagnostic rather than inferential: it identifies risks and opportunities for corruption, not the prevalence or incidence of corrupt acts. Secondly, evidence regarding sensitive practices relies in part on self-reported perceptions. The risk of bias was mitigated through triangulation across multiple data sources. Finally, the findings reflect conditions during the 2025 study period and should be revisited as reforms are implemented.

2.6 PROFILE OF QUANTITATIVE SURVEY RESPONDENTS

The study engaged 407 survey respondents, capturing the experiences of businesses and traders who regularly interact with Local Authority revenue systems in Lusaka District. Women constituted 41.5% of respondents, reflecting their significant presence in market-based and informal trading activities.

Figure 3.1: Gender of Respondents

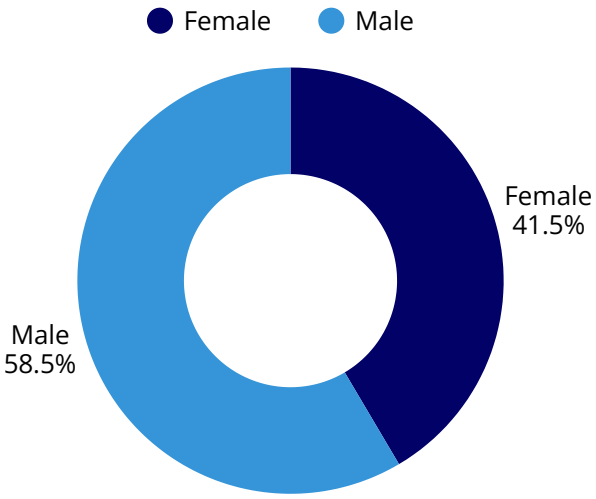
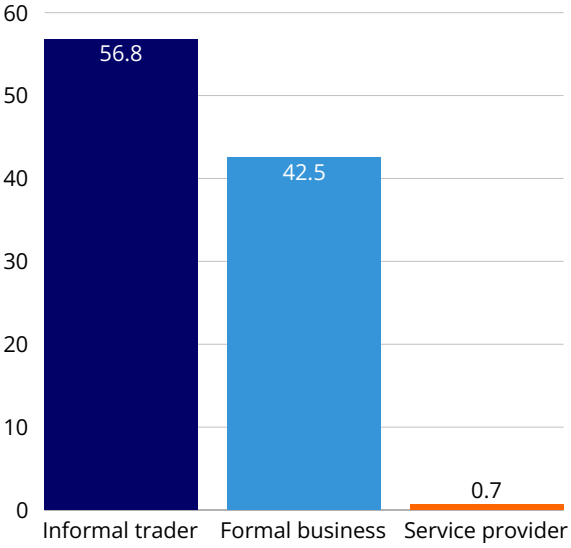


Figure 3.2: Types of Businesses Surveyed



A majority of respondents (56.8%) were informal traders, reflecting the structure of local economies and the central role of informal activity in own-source revenue mobilisation, while 42.5% operated formally registered businesses (ref. Figure 3.2). Furthermore, most respondents reported operating for more than three years, indicating sustained exposure to Local Authority revenue processes rather than isolated or one-off encounters.

2.7 PROFILE OF QUALITATIVE RESEARCH RESPONDENTS

In addition to the quantitative survey, the qualitative research component collected data from several stakeholders to contextualise the findings and strengthen district-level interpretation. Four focus group discussions (one per district) were held, and 17 key informant interviews (KIIs) were conducted across Lusaka, Rufunsa, Solwezi, and Kalumbila Districts. The KIIs engaged officials from Local Authorities, public institutions, market leadership, business associations, and civil society actors, with coverage varying by district based on access and institutional presence (See Table 3.1).

Table 3.1: Total Qualitative Research Respondents

District	FGDs Conducted	KIIs Conducted	Total Engagements
Lusaka	1	2	3
Rufunsa	1	4	5
Solwezi	1	6	7
Kalumbila	1	5	6

3. LEGAL AND POLICY FRAMEWORK

Zambia's legal and policy framework governing Local Authority tax administration is intended to promote transparency, accountability, and effective local revenue mobilisation. Key elements include the Local Government Act No. 2 of 2019, the Public Finance Management Act No. 1 of 2018, the Intergovernmental Fiscal Architecture (IFA), the National Decentralisation Policy, and the Integrated Public Financial Management Reform Strategy (IPFMR) 2024–2027.

Collectively, this framework establishes mandates, responsibilities, and accountability arrangements intended to guide Local Authority revenue collection and financial management.[4] However, existing evidence suggests that corruption risks arise less from the absence of legal provisions and more from implementation weaknesses, operational gaps, and limitations in accountability systems.

Studies on decentralised revenue systems indicate that corruption risks frequently emerge where legal authority is not matched by effective operational guidance, oversight mechanisms, and enforcement safeguards.[5]

The following are the key laws and policies in this framework:

3.1 LOCAL GOVERNMENT ACT NO. 2 OF 2019

The Local Government Act No. 2 of 2019 provides Local Authorities with legal authority to levy, collect, and enforce local taxes, fees, and charges through council by-laws. The Act is intended to strengthen fiscal decentralisation in line with the national decentralisation policy, as councils are expected to mobilise own-source revenue and finance local service delivery.[6]

However, while the Act establishes broad fiscal authority, it provides limited operational guidance on taxpayer assessment procedures, valuation methodologies, inspection protocols, and standardised enforcement practices. Many implementation procedures are delegated to council by-laws and administrative arrangements, such as market and trading-levy by-laws, business levy by-laws, and fee and charge schedules, among others. This creates variation in how revenue systems are operationalised across Local Authorities.

