

# Discussion of ‘The Tax Effort: A Comparison between Sub-Saharan Africa and Benin’

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The chapter by Emilie Caldeira and Grégoire Rota-Graziosi presents the tax collection situation in Benin in comparison with the performance of tax collection in Togo. The text is clear and easy to read. However, there are some observations to make:

- The theoretical question is whether the increase in the tax burden is an end in itself. Is a lower tax burden not an incentive to invest? The question needs to be asked. The USA has a lower tax burden than Denmark, but it has a per capita income and higher productivity. The tax burden should not be viewed as an absolute goal.
- In practical terms, the study would be more useful for both Benin and Togo if it indicated the causal relationship between the various indicators cited and the difference in tax collection rates between the two countries. The study cites as possible causes corruption, motivation of staff, the merger of the tax and customs administrations, the status of the staff (contract or civil servant), and so on. If the Government of Benin seeks to use this document to correct its tax policy, it will not know what lever to act on to improve the tax return.
- The bibliography contains no items by authors from the countries concerned and more generally from French-speaking West African countries. The only bibliographical references are to authors from/writing about English-speaking countries in Africa.

## I OVERALL POINT OF VIEW

The study chooses the institutional perspective as an angle of analysis regarding the issue of brakes on and adjuvants to growth for development in Benin. In this regard, we can advance ideas that complete the comparison between

Benin and Togo, especially on the tax issue. Togo has created a revenue office and this has improved tax revenues. The Togolese scheme, which is similar to those in place in Rwanda and Burundi, addresses a major obstacle in Benin: the power of the trade unions in the finance sector (customs and taxes). The government has reduced by law number 2017-05 of 29 August 2017 the rights of workers by limiting to ten days per year the annual statutory period of walkout. The unions are therefore reduced to grumbling without a real threat capacity as regards the continuity of public services. However, there is reason to fear a similar manoeuvre to that adopted by Burkina Faso trade unionists in the finance sector, which led to the departure of their minister of guardianship and a ministerial reshuffle after a work-to-rule strike (presence at the office but not actually working through the entire period), in February 2019. For its part, the Government of Benin has shown no intention of going in the direction of a revenue agency. On the other hand, it has strongly oriented its administrative policy towards the creation of agencies in all sectors. In general, the agency as a management institution appeared in the course of the reforms undertaken with the advent of new public management in the 1980s. The goal is to apply the managerial methods of the private sector to allow public administrations to become more competitive while guaranteeing a quality public service. Countries like Sweden, the UK, New Zealand, Japan, Canada, and many others have followed this path. An agency makes it possible to combine the advantages of a public administration (regulatory power, power of constraint, general interest) with the managerial flexibility enjoyed by private individuals: a merit pay system, recruitment according to need, simplified dismissal, ease of appreciating individual and collective performance.

In the space of three years of government, the new President of the Republic, elected in 2016, has created about fifty agencies. In the particular field of taxes, the National Agency of Domain and Land was created (by decree no. 2015-10 of 29 January 2015). This agency deals with cadaster issues and facilitates upstream collection of property tax.

The question of the modernisation of public administration goes back a very long time (as mentioned by Pisani, 1956). Today we speak more often of development administration, in the logic of what we could call the 'government by corporations'. The dynamics of differentiation present the attraction of the flexibility of management rules, the ease with which managers are recruited, and the rules of public accounting. Development administration resembles a management administration in the durability of its existence and its power of constraint. On the other hand, it is closer to mission administration in the resulting requirements and its management flexibility. Development administration is more concerned with performance. The question of the performance of administrations is evident in the massive 'agencification' underway in Benin, which is the beginning of a solution to the problem of administrative institutions and their impediment to growth in Benin.

By multiplying agencies in Benin, the government provides solutions to two types of problems:

- First of all, the large numbers in general administration with profiles that often do not correspond to job positions. Public administration is often a refuge for incompetent people who cannot find jobs in the private sector. Very often, offices are cluttered with staff who work little because there are five or ten in a position that only one person can occupy with adequate working means. This overpopulation of the public administration goes hand in hand with insufficient staffing for certain managerial or high-tech positions. We are thus witnessing a contradictory phenomenon where on the one hand some people get bored at work, and on the other hand other agents are on the verge of burnout.
- The question of motivation of the staff could also be regulated by the 'agencification'. Indeed, public officials receive premiums and are subject to a promotion system that is usually based on seniority and not on the quality of work. This is the standard contained in the General Code of the Civil Service (Law No. 2015-18 of 2 April 2015 on the General Statute of the Civil Service). In an agency, staff should be periodically evaluated on their professional performance, results achieved, innovations made, and quality of work done (attendance, relations with colleagues, etc.). This evaluation of the agent could be sanctioned by bonuses, promotions, and many other things. Poor performance should lead to punishments, downgrades, and even dismissal if necessary. The agent in an agency knows that he or she is recruited because of his or her skills and abilities, and not because of his or her relationships.
- Then comes the question of recruitment and dismissal: officials are guaranteed employment and can only be dismissed from their job in extreme circumstances. They are safe from economic redundancy and even if a nurse receives only two patients in the day for his or her village infirmary, this work is enough to guarantee the salary at the end of the month. The notion of return has no place in public administration. Officials obey the rules of the public service of the state. Labour productivity is not evaluated, and neither is yield. The agency offers the possibility to its leaders to leave the administrative framework of the civil service. Recruitment is carried out on the basis of a need for staff. The employment contract that binds the agent to his or her agency will be able to continue on two conditions: first, whether the agent fulfils his or her professional obligations correctly. He or she does what he or she must do on time and perfectly, under the appreciation of his or her managers. Then, the overall performance of the agency will justify the maintenance of the agency or not. An agency that is not performing can be dissolved, merged with another, or its team renewed entirely to give it a new lease of life. The fate of an agency is not very different to that of a private company, and nor is its management.