4. Government of Zambia, Local Government Act No. 2 of 2019 (Lusaka: Government Printer, 2019); Government of Zambia, Public Finance Management Act No. 1 of 2018 (Lusaka: Government Printer, 2018); Government of Zambia, National Decentralisation Policy (Lusaka: Cabinet Office); Ministry of Finance and National Planning, Integrated Public Financial Management Reform Strategy (IPFMR) 2024–2027 (Lusaka, 2024).
5. Susan Rose-Ackerman and Bonnie Palifka, Corruption and Government: Causes, Consequences and Reform, 2nd ed. (Cambridge: Cambridge University Press, 2016).
6. Government of Zambia, Local Government Act No. 2 of 2019.

Evidence from local government revenue systems in Africa suggests that broad administrative discretion at frontline collection points may create corruption vulnerabilities where accountability systems remain weak. Studies have found that local revenue systems in several African countries frequently exhibit "high levels of arbitrariness, coercion and corruption," particularly where tax collectors exercise substantial discretionary authority.[7]

Similarly, studies on decentralised revenue administration in Ghana found that weak procedures contributed to inconsistent enforcement and informal negotiation practices.[8]

In Zambia, Auditor General reports and reviews of Local Authority administration have repeatedly highlighted concerns relating to weak supervision, inconsistent implementation practices, and weaknesses in accountability mechanisms.[9] Where standards exist, the vulnerability arises less from their absence than from inconsistent application across Local Authorities. Such practices risk undermining equitable tax administration, weakening taxpayer trust, and increasing the risk of corruption.

3.2 PUBLIC FINANCE MANAGEMENT ACT NO. 1 OF 2018

The Public Finance Management (PFM) Act No. 1 of 2018 establishes standards governing internal controls, receipting procedures, banking requirements, reconciliations, financial reporting, and accountability in the management of public resources. The Act is intended to strengthen financial discipline and reduce opportunities for misuse of public resources.[7]

Although the framework establishes accountability requirements and sanctions for financial misconduct, audit evidence from Local Authorities indicates recurring weaknesses in implementation and enforcement. Reports from the Office of the Auditor General have repeatedly identified concerns relating to under-banking of revenues, delayed reconciliations, unsupported expenditures, weak documentation systems, and inadequate audit trails across councils.[10]

Similar findings have recurred across multiple reporting cycles, suggesting persistent implementation challenges. Furthermore, evidence from public financial management reforms suggests that weak enforcement of internal controls can reduce deterrence and create opportunities for revenue leakage, record manipulation, and informal practices.[11]

In Local Authority revenue administration, weak control environments may therefore allow accountability gaps to persist despite formal compliance requirements.

7. Fjeldstad, O. and Heggstad, K. Local Government Revenue Mobilisation in Anglophone Africa (Bergen: Chr. Michelsen Institute, 2012).
8. Fjeldstad, O. and Moore, M. "Revenue Authorities and Public Authority in Sub-Saharan Africa," Journal of Modern African Studies 47, no. 1 (2009): 1–18.
9. Office of the Auditor General, Report of the Auditor General on the Accounts of Local Authorities for the Financial Year Ended 31 December 2022 (Lusaka: Office of the Auditor General, 2023); Ministry of Local Government and Rural Development administrative reports.
10. Government of Zambia, Public Finance Management Act No. 1 of 2018.
11. Organisation for Economic Co-operation and Development, Public Financial Management and Accountability: Supporting Budget Reforms in Developing Countries (Paris: OECD Publishing, 2006)

3.3 INTERGOVERNMENTAL FISCAL ARCHITECTURE (IFA) 2023-2027

Zambia's Intergovernmental Fiscal Architecture (IFA) is the system of revenue assignments, transfers, and equalisation that links the central and local government. The IFA establishes fiscal relationships and accountability arrangements between national and subnational institutions.

As part of the IFA, Local Authority own-source revenue is intended to complement central transfers such as the Local Government Equalisation Fund and the Constituency Development Fund. It is therefore intended to strengthen oversight and support responsible financial management at the local authority level.[12]

However, available evidence suggests that oversight arrangements continue to rely substantially on periodic ex-post audits and reporting mechanisms. While audits remain important accountability tools, studies on decentralised governance systems indicate that audit-based oversight is often ineffective when routine monitoring systems and corrective follow-up mechanisms are weak.[13]

Furthermore, evidence from decentralisation experiences in developing countries further suggests that weak corrective systems can allow governance weaknesses to recur across reporting cycles without sufficient intervention.[14] Under such conditions, accountability gaps may become institutionalised, creating environments where selective enforcement practices, informal arrangements, and revenue leakages persist.

3.4 NATIONAL DECENTRALISATION POLICY AND INTEGRATED PUBLIC FINANCIAL MANAGEMENT REFORM STRATEGY (IPFMR) 2024–2027

The National Decentralisation Policy and Integrated Public Financial Management Reform Strategy (IPFMR) 2024–2027 seek to strengthen Local Authority accountability through governance reforms, stronger financial controls, and digitalisation initiatives. These reforms are intended to educe reliance on manual systems and improve transparency, efficiency, and accountability in public financial management processes.[15]

However, evidence from digital governance and public financial management reform literature suggests that implementation of technology-driven reforms frequently encounters constraints related to infrastructure reliability, institutional readiness, technical capacity, and long-term system sustainability.[16]

12. United Nations Development Programme (UNDP), Local Governance and Decentralization: Programme and Policy Guidance Note (New York: UNDP, 2004).
13. Jean-Paul Faguet, “Decentralization and Governance,” World Development 53 (2014): 2–13; Merilee S. Grindle, Going Local: Decentralization, Democratization, and the Promise of Good Governance (Princeton: Princeton University Press, 2007); Anwar Shah, Local Governance in Developing Countries (Washington, DC: World Bank, 2006).
14. Jean-Paul Faguet, studies on decentralisation and accountability in developing countries.
15. Government of Zambia, National Decentralisation Policy; Ministry of Finance and National Planning, Integrated Public Financial Management Reform Strategy (IPFMR) 2024–2027.
16. World Bank, studies on digital governance implementation in developing countries

Studies on digital tax administration reforms in developing countries further indicate that parallel operation of manual and digital systems may preserve opportunities for discretionary decision-making and informal payments rather than fully eliminating corruption risks.[17]

Therefore, without complementary investments in institutional capacity, oversight systems, technical support, and implementation readiness, digital reforms may reduce but not fully eliminate corruption vulnerabilities.

Overall, the review demonstrates that Zambia possesses a relatively comprehensive legal and policy framework governing Local Authority revenue administration.

However, gaps in operational guidance, implementation, oversight, and institutional accountability create vulnerabilities to corruption that undermine equitable and effective tax governance.

Furthermore, weak supervision, uneven enforcement, and limited corrective mechanisms create conditions that may facilitate informal practices, selective enforcement, and revenue leakages, thereby reduce public trust and weaken revenue integrity. These gaps provide an important analytical basis for assessing corruption vulnerabilities within Local Authority revenue systems.

17. Organisation for Economic Co-operation and Development, studies on e-governance and tax administration reforms.

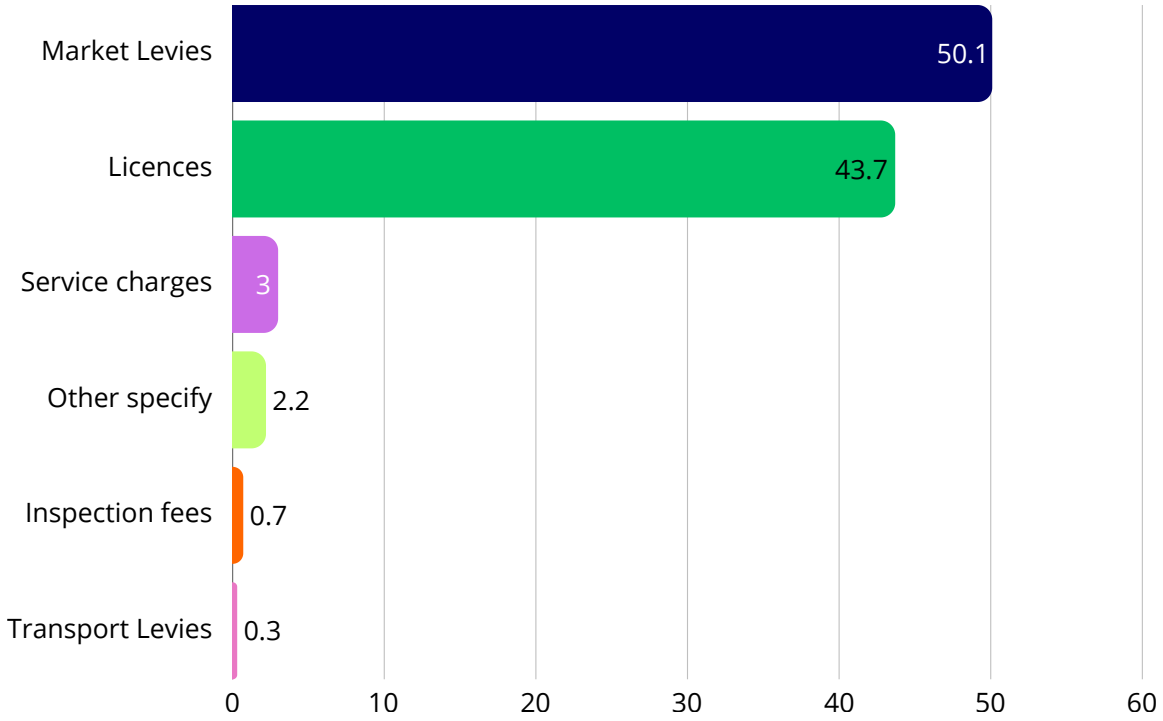
Table 3.2: Summary of Key Legal and Policy Gaps

Law/ Policy	Intended Purpose	Identified Gap	How the Gap Facilitates Corruption	Recommended Action
Local Government Act No. 2 of 2019	To provide Local Authorities with legal authority to mobilise and enforce local revenue collection	Broad enforcement discretion with limited operational guidance	Creates room for administrative discretion, increasing risks of inconsistent fee application, selective enforcement, informal payments, and negotiated compliance arrangements at the frontline	Develop and enforce standardized assessment, inspection, and enforcement guidelines to reduce discretionary practices
Public Finance Management Act No. 1 of 2018	To strengthen financial accountability through internal controls and financial management procedures	Weak enforcement of internal controls at council level	Persistent under-banking, delayed reconciliations, weak audit trails	Strengthen supervisory enforcement and sanctions for repeated PFM non-compliance
Intergovern mental Fiscal Architecture (IFA) 2025	To strengthen fiscal oversight and accountability between national and local government structures	Oversight largely ex-post and audit-driven	Recurring audit findings without corrective action	Introduce routine compliance monitoring and escalation mechanisms
Integrated Public Financial Management Reform Strategy 2024–2027	To improve accountability and efficiency through digitalisation and public financial management reforms	Reform ambition exceeds local implementation capacity. Broad enforcement discretion with limited operational guidance	Partial digitalisation and weak system reliability sustain manual processes	Prioritise stabilisation and coverage of digital revenue systems in high-risk areas

4. CORRUPTION RISKS IN TAX GOVERNANCE

Empirical evidence shows that corruption risks are concentrated at assessment, collection, and enforcement stages, where interactions are frequent and largely officer-initiated. Revenue interactions in Lusaka were highly concentrated in market levies (50.1 percent) and business licences (43.7 percent), which together accounted for the majority of engagements, as shown in Figure 3.3 below. The survey captures experiences from high-contact, enforcement-driven settings, where discretion, time pressure, and weak oversight are most likely to shape behaviour.