- Finally, there is the question of remuneration: civil servants are considered to be poorly paid and are not motivated at all to do quality work. It is popularly believed that the state pretends to pay officials and officials in turn pretend to work. The management of an agency makes it possible to combine an optimum workforce, satisfactory remuneration, and good motivation of the agents. It is total quality management.

## II AGENCIFICATION OF THE REVENUE SERVICES IN QUESTION

In the African countries that have adopted this approach (Togo, Rwanda, Kenya, etc.), the agencification of the services responsible for collecting taxes (domestic taxation and door taxation) has had consequences for:

- The motivation of staff.
- A synergy effect that favours revenue optimisation.
- The system of corruption.

Benin has not chosen this solution of agencification. The option is to be able to push on other levers to achieve the same results regarding staff motivation and the system of corruption.

- *The promotion of results-based management:* The African Center for Training and Administrative Research for Development pleaded in 2010 for accountability and transparency in tax administrations. These are values promoted by governments in general government. The African Union has adopted the Public Service Charter (2001) to highlight the concepts of productivity, objectives, and evaluation. For its part, the General Tax Directorate of Benin has started to apply a results-based management system: defining objectives, issuing mission letters, evaluating performance, and implementing positive and negative sanctions. The record of this policy is mixed, but the method may have a more convincing impact with the development of other managerial techniques, notably the dematerialisation of procedures.
- *The dematerialisation of procedures:* This means that information technology is used to reduce contact between tax and customs agents and users. At the customs port of Cotonou, the importer does all of his or her own operations, without ever encountering a customs officer. Import documents are entered into the electronic platform and the amount of customs duty is generated automatically. Payment of tax and customs is made in a commercial bank. The number of the payment receipt is entered into the computer system, which immediately issues the notice with the right to remove the goods. However, customs posts at land borders are not yet equipped with this computer system. As for the Directorate General of Taxes, it has also started a system of dematerialisation of these procedures of calculation and payment of tax. The immediate consequence is the reduction of

opportunities for contact between users and the tax administration. This should reduce the risk of corruption involving tax officials.

- *Saving time*: Dematerialisation must also enable time savings in the execution of formalities with the tax authorities. According to the 2017 Paying Tax Report, it takes 908 hours (37 days) to fulfil tax obligations in Nigeria, 630 hours (26 days) in Cameroon, 124 hours (5 days) in Rwanda, and 82 hours (3.5 days) in Djibouti. Time management is related to the management of paperwork. It has a cost for the tax administration and generates additional costs for taxpayers. In South Africa, the use of electronic platforms has improved tax revenue mobilisation and reduced the cost of corporate tax compliance by 22.4 per cent.

### III CONCLUSION

The Government of Benin is using the technique of agencification to modernise the public administration and to make it more efficient.<sup>20</sup>

Curiously, the same government seems not to be moving towards agencification with respect to tax management. We understand that the decision is to achieve the same results that allows agencification using other managerial techniques: the promotion of results-based management, the dematerialisation of procedures, and the reduction of the time that taxpayers dedicate to their tax obligations.

### REFERENCES

- Caldeira, E. and Rota-Graziosi, G. (2019), 'The Tax Effort in Benin: How Can Tax Gaps Be Reduced?', in Bourguignon, F., Houssa, R., Platteau, J.-P., and Reding, P. (eds.), *Benin Institutional Diagnostic*, WP19/BID03, Oxford: Economic Development and Institutions, ch. 6. <https://edi.opml.co.uk/resource/benin-how-can-tax-gaps-be-reduced>.
- Pisani, E. (1956), 'Administration de gestion, administration de mission', *Revue française de science politique*, Vol. 6, No. 2, pp. 315–30.

<sup>20</sup> See a list of agencies recently created in Benin in Caldeira and Rota-Graziosi (2019).