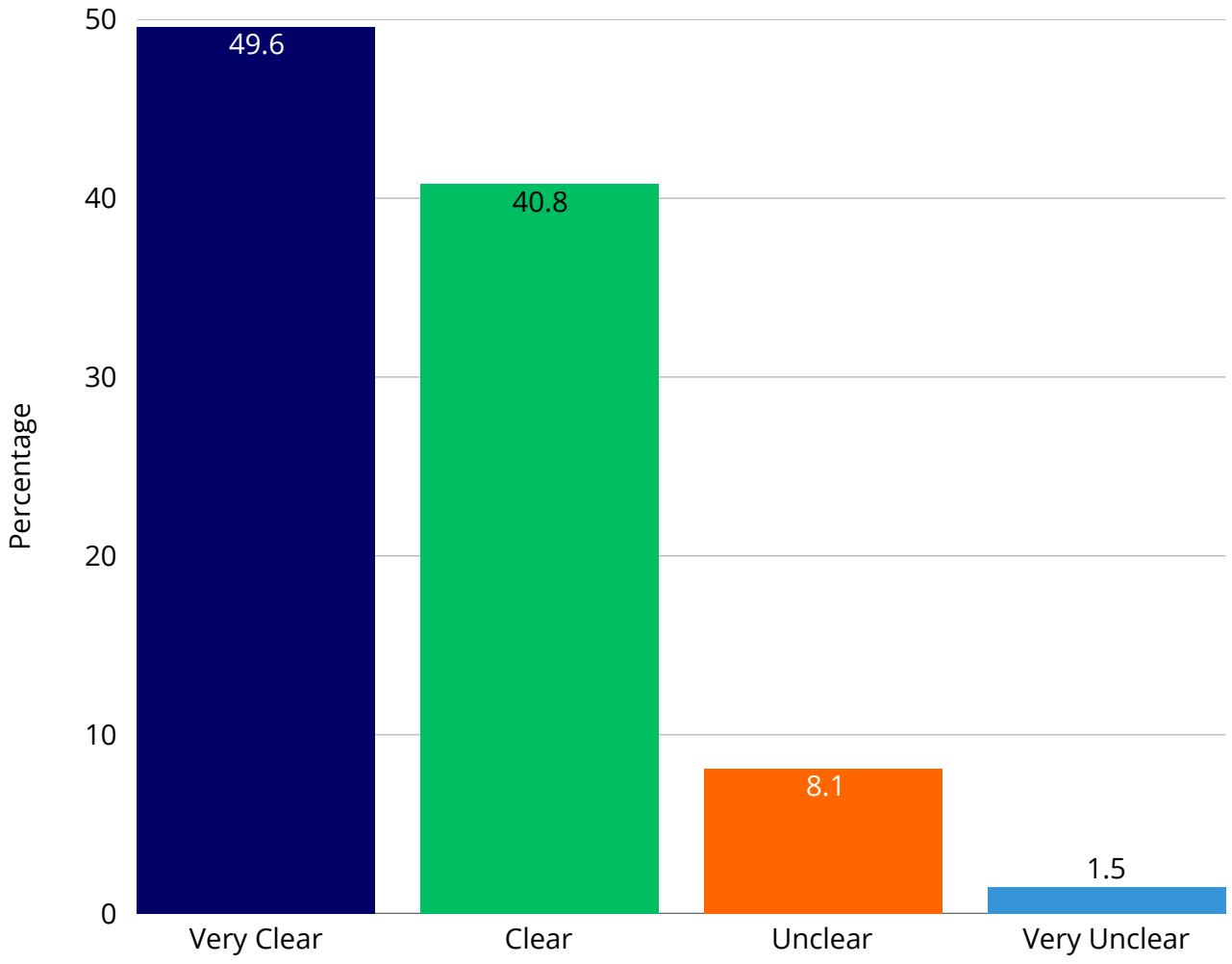
Figure 3.3: Main Local Revenue Stream Interaction by Businesses



3.3.1 DISCRETION IN ASSESSMENT AND ENFORCEMENT

Across all districts, corruption risks stem from weak supervision at frontline revenue collection points. Although fee schedules and bylaws exist, their application is inconsistent, particularly in market and informal trading environments. Global evidence shows that such discretionary, high-contact systems are especially vulnerable to rent-seeking when not supported by strong controls and supervision.[18] Revenue officers frequently assess compliance during inspections rather than through predictable, taxpayer-initiated processes, creating uncertainty over payable amounts and penalties. As shown in Figure 3.4, survey results indicate that most taxpayers understand applicable fees and perceive rules as generally clear. However, focus group discussions and key informant interviews reveal that rules are not applied consistently across officers or locations, particularly in market environments.

Figure 3.4: Clarity of Rules and Fees



18) Bird, R., & Zolt, E. (2003). Introduction to Tax Policy Design and Development in Developing Countries. Washington, DC: World Bank.

This latitude exercised in the application of rules is reinforced by enforcement practices that are largely officer-initiated, with limited supervision in the field. In Lusaka, high transaction volumes intensify these risks, while in Rufunsa and Kalumbila, staffing constraints and weak oversight amplify them. These conditions facilitate informal negotiations and selective officer-initiated corruption.

3.3.2 WEAK CONTROLS IN COLLECTION AND RECEIPTING

Revenue collection represents one of the highest-risk stages in the revenue chain. While official receipts are generally issued, gaps persist during mobile collections, peak market periods, and enforcement-related payments. Even limited failures in receipting significantly weaken audit trails in cash-based systems.

Continued reliance on manual receipting across districts increases exposure to manipulation and non-remittance. In Solwezi and Kalumbila, evidence revealed that emerging revenue systems coexist with manual practices, raising the risk that weak controls become entrenched as revenue volumes grow.

3.3.3 BANKING, RECONCILIATION, AND OVERSIGHT GAPS

Weaknesses in assessment and collection cascade into downstream risks. Inconsistent receipting and cash handling increase the likelihood of delayed banking, under-banking, and incomplete reconciliation.

According to Section 128. (1) of the Public Finance Management (General) Regulations, 2020, it states that "an office holder who receives or collects revenue shall deposit the revenue not later than the next business day following the day of receipt of revenue."

Moreover, audit evidence[19] confirms that these issues recur across Local Authorities with limited corrective action. Limited system integration and delayed supervisory review reduce the ability to detect anomalies promptly, weakening accountability for collected revenue and increasing opportunities for leakage.

3.4 EXPERIENCES, PERCEPTIONS, COMPLIANCE BEHAVIOURS, AND INCENTIVES SHAPING TAX COMPLIANCE

The findings challenge the assumption that non-compliance is driven by unwillingness to pay. On the contrary, most taxpayers express a strong willingness to comply with Local Authority revenue obligations. This aligns with broader evidence that compliance is shaped less by tax morale alone and more by perceptions of fairness, consistency, and enforcement integrity.[20]

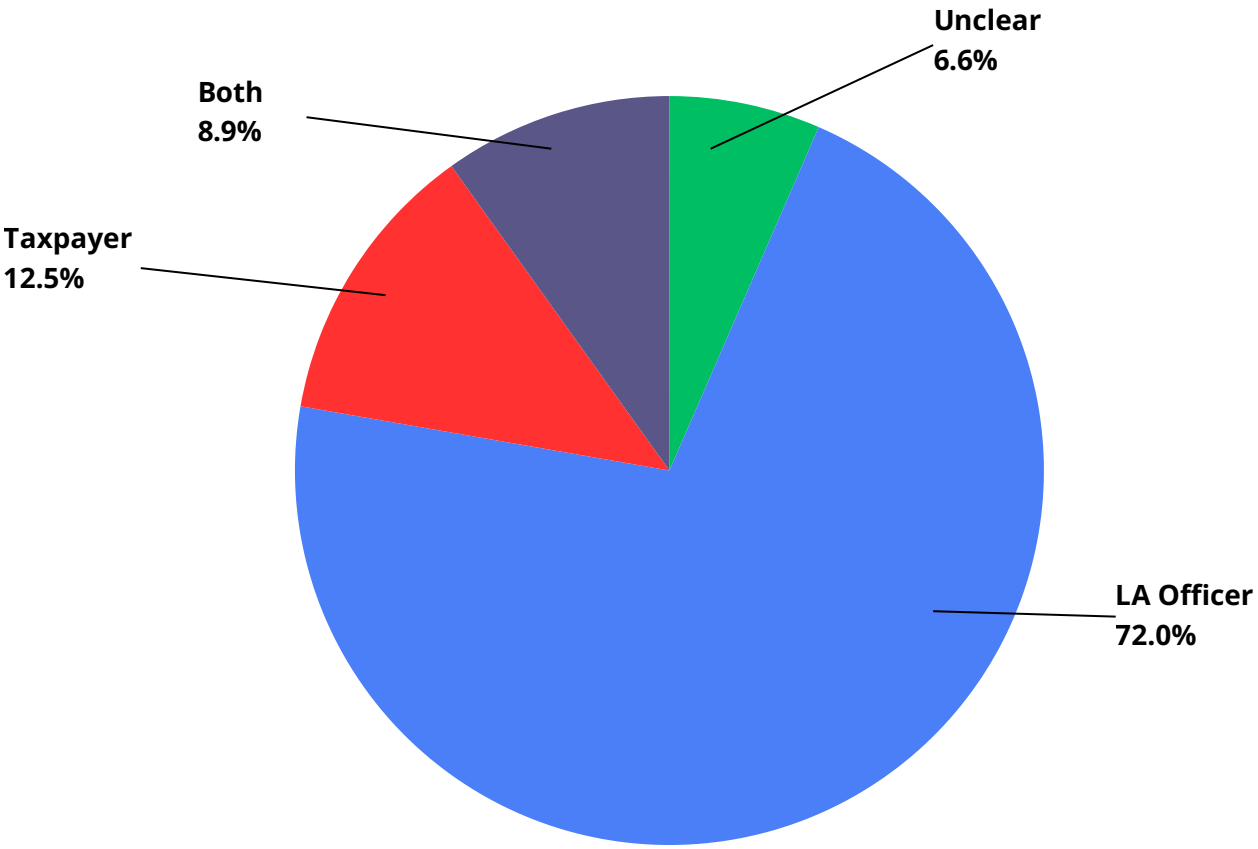
3.4.1 TAXPAYER EXPERIENCES WITH REVENUE ENFORCEMENT

Across the study districts, taxpayer experiences are characterised by frequent, officer-initiated interactions, particularly in market environments. Quantitative results

19) Office of the Auditor General (2023), Report of the Auditor General on the Accounts of Local Authorities for the Financial Year Ended 31 December 2022. (pp. 156)
20) Nichelatti, E. & Hiilamo, H. (2024). The Effect of Citizens' Perception of Governance on Tax Compliance: A Cross-Country Analysis Study for 32 Sub-Saharan African Countries. The European Journal of Development Research, 36(5), 1198–1226.

from Lusaka show that most engagements with revenue officials occur through inspections and enforcement actions rather than taxpayer-initiated compliance (See Figure 3.5). Qualitative evidence from Rufunsa, Solwezi, and Kalumbila confirms that market levies and licensing checks are the most common touchpoints, often involving face-to-face, cash-based transactions.

Figure 3.5: Who Initiated Contact During Compliance



These high-contact environments amplify discretion at the point of enforcement. Traders reported that the same fees are sometimes applied differently depending on the officer present, time of day, or location within a market. While many interactions are routine, the enforcement-driven nature of revenue collection creates conditions in which power imbalances between officers and taxpayers are pronounced, particularly for informal traders with limited bargaining power.

3.4.2 PERCEPTIONS OF FAIRNESS, PREDICTABILITY, AND TRUST

Perceptions of fairness and predictability play a central role in shaping compliance behaviour. Survey findings indicate that most taxpayers perceive Local Authority officers as generally fair and believe revenue rules are clear. However, qualitative evidence reveals that these perceptions are fragile and easily undermined by inconsistent enforcement. Most taxpayers perceive Local Authority officers as fair (68.6% always, 27.8% sometimes), know which fees they owe (91.9%), and find the rules clear (90.4%). This underpins a strong stated willingness to comply (93.4%).

These perceptions are fragile, however, and easily undermined by inconsistent enforcement. Roughly, one in five of the respondents reported inconsistent charging (19.7%) or enforcement (22.1%), and only 58.2% saw fee schedules publicly displayed, leaving many without a reference point to verify what they owe. Inconsistent demands, selective enforcement, and weak visibility of sanctions erode confidence that the system is impartial. This is reflected in the 26.8% who felt officers hold too much discretion and the 25.3% who view corruption as very common.

Trust in how revenue is used remains moderate (44.2% high, 42.5% medium, 13.3% low or none), but is markedly weaker among the minority reporting coercion (14.7%), unofficial payment requests (12.0%), or harassment (7.1%). For this group, eroded trust reduces the moral incentive to comply voluntarily.

3.4.3 COMPLIANCE BEHAVIOURS AND INFORMAL ADAPTATION

Behavioural vulnerabilities emerge where enforcement is unpredictable and discretion is high. A notable share of respondents reported experiences of coercion or requests for unofficial payments, often framed as informal “settlements” to avoid delays, penalties, or harassment. Such practices become normalised in environments where oversight is weak, and reporting mechanisms lack credibility. Over time, this erodes trust in formal systems and reinforces informal norms.

Complaint and reporting mechanisms exist in law and policy, but their practical effectiveness is limited. Fear of retaliation, low confidence in follow-up, and lack of visible sanctions discourage reporting. This behavioural dynamic weakens accountability and allows misconduct to persist with minimal risk.

3.4.4 INCENTIVES AND POWER ASYMMETRIES

Qualitative interviews with Local Authority officials highlight operational pressures, staffing shortages, and limited supervision during peak collection periods. These conditions expand self discretion at the frontline and reduce the likelihood that irregular practices are detected or sanctioned.

Oversight institutions acknowledged that while misconduct is identified through audits or complaints, corrective action is often delayed or inconsistent. The limited visibility of sanctions weakens deterrence and allows informal norms to persist. External stakeholders further noted that selective enforcement and perceived administrative or political influence over revenue decisions contribute to perceptions that rules are negotiable.

3.4.5 GENDER-DIFFERENTIATED VULNERABILITIES

Gendered risks are a consistent cross-cutting finding. Women traders face higher exposure to harassment and intimidation during revenue enforcement encounters, yet qualitative evidence indicates they are less likely to challenge officers or report misconduct, citing fear of retaliation, loss of trading space, or social stigma. The significance of this is twofold: because the most affected group is also the least likely to report, recorded complaint and misconduct figures understate the true scale of the problem, and the absence of consequences allows abusive practices to persist unchecked. This matters for revenue performance because women make up a large share of the informal traders on whom Local Authority revenue depends, and their suppressed willingness to engage erodes a compliance base that is otherwise strong.Addressing these risks is therefore central to both the integrity of the evidence base and the credibility of local taxation. system.

Further, these vulnerabilities are not incidental but structurally embedded in high-discretion, high-contact revenue environments. International evidence highlights that where enforcement powers are exercised without safeguards, gendered power imbalances amplify corruption risks.[21] The study by U4 and Transparency International on corruption and gender equality confirms the need for gender-responsive integrity measures within the Local Authority revenue systems.

3.5 CORRUPTION VULNERABILITY INDEX (CVI): DIAGNOSTIC EVIDENCE

To consolidate these findings, the study developed a Corruption Vulnerability Index (CVI) as a diagnostic tool assessing relative exposure to corruption risks across governance, administrative, systems, and behavioural and gender dimensions. The CVI is explicitly designed to identify system weaknesses, not to measure corruption prevalence or assign culpability.[22]

To complement the quantitative CVI constructed for the Lusaka district, the study developed proxy CVI assessments for Rufunsa, Solwezi, and Kalumbila using qualitative evidence from key informant interviews and focus group discussions. These proxies extend the diagnostic value of the CVI by enabling structured comparison of vulnerability patterns across districts, while recognising differences in data availability.

For the Lusaka district, the CVI indicates low–moderate (0.18) overall vulnerability, with administrative and systems weaknesses emerging as the most pronounced area of risk (0.32). Governance-related vulnerabilities are relatively lower in aggregate (0.13) but persist due to weak accountability follow-through. Behavioural and gender-related vulnerabilities are concentrated in specific high-discretion contexts (0.11), particularly markets.

For Rufunsa, Solwezi, and Kalumbila, proxy CVI bands were derived using a

21) U4 and Transparency International (2021). Corruption and Gender Equality: A Summary of Existing Research. Bergen, Norway
22) UNDP (2015). User's Guide - Measuring Corruption and Anti-Corruption.

standardised scoring rubric applied uniformly across districts. Qualitative evidence was assessed against the same three CVI pillars and classified into vulnerability bands (Low, Moderate, High). The proxy results indicate substantial variation in vulnerability drivers across districts. Rufunsa exhibits high vulnerability across all three pillars, reflecting weak supervision, manual revenue systems, limited oversight follow-through, and normalised discretionary practices. Solwezi shows moderate governance vulnerability but high administrative vulnerability, consistent with rapid economic activity outpacing system controls and oversight capacity. Behavioural risks are present but more situational. Kalumbila records moderate governance and administrative vulnerability, with lower reported behavioural risks, though qualitative evidence suggests under-reporting and limited challenge of authority rather than absence of risk.

Table 3.3 below provides a summary of the CVI results.

Table 3.3: CVI Heat Map

Vulnerability Level				
CVI Pillar	**Lusaka**	**Rufunsa**	**Solwezi**	**Kalumbila**
Governance	Low	High	Moderate	Moderate
Administrative & Systems	High	High	High	Moderate
Behavioural & Gender	Low	High	Moderate	Low-Moderate
Overall CVI	**Low–Moderate**	**High**	**Moderate-High**	**Moderate**

Legend: Interpretation of Corruption Vulnerability Levels

Low Vulnerability
Core legal, governance, administrative, and behavioural controls are largely effective, with risks limited, predictable, and generally contained by existing systems.

Moderate Vulnerability
Identifiable weaknesses in implementation, oversight, or system design create opportunities for corruption in specific contexts, particularly where discretion and system gaps persist.

High Vulnerability
Systemic weaknesses and weak controls significantly elevate corruption risks, allowing discretionary practices and informal arrangements to become routine and entrenched.

3.6 OVERALL SYNTHESIS OF CORRUPTION VULNERABILITY DISTRICT FINDINGS

Corruption vulnerabilities in Local Authority revenue systems are systemic across Lusaka, Rufunsa, Solwezi, and Kalumbila, but shaped by local context. The findings show that risks stem less from missing rules or unwilling taxpayers, and more from weak implementation, limited supervision, and discretionary enforcement. Where these conditions persist, informal practices become normalised, trust erodes, and revenue performance is compromised.

These findings underscore that strengthening integrity in local revenue systems requires systemic reforms that reduce discretion, enforce existing rules, and align administrative practice with legal and policy intent. The implications of this diagnosis inform the targeted conclusions and recommendations presented in the next chapter.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 CONCLUSIONS

This study sought to assess corruption vulnerabilities in Local Authority tax governance and compliance across Lusaka, Rufunsa, Solwezi, and Kalumbila. It focused on the behaviours that create opportunities for corruption, rather than on individual wrongdoing. The findings show that vulnerabilities are systemic, predictable, and largely implementation-driven.

Zambia's legal and policy framework provides clear mandates for transparent and accountable revenue administration. However, these standards are not consistently enforced in practice. Weak follow-ups of audit recommendations allow previously identified weaknesses to recur, and continued reliance on cash-based, manual systems undermine the integrity of local revenue systems. As a result, corruption risks are concentrated at specific stages of the revenue chain where interactions are frequent, and oversight visibility is low.

Importantly, the study finds that corruption risks are not driven by taxpayer ignorance or unwillingness. Most taxpayers understand their obligations and express a strong willingness to comply. Where informal practices emerge, they are largely a response to unpredictable enforcement, inconsistent application of rules, and weak accountability mechanisms. Over time, these conditions erode trust, normalise unofficial arrangements, and weaken the legitimacy of local taxation.

Administrative and systems weaknesses represent the most significant source of risk. Gaps in receipting, limited digital payment platforms, and weak system integration constrain traceability and supervision. Behavioural and gender-related risks, while less widespread in aggregate, remain pronounced in high-discretion environments where women traders face heightened exposure to harassment and greater barriers to reporting misconduct and/or being used as conduits for corruption, such as the undercharging of fees.

The Corruption Vulnerability Index (CVI) confirms that integrity risks are concentrated at specific points in the revenue chain, rather than reflecting wholesale institutional failure. This presents a clear opportunity for targeted reforms. Left unaddressed, existing vulnerabilities risk undermining revenue performance, accountability, and service delivery at the local level. Addressed effectively, they present an opportunity to strengthen the social contract between Local Authorities and taxpayers.Box 1 below provides priority actions that stem from the CVI analysis.

Box 1: Priority Actions

- **Stabilise and expand digital payment systems**, particularly in markets and high-volume revenue points.
- **Enforce universal receipt issuance,** with targeted supervision during mobile and peak-period collections.
- **Reduce discretionary enforcement** through clearer operational procedures and supervisory presence.
- **Strengthen gender-responsive safeguards**, including safe reporting channels for women traders.
- **Ensure follow-through on recurring audit findings**, linking detection to corrective action.

4.2 RECOMMENDATIONS

4.2.1 SHORT-TERM REFORMS

1. **Enforce Universal Receipt Issuance**
   Local Authorities should strictly enforce receipt issuance through routine spot-checks, reliable receipting, disciplinary follow-up for non-compliance, and taxpayer sensitisation on the right to demand receipts.

   Lead: Local Authorities | Support: MoLGRD

2. **Improve Fee Transparency and Predictability**
   Councils should visibly display standardised fee schedules in markets and licensing offices and communicate changes clearly to reduce opportunities for corruption and inconsistent interpretation.

   Lead: Local Authorities | Support: MoLGRD

3. **Strengthen Reporting and Whistleblower Mechanisms**
   Reporting channels should be visible, anonymous where possible, and linked to clear feedback mechanisms to rebuild trust and deterrence. These should align with, and explicitly invoke the protections of, the Public Interest Disclosure (Protection of Whistleblowers) Act No. 4 of 2010, ensuring that those who report revenue-related misconduct are protected from retaliation.

   Lead: Local Authorities | Support: ACC, CSOs

Digitise Receipt Issuance
Local Authorities, with support from MoLGRD, should progressively replace manual receipting with electronic, system-generated receipting at high-

volume collection points, so that every transaction produces a verifiable, centrally recorded receipt. Digital receipting reduces opportunities for non-issuance and under-receipting and strengthens reconciliation between collections and banking.

Lead: Local Authorities | Support: MoLGR

4.2.2 MEDIUM-TERM REFORMS

5. **Expand and Stabilise Digital Revenue Systems**
   Government should prioritise the automation of Local Authority revenue services and their integration with national digital infrastructure, including the Government Service Bus (GSB), to enable real-time transaction recording, interoperability, and end-to-end traceability across the revenue chain. Digitalisation efforts should prioritise reliability, coverage in high-volume environments, and integration with verifiable receipting.

   Lead: MoLGRD | Support: MoFNP, Local Authorities

6. **Build Capacity and Standardise Frontline Practice**
   Targeted training should standardise assessment and enforcement practices, strengthen ethical conduct, and improve supervisory capacity.

   Lead: MoLGRD | Support: Local Authorities

7. S**trengthen Oversight Follow-Through**
   Oversight institutions should prioritise follow-up on recurring audit findings and improve coordination to ensure corrective action.

   Lead: OAG | Support: MoLGRD, ACC

4.2.3 STRUCTURAL REFORMS

8. **Reduce Legal and Procedural Misinterpretation**
   Review revenue-related bylaws to clarify assessment and enforcement rules and limit ad hoc adjustments.

   Lead: MoLGRD | Support: Local Authorities

9. **Integrate Revenue Governance with PFM Reforms**
   Align Local Authority revenue systems with national PFM reforms through improved system integration and stronger internal audit functions.

   Lead: MoFNP | Support: MoLGRD

10. M**ainstream Gender-Responsive Revenue Governance**
    Revenue reforms should explicitly address harassment risks, improve safe reporting for women traders, and integrate gender indicators into oversight.

    Lead: Local Authorities | Support: MoLGRD, CSOs

A summary of the recommendations is provided in Table 4.1 below:

Table 4.1 Recommended Reforms by District, Institution, and Timeline

Reform Area	Lusaka	Rufunsa	Solwezi	Kalumbila	Lead Institution	Supporting Actors	Timeline
Fee transparency & predictability	Standardised, publicly displayed fee schedules in markets and licensing offices	Simplified fee lists with community sensitisation	Harmonised fee communicati on across zones	Early codification of fees and procedures	Local Authorities	MoLGRD	Short-term (0–12 months)
Universal receipt issuance	Enforce receipt issuance during mobile and peak collections	Ensure continuous availability of receipt books	Strengthen supervision during inspections	Embed receipting controls from inception	Local Authorities	OAG	Short-term
Complaint & reporting mechanisms	Strengthen anonymous reporting and publicise outcomes	Introduce basic reporting channels	Improve visibility and protection for complainants	Establish reporting mechanisms early	Local Authorities	ACC	Short-term
Digital revenue systems	Stabilise uptime and expand market coverage	Pilot low-cost digital tools where feasible	Integrate existing systems across departments	Design digital-first systems	MoLGRD / MoFNP	Local Authorities	Medium-term (1–3 years
Capacity building	Reduce discretionary enforcement through standard operating procedures	Basic training for revenue officers and supervisors	Training aligned to expanding revenue base	Institutional capacity development	MoLGRD	Local Authorities	Medium-term
Oversight follow-through	Enforce corrective action on recurring audit issues	Improve supervision and internal audit visibility	Strengthen audit response mechanisms	Build internal audit function	OAG	MoLGRD, ACC	Medium-term

Mandate clarity & discretion reduction	Review discretionary enforcement powers	Clarify roles and enforcement authority	Align enforcement mandates to growth	Codify mandates early	MoFNP / MoLGRD	Parliament	Long-term (3+ years)
System integration	Link revenue systems to broader PFM platforms	Basic system alignment	Improve cross-department integration	Design interoperable systems	MoFNP	Local Authorities	Long-term
Gender-responsive safeguards	Market-level protections and safe reporting	Community-based safeguards	Market supervision protocols	Embed safeguards in system design	Local Authorities	ACC, CSOs	Cross-cutting

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